

Vilniaus Vingis AB

Report for the First Quarter of the Year 2006



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I. GENERAL PROVISIONS

1. Reporting period for which the report has been prepared

The report has been prepared for the first quarter of the year 2006.

2. Main data about the Issuer

Name of the Issuer	Vilniaus Vingis AB
Code in the Register of Enterprises	1225 97830
Authorised capital	36 492 420 LTL
Address	Savanoriu ave. 176, LT-03154 Vilnius, Lithuania
Telephone	+370 5 239 25 00
Fax	+370 5 239 25 55
E-mail address	info@vingis.lt
Internet address	www.vingis.lt
Legal and organisational form	public company (joint-stock company)
Date and place of registration	25 February 1994, State Enterprise Centre of Registers
Date and place of re-registration	28 September 2001, State Enterprise Centre of Registers
Register	Register of Legal Persons

3. Information about where and how it is possible to get acquainted with the report and other documents in accordance with it was prepared and the names of the means of the mass media

Report is available at the company's registered office (Finance Management Department) from the 3 May 2006 at Savanoriu ave. 176, Vilnius, and at the Financial Brokerage Company Finasta AB at Konstitucijos ave. 23, Vilnius.

The means of mass media of Vilniaus Vingis AB: the daily Lietuvos rytas, Lithuanian News Agency ELTA and News Agency BNS.

4. Persons responsible for the accuracy of information in the report

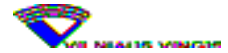
4.1. Members of the managing bodies of the Issuer, employees and the head of the administration responsible for the report

Vaclovas Šleinota, Managing Director, tel. +370 5 239 25 00, fax +370 5 239 25 55

Darius Ožiūnas, Finance Director, tel. +370 5 239 25 23

Svetlana Ivanova, Chief Accountant, tel. +370 5 239 25 77

4.2. The report was prepared by Asta Krušnauskaitė, the company consultant of FBC Finasta AB (Konstitucijos ave. 23, Vilnius, tel. +370 5 278 68 44, fax +370 5 210 24 74), in accordance with the information provided by the company.



5. Confirmation of the members of the Issuer's managing bodies, its employees, head of administration and the Issuer's consultants responsible for the preparation of this report that information contained in the report is true and there are no suppressed facts which could have an impact on investors' decisions concerning purchase, sale or valuation of the Issuer's securities or on the market price of these securities

Vilniaus Vingis AB, represented by Vaclovas Šleinota, Managing Director, Darius Ožiūnas, Finance Director, and Svetlana Ivanova, Chief Accountant, confirms that information contained in the report is true and there are no suppressed facts which could have an impact on investors' decisions concerning purchase, sale or valuation of the Issuer's securities or on the market price of these securities.

Managing Director **Vaclovas Šleinota**

Finance Director **Darius Ožiūnas**

Chief Accountant **Svetlana Ivanova**

FBC Finasta AB, represented by Asta Krušnauskaitė, the Company consultant, confirms that the information contained in this report and provided by the managers and employees of Vilniaus Vingis AB is true. FBC Finasta AB is responsible for the proper work-out of the information provided. Vilniaus Vingis AB is responsible for the accuracy of the information.

Company consultant of FBC Finasta AB **Asta Krušnauskaitė**

Date of signing the Report: 28 April 2006

Place of preparation – FBC Finasta AB (Konstitucijos ave. 23, Vilnius)



II. INFORMATION ABOUT THE ISSUER'S LARGEST SHAREHOLDERS AND MEMBERS OF THE MANAGING BODIES

6. Shareholders

On 31 March 2006 the total number of Vilniaus Vingis AB shareholders was 1,522.

Table 6.1. Shareholders who hold more than 5 per cent of the Issuer's authorised capital or / and votes.

