

VST

Joint Stock Company “VST”

Report for the first half of 2005

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I. GENERAL PROVISIONS

1. Period covered by the Report

This Report was prepared for the first half of 2005.

2. Key data on the issuer

Name of the Company:	Joint Stock Company "VST"
Address of headquarters:	Jasinskio St. 16C, LT-01112, Vilnius
Telephone:	(8~5) 278 12 59
Fax:	(8~5) 278 12 69
E-mail:	vst@vst.lt
Website:	www.vst.lt
Share capital:	111 539 940 LTL
Legal-organisational form:	Legal entity, joint stock company
Registration with the Register of Enterprises:	<ul style="list-style-type: none"> - Place of registration: Ministry of Economy - Date of registration: 31 December 2001 - Registration number: 1108 70748 - Former code: 1087074

3. Information on where and when the Report and the documents on which the Report is based may be accessed

The Report may be accessed on working days Monday to Thursday from 7.30 till 16.30, and Fridays from 7.30 till 15.15 at the Company's headquarters at J.Jasinskio St. 16C, Vilnius, Department of Marketing and Public Relations, Room 529.

Joint Stock Company "VST" informs the public through mass media, such as the dailies *Lietuvos Rytas* and *Respublika*, Lithuanian News Agency ELTA and News Agency BNS.

4. Persons responsible for information contained in the Report

4.1. Joint Stock Company "VST":

Position	Name, surname	Telephone	Fax
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

4.2. Consultant.

Position	Address	Representative	Telephone	Fax
AB bankas "Hansabankas"	Savanorių Av. 19, LT-03502 Vilnius	Andrius Vabalas	(8~5) 268 44 85	(8~5) 268 41 70

The Consultant prepared the prospect on the basis of information provided by the Company and is responsible for full and orderly disclosure of data.

5. Declaration of members of the management bodies, employees, the head of administration and consultants of the issuer that information contained in the Report is true and there are no concealed facts

The persons listed below hereby confirm that information contained in the Report is true and that there are no concealed facts that may materially affect investor decisions.

Chief Executive Officer _____ Darius Nedzinskas
Joint Stock Company "VST"

Chief Financial Officer _____ Antanas Poška

Specialist of AB bankas "Hansabankas"
Correspondent Relations
and Securities Custody Division _____ Andrius Vabalas

11 August 2005
Vilnius

II INFORMATION ABOUT THE SHARE CAPITAL OF THE ISSUER, ISSUED SECURITIES AND MEMBERS OF THE MANAGEMENT BODIES

6. Share capital of the issuer

The share capital registered in the Register of Enterprises:

405 261 782 LTL	(date of registration: 31 December 2001)
3 717 998 LTL	(date of registration: 2 December 2004)
111 539 940 LTL	(date of registration: 26 April 2005)

Until 04.06.2004

Type of shares	Number of shares	Par value (LTL)	Total par value (LTL)	Percentage of the share capital (%)
Ordinary registered shares	405 261 782	1	405 261 782	100.0
Total:	405 261 782	–	405 261 782	100.0

04.06.2004–02.12.2004

Type of shares	Number of shares	Par value (LTL)	Total par value (LTL)	Percentage of the share capital (%)
Ordinary registered shares	3 717 998	109	405 261 782	100.0
Total:	3 717 998	–	405 261 782	100.0

02.12.2004–26.04.2005

Type of shares	Number of shares	Par value (LTL)	Total par value (LTL)	Percentage of the share capital (%)
Ordinary registered shares	3 717 998	1	3 717 998	100.0
Total:	3 717 998	–	3 717 998	100.0

After 26.04.2005

Type of shares	Number of shares	Par value (LTL)	Total par value (LTL)	Percentage of the share capital (%)
Ordinary registered shares	3 717 998	30	111 539 940	100.0
Total:	3 717 998	–	111 539 940	100.0

All the shares of the Company are fully paid.

