



**VST, AB**  
Interim financial report for three months of 2007



#### **OUR MISSION –**

we are working to ensure the supply of electric energy in western Lithuania.

#### **OUR VISION –**

we are seeking to become the best provider of regulated services in Lithuania.

#### **OUR ACHIEVEMENTS:**

High client service culture – a responsible team of specialists employed by the company, uniform client service standards, modern client service centres, and new services offered to clients. Abilities of employees are regularly assessed, their qualification is upgraded, trainings are organised.

Consistent investments – consistent and substantial investments are made in the modernisation of the electricity network and the improvement of the quality of services rendered.

Constant fight against thieves of electricity, cables and transformers' oil – the line of confidence is accessible free of charge, a modified oil for transformers was developed, cooperation with police officers is maintained, protection of electricity substations was increased.

Openness for the public – constant provision of information to the public on the company, its activity, services rendered, plans, the name and activity of the company is actively promoted, a positive image of the company is formed working under the principles of transparency and quality.

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## GENERAL INFORMATION ABOUT THE ISSUER

### Key data on the Issuer

Name of the Company:	VST, AB
Share capital:	111 539 940 LTL
Address of its headquarters:	Jasinskio g. 16 C, LT-01112, Vilnius
Telephone number:	(8~5) 278 12 59
Fax number:	(8~5) 278 12 69
E-mail address:	<a href="mailto:vst@vst.lt">vst@vst.lt</a>
Website:	<a href="http://www.vst.lt">www.vst.lt</a>
Legal –organizational form:	Joint stock Company
Registration in the Register of Enterprises:	
- Place of registration:	Ministry of Economy
- Date of registration:	31 December 2001
- Code in the Registry of Enterprises:	1108 70748
- Former code:	1087074
Registrant of the Register of legal bodies:	State Enterprise Centre of registers

### Information on where and when the Report is publicly available

The Report is available during work days from 7<sup>30</sup> till 16<sup>30</sup> and Fridays from 7<sup>30</sup> till 15<sup>15</sup> at the headquarters of the company at the address: J.Jasinskio str. 16C, Vilnius, Department of Marketing and Public relations. Also, the Report is available in the Company's internet site [www.vst.lt](http://www.vst.lt).

The Company's means of mass media for public information are daily newspaper "Lietuvos rytas" and "Respublika", Lithuanian News Agency ELTA and the news agency "BNS".

### Persons in charge of the information contained in the Report

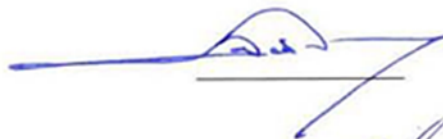
Position	Name, surname	Telephone number	Fax number
Chief Executive Officer	Darius Nedzinskas	(8~5) 278 12 00	(8~5) 278 12 69
Chief Financial Officer	Antanas Poška	(8~5) 278 12 00	(8~5) 278 12 69
Head of the Economic and finance department	Kęstutis Jaržemskas	(8~5) 278 12 59	(8~5) 278 12 69
Accounting Department Manager, Chief Accountant	Lina Minderienė	(8~5) 278 12 59	(8~5) 278 12 69
Head of the Marketing and Public relations department	Rasa Kruopaitė - Lalienė	(8~5) 278 12 59	(8~5) 278 12 69

### The Report prepared in accordance with the Rules on Preparation and Submission of Periodic and Additional Information of the Lithuanian Securities Commission.

## Confirmation of responsible persons

Following the Law on Securities of the Republic of Lithuania and the Rules on Preparation and Submission of Periodic and Additional Information of the Lithuanian Securities Commission, the persons listed below hereby confirm that the information contained in the Report is true and gives correct view of assets, liabilities, financial position, profit or loss of VST, AB:

Chief Executive Officer



Darius Nedzinskas

Chief Financial Officer



Antanas Poška

Head of the Economic and Finance department



Kęstutis Jaržemskas

Accounting Department Manager, Chief Accountant



Lina Minderienė

Head of the Marketing and Public relations department



Rasa Kruopaitė - Lalienė

25 May 2007  
Vilnius

## FINANCIAL ACCOUNTABILITY

Following financial statements presented for the first quarter of the year 2007 are prepared in accordance with the International Financial Reporting Standards. These financial statements for the report period are not audited.