Name of the shareholder, its type, address of head office, code in the Register of Enterprises	Number of ordinary registered shares owned by the right of ownership	Part in the authorised capital, %	Part of votes given by the shares owned by the right of ownership, %	Part of votes of shareholders that are acting jointly, %
SKANDINAVISKA ENSKLIDA BANKEN CLIENTS Sergels Torg 2, 10640 Stockholm, Sweden 50203290810	1,852,711	20.31	21.43	---
HANSABANK CLIENTS Liivalaia 8, 15040 Tallinn, Estonia 10060701	1,334,030	14.62	15.43	---
FINASTA INVESTMENT MANAGEMENT INVESTMENT FUND OF CENTRAL AND EASTERN EUROPE Konstitucijos ave. 23, LT-08105 Vilnius, Lithuania 2626307	793,440	8.70	9.18	9.49
FINASTA INVESTMENT MANAGEMENT Konstitucijos ave. 23, LT-08105 Vilnius, Lithuania 2626307	14,269	0.16	0.17	
FINASTA INVESTMENT MANAGEMENT REASONABLE RISK PENSION FUND Konstitucijos ave. 23, LT-08105 Vilnius, Lithuania 2626307	10,000	0.11	0.12	
FINASTA INVESTMENT MANAGEMENT ACTIVE INVESTMENT PENSION FUND Konstitucijos ave. 23, LT-08105 Vilnius, Lithuania 2626307	2,663	0.03	0.03	
FINASTA INVESTMENT MANAGEMENT GROWING INCOME PENSION FUND Konstitucijos ave. 23, LT-08105 Vilnius, Lithuania 2626307	546	0.01	0.01	

Continuation of Table 6.1.

Name of the shareholder, its type, address of head office, code in the Register of Enterprises	Number of ordinary registered shares owned by the right of ownership	Part in the authorised capital, %	Part of votes given by the shares owned by the right of ownership, %	Part of votes of shareholders that are acting jointly, %
VACLOVAS ŠLEINOTA	242,532	2.66	2.80	9.34
RIMVYDAS SAVICKAS	179,122	1.96	2.07	
VLADISLOVAS CYBAS	12	0.00	0.00	
ANTANAS SAVICKAS	55,047	0.60	0.64	
VALDAS PETRAUSKAS	132,377	1.45	1.53	
DARIUS OŽIŪNAS	101,406	1.11	1.17	
VILNIAUS VINGIS AB Savanorių ave. 176, LT-03154 Vilnius, Lithuania 122597830	475,817	5.22	---	---

7. Members of the managing bodies

AB “Vilniaus Vingis” has the General Meeting, a single-person management organ – the manager (General Director) and collegial management organ – the Board. The Supervisory Board is not formed in the Company.

The Board is elected by the General Meeting for a term of 4 years. The Board has 5 members.

The Board elects and removes from office the manager of the Company, fixes his salary, approves his job description, provides incentives for him and imposes penalties.

7.1. Position held, names and surnames, data about participation in the Issuer’s authorised capital

Table 7.1.1. Members of the managing bodies and their participation in Issuer’s authorised capital.

Name, surname	Position held	Share of the capital held, %	Share of the votes held, %
THE BOARD			
Vaclovas Šleinota	Chairman	2.66	2.80
Vladislovas Cybas	Member	0.0001	0.0001
Rimvydas Savickas	Member	1.96	2.07
Algimantas Variakojis	Member	0.01	0.01
Marija Leitonienė	Member	-	-
ADMINISTRATION			
Vaclovas Šleinota	Managing Director	2.66	2.80
Antanas Savickas	Quality Director	0.60	0.64
Darius Ožiūnas	Finance Director	1.11	1.17
Marius Budrys	Procurement Director	-	-
Sigitas Brazinskas	Business development Director	-	-
Asta Dagilienė	Personnel Director	-	-
Valdas Petrauskas	Geba complex production Director	1.45	1.53
Svetlana Ivanova	Chief Accountant	0.01	0.01

7.2. Data about participation in the activities of other companies, enterprises and organisations (name of the company, enterprise, or organisation and position held), over 5 percent of capital and votes held in other enterprises (percentage)

Table 7.2.1. Participation in activities of other companies, enterprises and organisations.