6.2. Information on the proposed increase of the share capital by converting issued debt securities or derivative securities into shares

6.2.1. description, number, main characteristics, amendment term, and terms and conditions of debt securities or derivative securities being converted or exchanged for shares that grant the right to subscribe for the issuer's shares;

6.2.2. the scope and prospective date (dates) of the proposed increase of the share capital due to conversion, exchange or exercise of the right conferred by debt securities or derivative securities being converted, exchanged for shares or granting the right to subscribe for the issuer's shares;

6.2.3. prospective changes in the structure of the share capital (in terms of type and class of shares) following conversion, exchange or exercise of right conferred by debt securities or derivative securities being converted, exchanged for shares or granting the right to subscribe for the issuer's shares;

6.2.4. the terms and procedure for the subscription or exchange of newly issued shares, where the share capital is increased by exchanging debt securities or derivative securities or by exercising the right conferred thereby; categories of owners of debt securities or derivative securities who will be able to exercise the pre-emption right to subscribe for the shares (if the pre-emption right to subscribe for the shares for certain categories of owners of debt securities or derivative securities was provided for in the terms and conditions of issue of the above-mentioned securities).

7. Shareholders

The total number of shareholders as of 30 June 2005 was 4 199.

Major shareholders who own or control more than 5 per cent of the issuer's share capital

Full name and address of the shareholder, name and type of the company, headquarters, company registration number	Number of ordinary registered shares held		Interest in the share capital and voting interest (%)		
	Total	Including those owned by the shareholder	Total	Including votes carried by ordinary registered shares owned by the shareholder	Together with persons acting in concert, %
UAB "NDX energija". Savanorių Av. 247, LT-02300 Vilnius, 2621123	3 609 520	3 609 520	97.08	97.08	–

8. Securities other than representing an interest in the share capital, the trading of which is nonetheless regulated by the Law on Securities Market

The Company has not issued securities other than representing an interest in the share capital.

9. Secondary trading in securities

Ordinary registered shares of Joint Stock Company “VST” (3 717 998 shares with the total par value of 111 539 940 LTL) are listed on *Vilnius Stock Exchange* (VSE) in the Current Trade List. Security code is 12637.

Trade on the central Vilnius Stock Exchange market:

Reporting period	Price (LTL)			Turnover (LTL)			Date of last session
	High	Low	Last session	High	Low	Last session	
Q1 2005	330.00	240.10	330.00	99 898	0	0	31.03.2005
Q2 2005	350.00	317.00	325.00	165 910.5	0	12 670	30.06.2005

The shares of Joint Stock Company “VST” are not traded on other markets.

10. Contracts with intermediaries of public trading in securities

Joint Stock Company “VST” and AB bankas “Hansabankas” have signed a contract for accounting securities issued by the Company and management of personal securities accounts:

AB bankas “Hansabankas”
Savanorių Av.19, 03502 Vilnius
Tel. (8~5) 268 44 44
Fax (8~5) 213 24 31

11. Members of the management bodies

11.1. Position, full name and information on shareholding in the issuer.

Board from 15 June 2004 to 26 April 2005

Full name, personal code	Position	Shareholding (%)	Voting interest (%)
Darius Nedzinskas	Chairman	–	–
Antanas Poška	Member	–	–
Andrius Jurkonis	Member	0%	0%
Arūnas Bivainis	Member	–	–

Board from 26 April 2005 to 29 March 2008

Full name, personal code	Position	Shareholding (%)	Voting interest (%)
Darius Nedzinskas	Chairman	–	–
Antanas Poška	Member	–	–
Andrius Jurkonis	Member	0%	0%
Arūnas Bivainis	Member	–	–
Aidas Ignatavičius	Member	–	–
Rytis Borkys	Member	0%	0%

Administration from 2 February 2004 to 9 February 2005

Full name, personal code	Position	Shareholding (%)	Voting interest (%)
Darius Nedzinskas	Chief Executive Officer	–	–
Gražina Valnickienė	Chief Accountant, Head of Accounting Department	–	–

Administration from 9 February 2005 to 15 February 2005

Full name, personal code	Position	Shareholding (%)	Voting interest (%)
Darius Nedzinskas	Chief Executive Officer	–	–

Administration from 15 February 2005 until the date of the Report

Full name, personal code	Position	Shareholding (%)	Voting interest (%)
Darius Nedzinskas	Chief Executive Officer	–	–
Lina Minderienė	Chief Accountant, Head of Accounting Department	–	–

11.2. Information about participation in the activities of other companies and organisations.

Full name	Name of the company, institution or organisation, and position	Shareholding and voting interest other companies and (%)
Lina Minderienė	–	–
Darius Nedzinskas	UAB “NDX energija”	5%
Antanas Poška	–	–
Andrius Jurkonis	–	–
Arūnas Bivainis	–	–
Aidas Ignatavičius	–	–
Rytis Borkys	–	–

III. FINANCIAL SITUATION

This Section contains the financial statements of Joint Stock Company “VST”. The financial statements of Joint Stock Company “VST” as of 31 December 2004 are audited. Half-yearly financial statements for 2004 and 2005 are not audited.

