

# VST

*Joint Stock Company “VST”*

*Report for the 3<sup>rd</sup> quarter of 2005*

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## I. GENERAL PROVISIONS

### 1. Period covered by the Report

This Report was prepared for the 3<sup>rd</sup> quarter of 2005.

### 2. Key data on the issuer

Name of the Company:	Joint Stock Company “VST”
Share capital:	111 539 940 LTL
Address of headquarters:	Jasinskio St. 16C, LT-01112, Vilnius
Telephone:	(8~5) 278 12 59
Fax:	(8~5) 278 12 69
E-mail:	<a href="mailto:vst@vst.lt">vst@vst.lt</a>
Website:	<a href="http://www.vst.lt">www.vst.lt</a>
Legal-organisational form:	Legal entity, joint stock company
Registration with the Register of Enterprises:	
- Place of registration:	Ministry of Economy
- Date of registration:	31 December 2001
- Registration number:	1087074
Manager of the Register of Legal Entities:	State Enterprise Centre of Registers

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

The Report and documents on which it is based (financial statements) 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 528.

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

Members of the management bodies and employees of the Company responsible for the Report:

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

**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 that may affect investor decisions to buy or sell the issuer's securities and the market price and evaluation of such securities**

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.

Darius Nedzinskas

\_\_\_\_\_

Chief Executive Officer  
Joint Stock Company "VST"

Antanas Poška

\_\_\_\_\_

Chief Financial Officer

28 October 2005  
Vilnius

## II. INFORMATION ABOUT MAJOR SHAREHOLDERS AND MEMBERS OF THE MANAGEMENT BODIES

### 6. Shareholders

The share capital of the Company did not change during the reporting period: 111 539 940 LTL (date of registration: 26 April 2005).

Total number of shares:

**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
<b>Total:</b>	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
<b>Total:</b>	3 717 998	–	111 539 940	100.0

All the shares of the Company are fully paid.

### Major shareholders who hold 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	–

**7. Members of the management bodies****Management bodies of Joint Stock Company “VST”:**

- General Meeting of Shareholders;
- the Board;
- Administration (Chief Executive Officer and Chief Accountant).

7.1. Position, full name and information on shareholding in the issuer (shareholding and voting interest, %).

**Board from 26 April 2005 to 29 March 2008**

Full name	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 15 February 2005 until the date of the Report**

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

7.2. Information about participation in the activities of other companies, institutions and organisations (name of the company, institution or organisation, and position) and shareholding in other companies, institutions and organisations (name of the company, institution or organisation, and shareholding and voting interest, %).

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

Data on expunged conviction of members of the management bodies are not available.

### III. FINANCIAL SITUATION

8. Balance sheet (the Company's balance sheet for Q3 2005 is presented together with the balance sheet for the 1<sup>st</sup> half of 2005, the annual balance sheet for 2004 and the balance sheet for Q3 2004).

BALANCE SHEET, in LTL thousand	30.09.2005	30.06.2005	31.12.2004	30.09.2004
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	2 176 273	2 194 846	2 225 645	2 292 937
Intangible assets	816	1 002	1 395	2 054
	2 177 089	2 195 848	2 257 040	2 294 991
<b>Current assets</b>				
Inventories	9 386	8 097	7 158	12 419
Trade and other receivables	45 847	39 948	54 380	53 586
Prepayments, deferred charges and accrued income	19 890	14 298	7 803	8 587
Cash and cash equivalents	191 064	159 668	146 971	43 688
	266 187	222 011	216 312	118 280
<b>Total assets</b>	<b>2 443 276</b>	<b>2 417 859</b>	<b>2 473 352</b>	<b>2 413 271</b>
<b>EQUITY</b>				
Share capital	111 540	111 540	3 718	405 261
Revaluation reserve	1 311 054	1 312 657	1 422 189	1 504 105
Other reserves	11 154	11 154	29 866	29 867
Retained earnings (deficit)	25 361	16 745	99 467	12 922
Total equity	1 459 109	1 452 096	1 555 240	1 952 156
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Borrowings	454 687	459 213	423 537	56 076
Deferred income	62 491	58 686	46 415	39 645
Deferred income tax liability, net	265 169	265 169	265 169	284 871
	782 347	783 068	735 121	380 592
<b>Non-current liabilities</b>				
Borrowings	58 828	58 584	73 551	6
Trade and other payables	83 462	49 167	70 613	52 594
Advances, accrued charges and deferred income	33 915	36 507	19 168	13 216
Income tax payable	25 615	38 437	19 659	14 708
	201 820	182 695	182 991	80 524
Total liabilities	984 167	965 763	918 112	461 116
<b>Total equity and liabilities</b>	<b>2 443 276</b>	<b>2 417 859</b>	<b>2 473 352</b>	<b>2 413 271</b>



**9. Income statement (income statement for Q3 2005 is presented together with the income statement for Q3 2004, also presented are income statements for three quarters of 2005 and 2004).**

<b>INCOME STATEMENT, in LTL thousand</b>	<b>Q3 2005</b>	<b>Q3 2004</b>	<b>30.09.2005</b>	<b>30.09.2004</b>
Sales	190 066	159 721	606 233	520 165
Other operating income	360	1 128	1 833	2 977
	190 426	160 849	608 066	523 142
Purchases of electricity	100 578	93 946	324 642	309 207
Other operating expenses	72 083	64 943	225 555	196 848
	172 661	158 889	550 197	506 055
<b>Operating profit</b>	<b>17 765</b>	<b>1 960</b>	<b>57 869</b>	<b>17 087</b>
Financial expenses, net	3 443	259	9 832	1 022
<b>Profit (loss) before tax</b>	<b>14 322</b>	<b>1 701</b>	<b>48 037</b>	<b>16 065</b>
Income tax	7 309	4 495	26 086	14 777
<b>Net profit (loss)</b>	<b>7 013</b>	<b>(2 794)</b>	<b>21 951</b>	<b>1 288</b>
Attributable to:				
Equity holders of the Company	6 808	(2 712)	21 311	1 250
Minority interest	205	(82)	640	38
Basic and diluted earnings (loss) per share, in LTL	1.89	(0.75)	5.9	0.35

**10. Explanatory notes**

Effective from 2005, Joint Stock Company “VST” keeps accounts in accordance with International Accounting Standards. The Company’s financial statements for the current year were not audited. Financial statements as of December 31, 2004 are audited.