Name, surname	Name of the company, enterprise, organisation, position held	Share of capital and votes held in other enterprises, %
Vaclovas Šleinota	Lithuanian Confederation of Industrialists, Vice-president	-
	Association of Machines and Appliances Industry Enterprises, President	-
	Council of Vilnius University, Member	-
	Science Council of Lithuania, Member	-
	Vilniaus Vingio Mechanika UAB, Chairman	-
	Vilniaus Vingio Gija UAB, Chairman	-
	Filmpakas UAB, Chairman	-
	Res immobile UAB	8.3
Rimvydas Savickas	Vilniaus Vingis Mechanika UAB, member of the Board, Director	-
	Res immobile UAB	8.3
Algimantas Variakojis	FBC Finasta AB, Member of the Board; Manager of projects	-
	Apranga APB, Member of the Board	-
	Finasta Investment Management UAB, Member of the Board	-
	Panevėžio melioracija UAB, Member of the Board	-
	Verpstas AB, Member of the Board	-
	Gateka UAB, Member of the Board	-
	Pozityvios investicijos UAB, Director	-
	Invetex AB, Member of the Board	-
	Progresas AB, Member of the Board	9.99
	Verslo praktika, Consulting Company	100.0
	SIA Gravity (Latvia), Member of the Board	-
Marija Leitonienė	FBC Finasta AB, The Head of Financial Analysis Department	-
	Šaldytuvų remontas UAB	11.6
Marius Budrys	Filmpakas UAB, Member of the Board	-
Antanas Savickas	Sertika UAB	20.0
	Filmpakas UAB, Member of the Board	-
Darius Ožiūnas	Vilniaus Vingio Mechanika UAB, Member of the Board	-
	Vilniaus Vingio Gija UAB, Member of the Board	-
	Filmpakas UAB, Member of the Board	-
	Res immobile UAB	6.2
Asta Dagilienė	Vilniaus Vingio Gija UAB, Member of the Board	-
	Greičio technologijos UAB	10.0
Valdas Petrauskas	Vilniaus Vingio Mechanika UAB, Member of the Board	-
Sigitas Brazinskas	Vilniaus Vingio Mechanika UAB, Member of the Board	-
	Vilniaus Vingio Gija UAB, Member of the Board	-
Svetlana Ivanova	-	-

III. FINANCIAL STATUS

Financial statements provided in this section are prepared in accordance with the International Financial Reporting Standards.

Financial statements for 31 December 2005 are audited and the financial statements for 31 March 2005 and 31 March 2006 are unaudited.

8. Balance sheet

LTL

No.	ASSETS	NOTE	GROUP	COMPANY		
			31.03.2006	31.03.2006	31.12.2005	31.03.2005
A.	NON – CURRENT ASSETS		39,680,222	39,978,252	35,062,632	48,959,772
I.	INTANGIBLE ASSETS	2	656,244	419,341	473,913	883,497
I.1.	Licences and patents		68,429	68,429	85,025	115,139
I.2.	Computer software		374,048	137,145	175,121	554,591
I.3.	Other intangible assets		213,767	213,767	213,767	213,767
II.	TANGIBLE ASSETS	1	39,023,978	32,682,853	34,528,719	47,724,202
II.1.	Land					
II.2.	Buildings and constructions		16,136,692	16,136,692	16,246,439	16,575,680
II.3.	Machinery and equipment		14,914,013	8,764,510	9,505,307	18,672,257
II.4.	Means of transportation		565,164	434,539	447,677	711,283
II.5.	Other fixtures, fittings, tools and equipment		7,831,865	7,860,768	8,616,152	11,082,698
II.6.	Construction in progress		89,900		289,842	1,295,917
II.7.	Provisions for construction in progress				(70,000)	
II.8.	Other tangible assets		23,186	23,186	30,144	51,017
II.9.	Provisions		(536,842)	(536,842)	(536,842)	(664,650)
III.	FINANCIAL ASSETS			6,876,058	60,000	
IV.	DEFERRED TAX ASSETS					352,073
B.	CURRENT ASSETS		26,305,853	25,829,773	33,213,014	37,467,428
I.	INVENTORIES, PREPAYMENTS AND CONTRACTS IN PROGRESS		10,944,330	6,705,305	17,458,094	16,141,538
I.1.	Inventories	3	10,477,562	6,309,163	10,653,982	15,420,433
I.1.1.	Raw materials and consumables		6,141,287	3,458,472	6,536,431	8,513,605
I.1.2.	Work in progress		730,769		501,778	485,503
I.1.3.	Finished products		1,989,927	1,235,112	1,886,254	6,421,325
I.1.4.	Goods for resale		1,615,579	1,615,579	1,729,519	
I.2.	Prepayments		466,768	396,142	6,804,112	721,105
I.3.	Contracts in progress					
II.	AMOUNTS RECEIVABLE WITHIN ONE YEAR		12,492,775	17,086,683	14,524,680	21,105,586
II.1.	Trade debtors		9,666,750	8,075,632	10,710,622	18,625,755
II.2.	Receivables from subsidiaries and associates			6,717,977		
II.3.	Other amounts receivable		2,826,025	2,293,074	3,814,058	2,479,831
III.	OTHER CURRENT ASSETS		572,820	572,820	576,540	
IV.	CASH AND CASH EQUIVALENTS	4	2,295,928	1,464,965	653,700	220,305
	TOTAL ASSETS		65,986,075	65,808,025	68,275,646	86,427,201