12. Balance sheet (in LTL)

	30.06.2005	31.12.2004	30.06.2004
ASSETS			
Non-current assets			
Property, plant and equipment	2 194 845 968	2 225 645 182	2 324 681 034
Intangible assets	1 002 187	1 395 165	2 258 078
	2 195 848 155	2 257 040 347	2 326 939 112
Current assets			
Inventories	8 096 941	7 158 158	12 687 293
Trade and other receivables	39 947 619	54 379 549	50 593 605
Prepayments, deferred charges and accrued income	14 298 130	7 803 337	8 484 574
Cash and cash equivalents	159 668 269	146 971 931	61 436 091
	222 010 959	216 312 976	133 201 563
Total assets	2 417 859 114	2 473 353 323	2 460 140 675
EQUITY			
Share capital	111 539 940	3 717 998	405 261 782
Revaluation reserve	1 312 656 975	1 422 188 815	1 535 967 689
Other reserves	11 153 994	29 866 544	49 268 384
Retained earnings (deficit)	16 745 457	99 468 412	-35 833 727
Total equity	1 452 096 365	1 555 241 769	1 954 664 128
LIABILITIES			
Non-current liabilities			
Borrowings	459 213 387	423 537 284	107 173 257
Deferred income	58 685 564	46 415 031	36 746 113
Deferred income tax liability, net	265 168 994	265 168 994	284 870 881
	783 067 945	735 121 309	428 790 250
Non-current liabilities			
Borrowings	58 584 132	73 551 486	10 694
Trade and other payables	49 166 932	70 611 542	46 733 313
Advances, accrued charges and deferred income	36 507 103	19 167 802	7 038 383
Income tax payable	38 436 637	19 659 415	20 903 906
	182 694 804	182 990 246	76 686 296
Total liabilities	965 762 749	918 111 555	2 460 140 674
Total equity and liabilities	2 417 859 114	2 473 353 323	2 460 140 675

13. Income statement (in LTL)

	30.06.2005	30.06.2004
Sales	416 166 938	360 443 908
Other operating income	1 473 121	1 849 015
	417 640 058	362 292 923
Purchases of electricity	224 063 552	215 260 630
Other operating expenses	153 471 977	132 190 262
	377 535 529	347 450 892
Operating profit	40 104 530	14 842 031
Financial expenses, net	6 389 095	762 812
Profit (loss) before tax	33 715 434	14 079 219
Income tax	18 777 222	10 282 397
Net profit (loss)	14 938 212	3 796 822
Attributable to:		
Equity holders of the Company	14 502 368	3 686 045
Minority interest	435 844	110 778
Basic and diluted earnings (loss) per share, in LTL	4.02	1.02

14. Explanatory notes

The joint stock company “Vakarų skirstomieji tinklai” was established while the reorganisation of the Special Purpose Joint Stock Company “Lietuvos energija” took place, when the Parliament of the Republic of Lithuania on June 28, 2001 adopted the Law on Reorganization of the special joint stock company “Lietuvos energija”. The joint stock company “Vakarų skirstomieji tinklai” was registered at the Register of Enterprises on December 31, 2001. The Ordinary General Meeting of Shareholders of joint stock company “Vakarų skirstomieji tinklai” held on April 15, 2005 resolved to rename the company joint stock company “Vakarų skirstomieji tinklai” as Joint Stock Company “VST”. Geographically, the company covers central and western territories of Lithuania. The Company owns the networks of electric power distribution (i.e. medium and low voltage lines and transformer substations) network. It is in charge of electric power distribution and electric power supply service to the end-users.