Financial statements for three quarters of 2004 and 2005 are not audited; furthermore, they may not be compared as they were prepared using different accounting standards.

These explanatory notes disclose material changes in the financial statements and the reasons for such changes.

**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 and other services and financial activities (see Table 10.1).

Revenue for three quarters of 2005 increased by 16.55 per cent compared with revenue for three quarters of 2004. The growth in revenue was due to higher levels of electricity consumption. Over three quarters of 2004, the Company sold 2 390 million kilowatt-hours (kWh) of electricity, while over three quarters of the current year 2 483 million kWh (93 million kWh more).

Table 10.1

Revenue from sales (sales), in LTL	30.09.2005	30.09.2004	Variation	Variation, %
	606 232 593	520 165 267	86 067 325	16.55
Sales of electricity	577 935 245	501 748 238	76 187 007	15.18
Capacity charges	15 593 339	6 473 196	9 120 143	140.89
Reactive power	10 646 311	10 128 729	517 582	5.11
Income from connection of new customers	1 770 825	1 244 528	526 297	42.29
Other income from operations	286 873	570 577	- 283 704	- 49.72

The growth in costs was attributable to higher levels of electricity consumption resulting in the increase in electricity purchase expenses. The other factor was the suspension of power generation in Ignalina Power Plant in September due to scheduled repairs. As a result, the Company had to purchase the quantity of power that it used to purchase from Ignalina Power Plant from Lietuvos energija for a higher price; this led to an increased cost price in September.

The growth in revenue resulted in the growth in the Company's net profit, which over three quarters of the current year exceeds that of the respective period of the preceding year by 20.66 million LTL.

### Balance sheet

#### Assets

From the third quarter of 2004 until the reporting period the largest share of assets, i.e. non-current assets, decreased by 5 per cent, as in 2004 the investments of Joint Stock Company "VST" were relatively low (19 million LTL). Investments over three quarters of the current year are three times higher, i.e. 60 million LTL.

More efficient inventory management methods were introduced in 2004, therefore inventory fell from 12 million LTL as of September 30, 2004 to 9 million LTL as of September 30, 2005.

#### Share capital:

- Until June 4, 2004, the share capital registered in the Register of Enterprises was 405 361 782 LTL, divided into 405 261 782 ordinary registered shares of 1 LTL par value each.
- Effective June 4, 2004, the share capital was divided into 3 717 998 ordinary registered shares of 109 LTL par value each. Effective December 2, 2004, the share capital was divided into 3 717 998 ordinary registered shares of 1 LTL par value each.
- The Ordinary General Meeting of Shareholders held on April 15, 2005 resolved to increase the par value of one ordinary registered share of the Company from 1 LTL to 30 LTL per share from VST 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.

#### Financial liabilities

At the end of the third quarter of 2005, financial liabilities of Joint Stock Company "VST" were comprised (see table 10.2) of bank loans of 513.3 million LTL, and leasing liabilities of 207 500 LTL (current leasing liabilities of 10 300 LTL and non-current leasing liabilities 197 200 LTL). 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 for the 1<sup>st</sup> half-year under current borrowings.

Table 10.2

Lender	Currency	Balance sheet value (as of 30 June 2005), in LTL million	Balance sheet value (as of 30 September 2005), in LTL million
AB bankas "Hansabankas" (overdraft)	LTL	5	0
AB bankas "Hansabankas"	EUR	17	17
Nordea Bank Finland Plc, Lithuania	EUR	34	34
Syndicated loan	EUR	462	462
<b>TOTAL</b>		<b>518</b>	<b>513</b>

#### IV. MATERIAL EVENTS OF THE ISSUER

##### 11. Material events of the issuer

###### 29 September 2005. Resolutions of the Extraordinary General Meeting of Shareholders

The Extraordinary General Meeting of Shareholders held on 29 September this year resolved to engage UAB "Ernst & Young Baltic" to audit the Company's 2005 financial statements and fixed the conditions of auditor's remuneration.

###### 23 August 2005. Convening the Extraordinary General Meeting of Shareholders of AB "VST"

On 23 August 2005, the Board of Joint Stock Company "VST" resolved to convene an Extraordinary General Meeting of Shareholders on 29 September 2005 at 10.00 a.m. The Board resolved to approve the following agenda of the Extraordinary General Meeting of Shareholders:

1. Election of the firm of auditors to audit the Company's 2005 financial statements and fixing the conditions of remuneration for audit services. To fix the record date of the Shareholders' Meeting: 22 September 2005.

###### 29 July 2005. Operating result of Joint Stock Company "VST" for the 1st half-year

The operating result of Joint Stock Company "VST" for the 1<sup>st</sup> half of 2005 in accordance with International Accounting Standards was 14.9 million LTL (4.3 million EUR) of unaudited net profit.

###### 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 Aidias 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 the Company for 2004**

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.