continuation

No.	EQUITY AND LIABILITIES	NOTE	GROUP	COMPANY		
			31.03.2006	31.03.2006	31.12.2005	31.03.2005
C.	EQUITY		47,143,116	48,012,049	47,704,596	53,018,461
I.	CAPITAL		34,756,952	34,756,952	34,756,952	34,756,952
I.1.	Authorised (subscribed)	5	36,492,420	36,492,420	36,492,420	36,492,420
I.2.	Share premium		2,211,200	2,211,200	2,211,200	2,211,200
I.3.	Own shares (-)	6	(3,946,668)	(3,946,668)	(3,946,668)	(3,946,668)
II.	REVALUATION RESERVE (RESULTS)		275	275	275	275
III.	RESERVES		6,632,624	6,632,624	6,632,624	16,624,395
III.1.	Legal reserve		2,085,956	2,085,956	2,085,956	1,905,278
III.2.	Reserve for acquiring own shares		3,946,668	3,946,668	3,946,668	14,119,117
III.3.	Other reserves		600,000	600,000	600,000	600,000
IV.	RETAINED EARNINGS (LOSSES)		5,753,265	6,622,198	6,314,745	1,636,839
D.	GRANTS AND SUBSIDIES					
E.	AMOUNTS PAYABLE AND LIABILITIES		18,842,959	17,795,976	20,571,050	33,408,740
I.	AMOUNTS PAYABLE AFTER ONE YEAR AND NON-CURRENT LIABILITIES		6,131,713	6,131,713	7,322,338	19,735,105
I.1.	Financial debts		6,131,713	6,131,713	7,322,338	19,735,105
II.	AMOUNT PAYABLE WITHIN ONE YEAR AND CURRENT LIABILITIES	8	12,711,246	11,664,263	13,248,712	13,673,635
II.1.	Current portion of non-current debts	7		0	105,417	76,941
II.2.	Financial debts to credit institutions				2,713,770	
II.3.	Trade creditors		9,205,240	8,831,403	8,322,304	10,150,035
II.4.	Debts to subsidiaries and associates			300,000		
II.5.	Amounts received in advance (on contracts in progress)		192,646	37,405	61,163	344,568
II.6.	Profit tax liabilities					
II.7.	Liabilities related with labour relations		2,270,648	1,457,219	1,058,895	2,349,423
II.8.	Provisions					
II.9.	Other amounts payable and current liabilities		1,042,712	1,038,236	987,163	752,668
	TOTAL EQUITY AND LIABILITIES		65,986,075	65,808,025	68,275,646	86,427,201

9. Profit (loss) statement

LTL

No.	ITEMS	GROUP	COMPANY	
		1ST QUARTER OF 2006	1ST QUARTER OF 2006	1ST QUARTER OF 2005
I.	TURNOVER	20,680,532	20,358,648	25,275,945
II	PRODUCTION COST	19,341,037	18,483,872	23,337,273
III.	GROSS PROFIT (LOSS)	1,339,495	1,874,776	1,938,672
IV.	OPERATING COSTS	2,874,584	2,537,136	2,251,953
IV.1.	Sales	355,612	279,965	595,505
IV.2.	General and administrative	2,518,972	2,257,171	1,656,448
V.	OPERATING PROFIT (LOSS)	(1,535,089)	(662,360)	(313,281)
VI.	OTHER ACTIVITIES	165,002	143,698	309,890
VI.1	Income	498,153	4,385,453	1,564,670
VI.II	Expenses	333,151	4,241,755	1,254,780
VII.	FINANCING AND INVESTING ACTIVITIES	823,311	826,115	(277,120)
VI.1	Income	922,586	915,391	6,383
VI.II	Expenses	99,275	89,276	283,503
VIII.	PROFIT (LOSS) FROM NORMAL ACTIVITIES	(546,775)	307,453	(280,511)
IX.	EXTRAORDINARY GAIN			
X.	EXTRAORDINARY LOSSES			
XI.	PROFIT (LOSS) BEFORE TAXES	(546,775)	307,453	(280,511)
XII.	PROFIT TAX			
XIII.	NET PROFIT (LOSS)	(546,775)	307,453	(280,511)