Revenue and Expenses

Revenue from sales of power (active and reactive) and capacity charges represents the largest share of the Company’s revenue; the remaining revenue comes from other services, financial and investing activities.

In the first half of 2005, VST sold 1 717 million kWh of electric power (i.e. 3.5% more compared with the 1st half of 2004) and earned 419.5 million LTL, i.e. about 56 million LTL more than in the previous year (Table 1). The growth in revenue was attributable to two main reasons: firstly, variation of electricity prices and tariffs and amendments to the procedure for application thereof with effect from July 1, 2004, which affected the structure of income. Secondly, on January 1, 2005, new and higher electricity prices came into effect.

Table 1

Indicators	Units of measure	1 st half, 2005	1 st half, 2004	Increase (+), decrease (-)
Electricity purchased	thousand kWh	1 926 463	1 874 943	51 520
Electricity sold (active)	thousand kWh	1 716 801	1 657 905	58 896
Electricity input related to power distribution in technological equipment	thousand kWh	196 262	202 452	-6 190
Consumption for own needs	thousand kWh	13 400	14 586	- 1 186
Total revenue	thousand kWh	419 451	363 514	55 937
Revenue from sales of electricity (active) and capacity charges	thousand kWh	402 529	352 567	49 962
Other revenue	thousand kWh	16 922	10 947	5 975
Total expenses	thousand kWh	385 736	349 435	36 301
Electricity purchased	thousand kWh	224 063	215 261	8 802
Other expenses	thousand kWh	161 673	134 174	27 499
Profit (loss) before tax	thousand kWh	33 715	14 079	19 636
Income tax	thousand kWh	18 777	10 282	8 495
Net profit (loss)	thousand kWh	14 938	3 797	11 141

The total increase in the profit of VST was from 15 million LTL to 40 million LTL, which, as already mentioned above, was mainly influenced by changes in revenue from sales of electric power (an increase of 50 million LTL) and electricity purchasing expenses (an increase of 9 million LTL).

Net financial activity expenses grew due to an increased volume of borrowings.

Balance sheet

From the beginning of the year, trade and other receivables decreased by 27 per cent to 40 million LTL, which decrease was influenced by seasonality (electricity consumption levels are lower in summer) and provision for doubtful receivables of 9.6 million LTL.

The main reason for the growth in advances was income tax advances of 5.6 million LTL to the state budget in the 1st half-year.

The Ordinary General Meeting of Shareholders held on April 15, 2005 resolved on the distribution of dividends of 31.76 LTL per each VST ordinary registered share of 1 LTL par value. The Meeting also resolved to increase the par value of each ordinary registered share of the Company from 1 LTL to 30 LTL per share from the Company's funds. Consequently, the share capital of VST increased from 3 717 998 LTL to 111 539 940 LTL. The share capital of VST was increased from the revaluation reserve.

Changes in trade receivables, prepayments, accrued charges and deferred income from the beginning of the year was mainly influenced by the following: decrease of 5.8 million LTL in liability to shareholders, increase of 12.6 million LTL in accounts payable to contractors and increase of 6.9 million LTL in prepayments for connection of consumers and reconstructions, a decrease of about 15 million LTL in liabilities to electricity

market participants, furthermore, decrease of 1.8 million LTL in immovable property tax liability and decrease of 3.6 million LTL in output VAT liability.

Financial liabilities

VST financial liabilities are comprised of bank loans of 517.6 million LTL, and leasing liabilities of 218 000 LTL (current leasing liabilities of 21 000 LTL and non-current leasing liabilities of 197 000 LTL).

Lender	Currency	Balance sheet value (as of 30 June 2005), in LTL million
AB bankas "Hansabankas" (overdraft)	LTL	4.5
AB bankas "Hansabankas"	EUR	17.3
Nordea Bank Finland Plc, Lithuania	EUR	34.3
SYNDICATED LOAN	EUR	461.5
		517.6

The current portion of the syndicated loan, i.e. 24.3 million LTL, and the loan of 34.3 million LTL granted by Nordea Bank Finland are recorded in the balance sheet of VST for the 1st half-year under current borrowings.

15. Information on audit

Audit for the 1st half of 2005 was not carried out.