**Balance sheet (financial statement presented for the 1<sup>st</sup> quarter of 2007, the 1<sup>st</sup> quarter of 2006 and the whole financial year of 2006):**

### VST, AB

BALANCE SHEET (in LTL '000)			
	31/03/2007	31/12/2006	31/03/2006
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	2 034 613	2 079 091	2 115 142
Intangible assets	468	656	522
	2 035 081	2 079 747	2 115 664
<b>Current assets</b>			
Inventories	9 079	6 525	9 545
Trade and other receivables	61 824	83 039	67 464
Prepayments, deferred charges and accrued income	9 119	12 672	25 860
Cash and cash equivalents	182 846	102 935	238 807
	262 868	205 171	341 676
<b>Total assets</b>	<b>2 297 949</b>	<b>2 284 918</b>	<b>2 457 340</b>
<b>EQUITY</b>			
Share capital	111 540	111 540	111 540
Revaluation reserve (result)	810 567	830 011	1 167 100
Legal reserve	11 154	11 154	11 154
Retained earnings (deficit)	490 743	453 999	200 162
<b>Total equity</b>	<b>1 424 004</b>	<b>1 406 704</b>	<b>1 489 956</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	318 939	340 177	388 801
Other payables	6 914	6 914	7 779
Deferred income	142 390	136 385	104 565
Deferred income tax liability, net	197 987	206 293	228 298
	666 230	689 769	729 443
<b>Current liabilities</b>			
Borrowings	58 416	48 625	108 200
Trade and other payables	96 520	95 563	62 183
Advances, accrued charges and deferred income	20 875	28 321	28 763
Income tax payable	31 904	15 936	38 795
	207 715	188 445	237 941
<b>Total liabilities</b>	<b>873 945</b>	<b>878 214</b>	<b>967 384</b>
<b>Total equity and liabilities</b>	<b>2 297 949</b>	<b>2 284 918</b>	<b>2 457 340</b>

Darius Nedzinskas  
Chief Executive Officer

Antanas Poška  
Chief Financial Officer

**Income statement (financial statement presented for the 1<sup>st</sup> quarter of the year 2007 and the 1<sup>st</sup> quarter of the year 2006):**

**VST, AB**

INCOME STATEMENT (in LTL '000 unless otherwise stated)		
	31/03/2007	31/03/2006
Sales	283 099	259 694
Other operating income	1 396	1 212
	284 495	260 906
Purchases of electricity	( 151 452)	( 137 489)
Other operating expenses	( 104 934)	( 98 817)
	( 256 386)	( 236 306)
<b>Operating profit (loss)</b>	<b>28 109</b>	<b>24 600</b>
Financial income (expenses), net	( 3 147)	( 2 516)
<b>Profit (loss) before tax</b>	<b>24 962</b>	<b>22 084</b>
Income tax	( 15 969)	( 15 918)
Deferred income tax benefit	8 307	5 942
	( 7 662)	( 9 976)
<b>Net profit (loss)</b>	<b>17 300</b>	<b>12 108</b>
Basic and diluted earnings (loss) per share, in LTL	4.65	3.26

Darius Nedzinskas

Chief Executive Officer

Antanas Poška

Chief Financial Officer

**Cash flow statement (financial statement presented for the 1<sup>st</sup> quarter of the year 2007 and the 1<sup>st</sup> quarter of the year 2006):**

**VST, AB**

**CASH FLOW STATEMENT (in LTL '000 )**

31/03/2007 31/03/2006

**Cash flow from operating activities**

Net profit (loss) 17 300 12 108

*Adjustments for non-cash items:*

Income tax 7 662 9 976

Depreciation and amortization 46 532 45 554

Recognition of income from the connection of new customers (1 096) (791)

Write-offs and impairment of property, plant and equipment 18 780 24 264

Proceeds from sales of property, plant and equipment, net (25) 99

Impairment of receivables and prepayments 11 979 1 598

(Increase) decrease in inventories (1 163) -

Changes in accrued income (4 449) -

Accrued wages, salaries and social security expenses 471 2 543

Net (profit) loss from transactions in foreign currencies - 1

Interest income (1 178) (1 506)

Interest expenses 4 433 4 102

100 246 97 948

*Changes in working capital:*

Inventories (2 328) 4 259

Receivables, prepayments, deferred charges and accrued income 17 158 (12 051)

Payables, advances received, accrued charges and deferred income 17 995 (27 941)

*Cash flow from operations*

Interest received 1 178 1 506

Interest paid (4 346) (4 297)

Income tax paid - (6 165)

**Net cash flows from operating activities** 129 903 53 259

**Cash flows from investing activities**

Purchase of property, plant, equipment and intangible assets (34 590) (21 552)