10. Statement of changes in shareholders' equity

Company, LTL

	Share capital	Share premium	Own shares (-)	Legal reserve	Other reserves	Retained earnings (losses)	Total
SHAREHOLDERS' EQUITY AT 31 DECEMBER 2004	36,492,420	2,211,200	(3,946,668)	1,905,278	14,719,117	1,917,624	53,298,971
Dividends							
Transfer to reserves				180,678	(10,172,174)	9,991,496	0
Acquisition of own shares							
Movement in hedging reserve							
Loss of 2005						(5,594,375)	(5,594,375)
SHAREHOLDERS' EQUITY AT 31 DECEMBER 2005	36,492,420	2,211,200	(3,946,668)	2,085,956	4,546,943	6,314,745	47,704,596
Transfer to reserves							
Profit of 2006						307,453	307,453
SHAREHOLDERS' EQUITY AT 31 MARCH 2005	36,492,420	2,211,200	(3,946,668)	2,085,956	4,546,943	6,314,745	48,012,049

Consolidated, LTL

	Share capital	Share premium	Own shares (-)	Legal reserve	Other reserves	Retained earnings (losses)	Total
SHAREHOLDERS' EQUITY AT 31 DECEMBER 2004	36,492,420	2,211,200	(3,946,668)	1,905,278	14,719,117	1,917,624	53,298,971
Dividends							
Transfer to reserves				180,678	(10,172,174)	9,991,496	0
Acquisition of own shares							
Movement in hedging reserve							
Loss of 2005						(5,609,079)	(5,609,079)
SHAREHOLDERS' EQUITY AT 31 DECEMBER 2005	36,492,420	2,211,200	(3,946,668)	2,085,956	4,546,943	6,300,041	47,704,596
Transfer to reserves							
Loss of 2006						(546,776)	(546,776)
SHAREHOLDERS' EQUITY AT 31 MARCH 2005	36,492,420	2,211,200	(3,946,668)	2,085,956	4,546,943	5,753,265	47,143,116



11. Cash flow statement

LTL

No.	ITEMS	GROUP	COMPANY	
		1ST QUARTER OF 2006	1ST QUARTER OF 2006	1ST QUARTER OF 2005
I.	CASH FLOW FROM MAIN ACTIVITY			
I.1.	Cash inflows (including VAT) of the reporting period	24,900,294	23,307,230	26,514,314
I.1.1.	Cash inflows from customers	24,483,786	22,892,827	26,494,550
I.1.2.	Other inflows	416,508	414,403	19,764
I.2.	Cash payments of the reporting period	(20,936,956)	(20,012,432)	(23,503,939)
I.2.1.	Payments (including VAT) for raw materials, goods and services	(15,134,304)	(15,359,729)	(16,064,387)
I.2.2.	Payments related to labour relations	(3,905,381)	(2,777,351)	(5,263,731)
I.2.3.	Taxes paid	(1,833,221)	(1,831,549)	(2,120,335)
I.2.4.	Other payments	(64,050)	(43,803)	(55,486)
	NET CASH FLOW FROM MAIN ACTIVITY	3,963,338	3,294,798	3,010,375
II.	CASH FLOW FROM INVESTING ACTIVITIES			
II.1.	Purchases of non-current assets (except investments)	(69,464)	(69,464)	(502,655)
II.2.	Sales of non-current assets (except investments)	73,256	70,188	525
II.3.	Purchases of long-term investments	0	(125,000)	0
II.4.	Sales of long-term investments	0	0	0
II.5.	Loans provided		0	0
II.6.	Loans returned		0	0
II.7.	Dividends, interests received	2,334	2,310	0
II.8.	Other increases in cash flow from investing activities	1,843,411	1,843,411	0
II.9.	Other decreases in cash flow from investing activities	0	0	0
	NET CASH FLOW FROM INVESTING ACTIVITIES	1,849,537	1,721,445	(502,130)
III.	CASH FLOW FROM FINANCIAL ACTIVITIES			
III.1.	Cash flows related to owners	(5,695)	(5,695)	(4,750)
III.1.1.	Emission of shares	0	0	0
III.1.2.	Owners contributions against losses	0	0	0
III.1.3.	Redemption of own shares	0	0	0
III.1.4.	Dividend paid	(5,695)	(5,695)	(4,750)
III.2.	Cash flows related to other financing sources	(4,104,245)	(4,104,245)	(2,328,531)
III.2.1.	Increase in financial debts	7,479,678	7,479,678	19,351,987
III.2.1.1.	Loans gained	7,479,678	7,479,678	19,351,987
III.2.1.2.	Bonds emission	0	0	0
III.2.2.	Decrease in financial debts	(11,583,923)	(11,583,923)	(21,590,657)
III.2.2.1.	Loans paid	(11,309,636)	(11,309,636)	(21,384,639)
III.2.2.2.	Redemption of bonds	0	0	0
III.2.2.3.	Interests paid	(14,085)	(14,085)	(180,728)
III.2.2.4.	Leasing payments	(260,202)	(260,202)	(25,290)
III.2.3.	Increase in other liabilities	0	0	0
III.2.4.	Decrease in other liabilities		0	(89,861)
III.3.	Increase in other cash flows from financial activities	0	0	0
III.4.	Decrease in other cash flows from financial activities	(87,381)	(77,838)	0
	NET CASH FLOW FROM FINANCIAL ACTIVITIES	(4,197,321)	(4,187,778)	(2,333,281)