IV. MATERIAL EVENTS OF THE ISSUER

16. Material events of the issuer

29 April 2005. Operating result for Q1 2005

The operating result of Joint Stock Company "VST" for Q1 2005 in accordance with International Accounting Standards was 7 244 000 LTL of unaudited net profit.

27 April 2005. Amendments to the Articles of Association of the Company registered with the Register of Legal Entities

The company AB "Vakarų skirstomieji tinklai" was renamed as of the date of registration of amendments to the Articles of Association with the Register of Legal Entities. The new name of the Company Joint Stock Company "VST" was registered with the Register of Legal Entities.

From the effective date of registration of amendments to the Articles of Association with the Register of Legal Entities, the share capital of Joint Stock Company "VST" is 111 539 940 LTL, divided into 3 717 998 ordinary registered shares of 30 LTL par value each.

From the effective date of registration of amendments to the Articles of Association with the Register of Legal Entities, new Board members Aidas Ignatavičius and Rytis Borkys elected in the General Meeting of Shareholders of 15 April 2005 begin to serve on the Board of Joint Stock Company "VST".

Following registration of amendments to the Articles of Association, Joint Stock Company "VST" was assigned a new company code (ID code) 1108 70748.

15 April 2005. Resolutions of the General Meeting of Shareholders

The Ordinary General Meeting of Shareholders of AB "Vakarų skirstomieji tinklai" held on 15 April 2005 adopted the following resolutions:

1. To approve the 2004 Activity Report of the Company.
2. To note the Auditor's Report on the 2004 financial statements of the Company.
3. To approve 2004 financial statements of the Company.
4. To appropriate the Company's profit (loss) for 2004.
5. To increase the share capital of the Company.
6. To rename the company AB "Vakarų skirstomieji tinklai" as Joint Stock Company "VST".
7. To increase the number of the Company's Board members to 6.
8. To amend the Articles of Association of the Company.
9. To elect new Board members.

The Ordinary General Meeting of Shareholders of AB "Vakarų skirstomieji tinklai" held on 15 April 2005 resolved to pay dividends to the Company's shareholders in the amount of 118 083 616 LTL (one hundred eighteen million eighty three thousand six hundred sixteen), i.e. 31.76 LTL per each ordinary registered share of the Company of 1 LTL par value. Entitled to receive dividends are persons who were shareholders at the end of the day when the ordinary general meeting of shareholders declared dividends, i.e. at the end of 15 April 2005. Dividends will be paid through managers of personal securities accounts of the Company's shareholders and the manager of the Company's (issuer's) securities AB bankas "Hansabankas". The Ordinary General Meeting of Shareholders held on 15 April 2005 resolved to increase the Company's share capital from the Company's funds by increasing the par value of the Company's shares from 3 717 998 LTL (divided into 3 717 998 ordinary registered shares of 1 LTL par value each) to 111 539 940 LTL (divided into 3 717 998 ordinary registered shares of 30 LTL par value each). The Company intends to submit amendments to the Articles of Association of the Company relating to the increase of the share capital for registration with the Register of Legal Entities on 25 April 2005. The Ordinary General Meeting of Shareholders held on 15 April 2005 resolved to increase the number of the Company's Board members to 6 and to appoint Aidas Ignatavičius and Rytis Borkys as new Board members who begin to serve on the Board as of the date of registration of amendments to the Articles of Association of the Company with the Register of Legal Entities.

10 March 2005. Audited operating result of AB “Vakarų skirstomieji tinklai” for 2004 was 5.9 million LTL of net profit.

28 January 2005. Report on losses caused by the hurricane

The hurricane that raged on 8-9 January 2005 caused losses to AB “Vakarų skirstomieji tinklai” in the amount of 5 (five) million LTL.

10 October 2005. Report on non-performance of obligations attributable to force majeure

On 9-10 January 2005, power supply to some customers of AB “Vakarų skirstomieji tinklai” was interrupted due to an event of force majeure, i.e. strong winds.

17. Court and arbitration proceedings

There were no pending court or arbitration proceedings that might substantially affect the issuer's financial situation. In the 1st half of 2005, in the ordinary course of financial and business activities the Company filed to the court 272 civil claims regarding unpaid electricity bills. The total amount of claims is 0.42 million LTL.