Proceeds from sale of property, plant and equipment 21 688

Loan repayments received 8 20

**Net cash flows from investing activities** (34 561) (20 844)

**Cash flows from financing activities**

Loans received 305 693 7 796

Loans repaid (317 061) (566)

Payments of financial lease (7) (10)

Dividends and payments related to share capital decrease paid (56) (127)

**Net cash flows from financing activities** (11 431) 7 093

Effects of exchange rate changes on cash balance - (1)

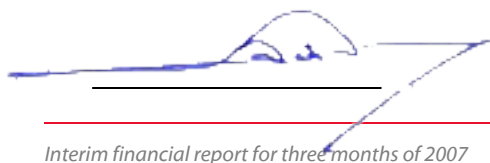
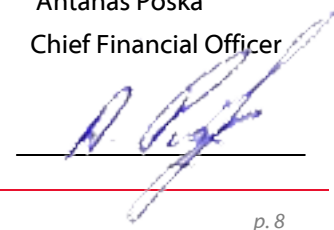
**Net increase (decrease) in cash and cash equivalents** 83 911 39 507

**Cash and cash equivalents at beginning of year** 102 935 199 300

**Cash and cash equivalents at end of year** 186 846 238 807

Darius Nedzinskas  
Chief Executive Officer

Antanas Poška  
Chief Financial Officer



**Statement of changes in equity (financial statement presented for the 1<sup>st</sup> quarter of the year 2007 and the 1<sup>st</sup> quarter of the year 2006):**

**VST, AB**

STATEMENT OF CHANGES IN EQUITY (in LTL '000 )	Share capital paid	Revaluation reserve for property, plant and equipment	Legal reserve	Retained earnings (deficit)	Total
<b>Balance as at 31 December 2005</b>	<b>111 540</b>	<b>1 193 837</b>	<b>11 154</b>	<b>161 317</b>	<b>1 477 848</b>
Increase of the share capital					
Transfer from legal reserve to retained earnings					
Transfer from revaluation reserve to retained earnings		(26 737)		26 737	-
Dividends for the year 2005					
Net profit for the reporting period				12 108	12 108
<b>Balance as at 31 March 2006</b>	<b>111 540</b>	<b>1 167 100</b>	<b>11 154</b>	<b>200 162</b>	<b>1 489 956</b>
<b>Balance as at 31 December 2006</b>	<b>111 540</b>	<b>830 011</b>	<b>11 154</b>	<b>453 999</b>	<b>1 406 704</b>
Increase of the share capital					
Transfer from legal reserve to retained earnings					
Transfer from revaluation reserve to retained earnings		(19 444)		19 444	-
Dividends for the year 2006					
Net profit for the reporting period				17 300	17 300
<b>Balance as at 31 March 2007</b>	<b>111 540</b>	<b>810 567</b>	<b>11 154</b>	<b>490 743</b>	<b>1 424 004</b>

Darius Nedzinskas

Chief Executive Officer

Antanas Poška

Chief Financial Officer

## Explanatory letter

The explanatory letter discusses material changes in financial statements and the reasons for such changes. Financial statements have been prepared in accordance with the International Financial Accounting Standards (IFAS).

## Corporate Activities

VST, AB is the owner of electric power distribution network (medium and low voltage power lines, transformer substations and other distribution equipment). The main activity of the Company is the distribution of electricity through medium and low voltage power networks and supply of electric power to its consumers in Kaunas, Klaipėda, Šiauliai regions. It is responsible for the security, reliable performance, maintenance, management and development of such networks.

Company supplied services to 704 785 customer objects in the end of the third quarter of this year.

## Revenue and Expenses

Throughout the first quarter of 2007 the Company sold 1.1 percent more electricity and totally amounted to 1062 million kWh (Table 1). Revenue from sales amounted to 283 million LTL and grew up by 9 percent.

Electricity purchases, in comparison with previous years, increased by 10 percent.

Net financial activity expenses increased by 13 percent due to an increase in interest expenses and expenses for loan services.

Table 1. Electricity sales and expenditure

Indicators	Units of measure	1 <sup>st</sup> quarter, 2007	1 <sup>st</sup> quarter, 2006	Variation, thous. kWh	Variation, percent
Electricity purchased	thous. kWh	1 163 881	1 169 985	-6 103	-0.5%
Electricity sold (active)	thous. kWh	1 062 470	1 032 815	29 655	2.9%
Network (transportation) losses	thous. kWh	92 153	126 293	-34 140	-27%
Consumption for own needs	thous. kWh	9 259	10 877	-1 618	-14.9%

The net profit of VST, AB in the first quarter, compared with the same period last year, increased by 43 percent from 12.1 million LTL to 17.3 million LTL. The increase in net profits is attributed to income from deferred profit tax amounting to 8.3 million LTL, compared with 5.9 million LTL in the same period last year.