Continuation

No.	Items	GROUP	COMPANY	
		1ST QUARTER OF 2006	1ST QUARTER OF 2006	1ST QUARTER OF 2005
IV.	CASH FLOWS FROM EXTRAORDINARY ACTIVITIES	0	0	0
IV.1.	Increase in cash flows from extraordinary activities	0	0	0
IV.2.	Decrease in cash flows from extraordinary activities	0	0	0
V.	INFLUENCE OF CHANGES IN FOREIGN CURRENCY EXCHANGE RATES TO BALANCE OF CASH AND CASH EQUIVALENTS	(21,785)	(20,920)	(959)
VI.	INCREASE (DECREASE) IN NET CASH FLOW	1,593,769	807,545	174,005
VII.	CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	1,274,979	1,230,240	55,400
VIII.	CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	2,868,748	2,037,785	230,305

12. Explanatory letter

EXPLANATORY LETTER OF 31 MARCH 2006

Summary of significant accounting policies and practises

The joint stock company Vilniaus Vingis AB is a publicly listed company domiciled in Lithuania. The Company's shares are traded on the Official List of Vilnius Stock Exchange (VSE). As at 31 March 2006 the major shareholders were as follows:

	Shares	Shareholding
Management of Vilniaus Vingis AB Group:		
Vaclovas Šleinota	242,532	2.66 %
Rimvydas Savickas	179,122	1.96 %
Valdas Petrauskas	132,377	1.45 %
Darius Ožiušas	101,406	1.11 %
Mečislovas Šakalys	95,736	1.05 %
Antanas Savickas	55,047	0.60 %
Total Vilniaus Vingis AB management	806,220	8.83 %
Finasta investicijų valdymas UAB	14,269	0.16 %
Finasta investicijų valdymas UAB/ CEE fund	793,440	8.70 %
Finasta investicijų valdymas UAB / 3 pension funds	13,209	0.14 %
Total Finasta group companies	820,918	9.00 %
Skandinaviska Enskilda Banken clients	1,852,711	20.31 %
Hansabank (Estonia) clients	1,134,030	12.43 %
Vilniaus Vingis AB	475,817	5.22 %
Other shareholders	4,033,409	44.21 %
	9,123,105	100 %



As at 31 March 2006, the Company's Board includes three members from the management and two members from Finasta group companies.

The Company is involved in the manufacture of electronic components. The main products are deflection yokes and transformers. As at 31 March 2006, the Company employed 858 employees.

In October 2005, the Company established two 100 % owned subsidiaries Vilniaus Vingio Gija UAB and Vilniaus Vingio Mechanika UAB with a registered capital of Litas 30 thousand each. There were no activities in the companies in 2005. The subsidiaries overtook the activities of former AB Vilniaus Vingis departments, which were producing plastic elements (Vilniaus Vingio Gija UAB) and tools and equipment (Vilniaus Vingio Mechanika UAB). Non-current assets, related to the activities of both subsidiaries were transferred to the subsidiaries on 30 December 2005. The capital of the subsidiaries was increased by the non-current assets as at 15 January 2006.

Employees, which were working in former departments of Vilniaus Vingis AB, were employed in the established subsidiaries as of 1 January 2006. At 31 March 2006 Vilniaus Vingio Gija UAB has 263 employees, Vilniaus Vingio Mechanika UAB has 135 employees.

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Board (IASB).

Basis of preparation

The financial statements are presented in Litas. They are prepared on the historical cost basis except for derivative financial instruments, which are stated at their fair value.

Loans and receivables originated by the Company are initially recognized at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost, less impairment, if any.

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Litas at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Litas at foreign exchange rates ruling at the dates the fair value was determined.

1. Non-current tangible assets

Owned assets

Non-current tangible assets are stated at cost as deemed cost less accumulated depreciation and impairment losses. The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads.

Where parts of an item non-current tangible assets have different useful lives, they are accounted for as separate items of non-current tangible assets.

Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item non-current tangible assets. The estimated useful lives are as follows:

- buildings 8 - 60 years
- plant, machinery and equipment 2 - 15 years
- motor vehicles 5 - 6 years



- other assets 2 - 8 years

2. Intangible assets

Intangible assets, comprising computer software, that are acquired by the Company are stated at cost less accumulated amortisation. Computer software is amortised using the straight-line method over a 1-3 years' period.

3. Inventories

Inventories sold in the ordinary course of business are stated at the lower of cost and net realisable value. Other inventories are stated at the lower of cost and fair value less cost to sell. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

Litas	2006	2005
Inventories		
Raw materials	6,141,287	8,513,605
Work in progress	730,769	485,503
Finished goods	1,989,927	6,421,325
Goods for resale	1,615,579	0
Net book value at 31 December	10,477,652	15,420,433

Raw materials consist of plastics, wires, metals and other materials used in production.

Subsidies

In April 2006 a subsidy of Lit 55.642 was received from European Union Structural Funds for the OLED project.

4. Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows, if it complies with the cash management policy.

Cash and cash equivalents	<u>2006</u>	<u>2005</u>
Term deposits	572,820	0
Cash at bank	22,71,506	209,391
Cash in hand	24,422	10,914
Cash and cash equivalents at the end of the year	2,868,748	220,305

Capital and reserves

5. Share capital

The share capital comprises 9,123,105 ordinary shares with a nominal value of Lit 4 each and the total share capital amounts to Lit 36,492,420.

6. *Reacquired own shares*

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a change in equity. Repurchased shares are classified as treasury shares and presented as a deduction from total equity.

The Company reacquired own shares in the Vilnius Stock Exchange as follows:

	2006	
	Number of shares	Value, LTL
At 1 January 2006	475,817	3,946,668
Treasury shares acquired in the market	0	0
At 31 March 2006	475,817	3,946,668

Reacquired own shares are stated as a deduction from the equity at their acquisition price.

7. **Leased plant and machinery**

The Company (lessee) leases production equipment under financial leasing agreements. The net carrying amount of leased assets amounts to Litas 260 thousand as at 31 December 2005. During the 1st quarter of 2006 th account with leasing company has been settled within the previously set time.

8. **Liabilities**

Litas	2006	2005
Other creditors		
Salaries and related taxes	1,292,789	1,354,357
Taxes	359,794	70,506
Vacation reserve	977,859	995,066
Dividend payable for previous year	139,408	127,800
Advances	192,646	344,568
Other payables and accrued charges	543,510	544,362
	<u>3,506,006</u>	<u>3,446,659</u>

Activity results

During the 1st quarter of 2006 Vilniaus Vingis Group incurred consolidated losses to the amount of Litas 547 thousand. Sales volume amounted to Litas 20,680 thousand.

Material events in the issuer's activity

On 22 April 2006 the General meeting of shareholders of Vilniaus Vingis AB was held in which the Report of Vilniaus Vingis AB on the company's activity in 2005 was approved, shareholders were acquainted with the Report of audit company KPMG Lietuva UAB on the company's activity in 2005, financial accountability of the company for 2005 was approved, and the following profit appropriation of 2005 project was approved:

1. Undistributed profit at the beginning of the financial year	11,909,121 LTL
2. Net loss of the financial year	- 5,594,376 LTL
3. Transfers from reserves	600,000 LTL



4. Profit for appropriation	6,914,745 LTL
5. Transfer to the reserve for own shares acquisition	2,618,958 LTL
6. Undistributed result	4,295,787 LTL

In the General meeting the resolution regarding buying back and selling of Vilniaus Vingis AB own shares was approved.

On 13 January 2006 the civil claim regarding overdue receivable of Litas 7,127,078.55 from Ekranas AB in the Panevėžys district court was presented. During 4 months Vilniaus Vingis AB received settlements from Ekranas AB and outstanding receivable decreased down to Litas 5,740,630.89. This receivable is insured at 85 % in the company Euler Hermes Services Baltic UAB. The indemnification should be received in April.