## Balance Sheet

Throughout the first quarter of 2007, investments into the development and maintenance of power distribution networks amounted to 21 million LTL; investments remained unchanged comparing with the same period in 2006 when investments amounted to 21.6 million LTL.

Trade and other payables increased from 62.2 million LTL to 96.5 million LTL due to increase in electric energy and reconstruction and maintenance liabilities.

Prepayments and deferred charges, in comparison to the first quarter last year, decreased from 25.9 million LTL to 9 million LTL as there were no payments for electricity, profit and social taxes. Remark, the end of the reported quarter coincided with a week-end, therefore, profit, social tax payments, also payments for electric energy and others were shifted to another period.

Deferred income for the reported period increased by 36 percent to 142.4 million LTL.

Advances and accrued charges throughout the year decreased from 28.8 million LTL to 20.9 million LTL due to smaller amounts of accrued liabilities.

### *Financial liabilities*

Syndicated loans (Table 2) accounted for 99.98 percent of all Company's financial debts that amounted to 377.4 million LTL.

In comparison to the same period last year, financial liabilities (short-term and long-term) to banks decreased by 24 percent from 496.8 million LTL to 377.3 million LTL. Total amount of short-term and long-term leasing was 77.8 thousand LTL in the end of the reported period.

Table 2. Bank loans for VST, AB.

Lender	Currency	Value in balance sheet (2007 03 31), million LTL	Value in balance sheet (2006 12 31), million LTL	Value in Balance sheet (2006 03 31), million LTL
AB bank „Hansabankas“ (overdraft)	LTL	-	-	7.8
AB bank „Hansabankas“	EUR	-	-	17.3
Nordea Bank Finland Plc Lithuania	EUR	-	-	34.5
Syndicated loans	EUR	377.3	388.6	437.2
<b>Total</b>		<b>377.3</b>	<b>388.6</b>	<b>496.8</b>

The Company has no currency risk due to the fact that payments for goods and services are made in LTL, and loans are taken out in euros (the euro is pegged to the national currency litas at a fixed rate).

### **Cash Flow**

At the end of the first quarter of this year cash flow from the main activities was 129.9 million LTL and increased by 76.6 million LTL compared with the same period last year. It is mainly attributed to the fact that the end of the period coincided with a week-end and some payments were shifted to another period.

Cash flow after investing activities amounted to 95.3 million LTL due to bigger amounts of capital expenditure as at the end of the first quarter of 2006 cash flow amounted to 32.4 million LTL.

Net increase in cash and cash equivalents at the end of the reported period was 83.9 million LTL, 44.4 million LTL bigger than at the end of the first quarter of 2006.

### **Essential events**

#### 27.04.2007 Preliminary pre-audit 2007 1Q activity result of VST, AB

Preliminary pre-audit 2007 1Q activity result of VST, AB is LTL 24.9 mil. (EUR 7.21 mil.) net profit before taxes.

#### 27.04.2007 The decisions adopted in the General meeting of the shareholders of VST, AB

The General shareholders meeting of VST, AB, held on on April 27th, 2007, adopted the following decisions:

1. The item of the agenda "The consideration of the 2006 Annual report of VST, AB:
  - 1.1. Accept the 2006 annual report of VST, AB.
2. The item of the agenda "Approval of the 2006 financial statements of VST, AB:
  - 2.1. Approve the 2006 financial statements of VST, AB audited by the audit company UAB „Ernst & Young Baltic“.
3. The item of the agenda "Distribution of 2006 profit (loss) of VST, AB:
  - 3.1. Approve the distribution of 2006 profit (loss) of VST, AB.

3.2. Pay dividends to the shareholders of VST, AB in the amount of 16,00 LTL (4,63 EUR) per one ordinary registered share of the company.

3.3. Designate, that the right to receive dividends, set in the Clause 3.2 herein, shall have those persons, which on the end of the day of the general shareholders meeting, which decided to pay dividends, i.e. on the end of April 27, 2007 shall be the shareholders of VST, AB. The dividends to such persons should be paid according to the paragraph 60 part 4 of the Lithuanian Republic Law on Companies, i.e. in one month from the adoption day of the decision to pay dividends, payment being made through the company's shareholders' issuer accountants and the company's (issuer's) issuer accountant - AB bankas "Hansabankas".