IV. MATERIAL EVENTS IN THE ISSUER'S ACTIVITY

11. Material events in the Issuer's activity

On 10 February 2006, the Board of Vilniaus Vingis AB, evaluating changes in the market and future projects of the company, approved consolidated optimistic activity targets of Vilniaus Vingis Group for the year 2006:

1. Sales volume - LTL 89.0 million (EUR 25.78 million)
2. Profit before taxes - LTL 1.1 million (EUR 0.32 million)
3. Investment to production - LTL 15.7 million (EUR 4.55 million)

During this meeting of the Board the target of consolidated sales volume was updated (on 29 December 2005, the Board of Vilniaus Vingis AB has approved consolidated sales volume target of LTL 67.0 million (EUR 19.4 million)).

Audited activity results of Vilniaus Vingis AB in 2005:

- Sales volume – LTL 81.24 million (EUR 23.53 million);
- Loss – LTL 5.59 million (EUR 1.62 million).

On 24 March 2006 the Board of Vilniaus Vingis AB approved the strategic goals of Vilniaus Vingis Group for the year 2007 – 2009:

Sales volume:

- 2007 – LTL 65 million (EUR 18.83 million);
- 2008 – LTL 71 million (EUR 20.56 million);
- 2009 – LTL 79 million (EUR 22.88 million).

Profit before taxes:

- 2007 – LTL 4.0 million (EUR 1.16 million);
- 2008 – LTL 5.5 million (EUR 1.59 million);
- 2009 – LTL 8.0 million (EUR 2.32 million).

During the first quarter of 2006 Vilniaus Vingis Group sold its products for LTL 20.74 million (EUR 6.01 million).

Due to lack of a quorum the General Meeting of Shareholders of Vilniaus Vingis AB didn't take place on the 8 April 2006. On 22 April 2006 the Repeated General meeting of shareholders of Vilniaus Vingis AB was held and adopted the following resolutions:

1. To approve the Report of Vilniaus Vingis AB on the company's activity in 2005;
2. Shareholders were acquainted with the Report of audit company KPMG Lietuva UAB on the company's activity in 2005;
3. To approve the financial accountability of the company for 2005;
4. To approve the profit appropriation of 2005:
 - 1) undistributed profit at the beginning of the financial year 11,909,121 LTL



2) net loss of the financial year	- 5,594,376 LTL
3) transfers from reserves	600,000 LTL
4) profit for appropriation	6,914,745 LTL
- to the reserve for own shares acquisition	2,618,958 LTL
5) undistributed result	4,295,787 LTL

5. To approve the resolution regarding buying back and selling of Vilniaus Vingis AB own shares:

5.1. to buy back ordinary registered shares of Vilniaus Vingis AB with LTL 4 nominal value (ISIN code LT0000103673) by proposing voluntary tender offer according to legal acts regulating securities market, and implementing it in the Vilnius Stock Exchange;

5.2. The purpose of buying back own shares is to increase the liquidity and stabilise the price of company's shares, to avoid losses followed by the decrease in company's share price;

5.3. The total nominal value of buyable own shares together with nominal value of other already owned own shares cannot make up more than 1/10 of authorised capital;

5.4. Voluntary tender offer can be announced by 1 May 2007;

5.5. The minimum buy back price is LTL 2, maximum – LTL 6;

5.6. The minimum selling price of own shares is LTL 3 per unit. By securing equal opportunities to all shareholders to buy company's shares, Vilniaus Vingis AB purchased own shares will be sold only in the Vilnius Stock Exchange;

5.7. The Board is authorised to set and decide upon specific conditions, terms of voluntary tender offer, quantity and price of buyable shares, stock selling price and conditions;

5.8. All other related decisions not provided in this issue are entitled to company's Board.

At the request of the company's shareholders who hold together more than 10 percent of the company's authorised capital and votes, the meeting of the Board of Vilniaus Vingis AB held on 10 April 2006 resolved to convene an extraordinary general meeting of shareholders of Vilniaus Vingis AB (id. code 122597830) on 13 May 2006, at 9 a.m.

Venue of the meeting is the meeting room of the company located at Savanoriu 176, Vilnius.

Record day of shareholders of extraordinary general meeting is 5 May 2006.

Agenda:

1. Recall of the members of the company's Board;
2. Election of the Board members of the company.