16.04.2007 The drafts resolutions of the general meeting of the shareholders of VST, AB

According to the decision of the Board of VST, AB a general shareholders meeting is called on April 27th, 2007 and shall take place at the offices of the Company 5th floor, J.Jasinskio 16c, Vilnius, at 11.00 AM. The shareholders will be asked to approve the following items:

1. The item of the agenda "The consideration of the 2006 Annual report of VST, AB:

1.1. Accept the 2006 annual report of VST, AB.

2. The item of the agenda "Approval of the 2006 financial statements of VST, AB:

2.1. Approve the 2006 financial statements of VST, AB audited by the audit company UAB „Ernst & Young Baltic“ (attached).

3. The item of the agenda "Distribution of 2006 profit (loss) of VST, AB:

3.1. Approve the distribution of 2006 profit (loss) of VST, AB (attached).

3.2. Pay dividends to the shareholders of VST, AB in the amount of 16,00 LTL (4,63 EUR) per one ordinary registered share of the company.

3.3. Designate, that the right to receive dividends, set in the Clause 3.2 herein, shall have those persons, which on the end of the day of the general shareholders meeting, which decided to pay dividends, i.e. on the end of April

27, 2007 shall be the shareholders of VST, AB. The dividends to such persons should be paid according to the paragraph 60 part 4 of the Lithuanian Republic Law on Companies, i.e. in one month from the adoption day of the decision to pay dividends, payment being made through the company's shareholders' issuer accountants and the company's (issuer's) issuer accountant - AB bankas "Hansabankas".

Profit (loss) distribution project proposed to approve in a general shareholders meeting:

1. Retained earnings at the beginning of the financial year 33 010 331 LTL (9 560 452,68 EUR);

2. Net annual operating result (profit/loss) 59 677 144 LTL (17 283 695,55 EUR);

3. Profit (loss) of the financial year that is unrecognized in the profit (loss) statement 0 LTL (0 EUR);

4. Transfers from reserves:

4.1. Transfer from revaluation reserve 361 312 045 LTL (104 643 201 EUR);

4.2. Transfer from compulsory reserve 0 LTL (0 EUR);

5. Shareholders' contributions to cover losses (if shareholders decided to cover all or a portion of losses) 0 LTL (0 EUR);

6. Total distributable profit (loss) 453 999 520 LTL (131 487 349,40 EUR);

7. Profit allocation to the compulsory reserve 0 LTL (0 EUR);

8. Profit allocation to the reserve to purchase company's own shares 0 LTL (0 EUR);

9. Profit allocation to other reserves 0 LTL (0 EUR);

10. Profit allocation to pay out dividends (16 LTL per 1 share, i.e. 4,63 EUR per 1 share) 59 487 968 LTL (17 228 906,39 EUR);

11. Profit allocation to yearly pay outs to board and council members, employee bonuses and other purposes 0 LTL (0 EUR);

12. Retained earnings carried forward to next financial year 394 511 552 Lt (114 258 443 EUR).

23.03.2007 Notice to convene annual general meeting

The Board of VST, AB on March 23, 2007 adopted a decision to call the General shareholders meeting of VST, AB and approved the following agenda of the meeting:

1. The consideration of the 2006 Annual report of VST, AB.

2. Approval of the 2006 financial statements of VST, AB.

3. Distribution of 2006 profit (loss) of VST, AB.

The Board of VST, AB suggests the General shareholders meeting to adopt the decision to pay dividends in the amount of 16,00 LTL (4.63 EUR) per one ordinary registered share of the company. The Board of VST, AB suggests the General shareholders meeting to designate, that the right to receive dividends shall have those persons, which on the end of the day of the general shareholders meeting, which decided to pay dividends, i.e. on the end of April

27, 2007 shall be the shareholders of VST, AB. The dividends to such persons should be paid according to the paragraph 60 part 4 of the Lithuanian Republic Law on Companies, i.e. in one month from the adoption day of the decision to pay dividends, payment being made through the company's shareholders' issuer accountants and the company's (issuer's) issuer accountant - AB bankas "Hansabankas".

28.02.2007 Activity result for 2006 of VST, AB

VST, AB in the year 2006 earned 59,68 million litas (17,28 mln. EUR) audited net profit, calculated according to International Financial Reporting Standards.

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