

“VST” AB
Report for the 3rd quarter of 2006



“VST” AB is a modern and viable company dealing in distribution and supply of electric energy, which services reach more than 696 thousand consumer objects.

Company is the owner of electric power distribution network (i.e. medium and low voltage electricity power lines and more than 16 000 transformer stations).

Company is responsible for the electric power distribution network, its reliability, exploitation, maintenance, administration and development in the Central and Western part of Lithuania.

“VST” AB - one of the most successful and perspective companies of private Lithuanian capital.

OUR MISSION: We are working to ensure that reliable electric power would always be available in Western Lithuania.

VISION 2010: We are seeking to become the best provider of regulated services in Lithuania.

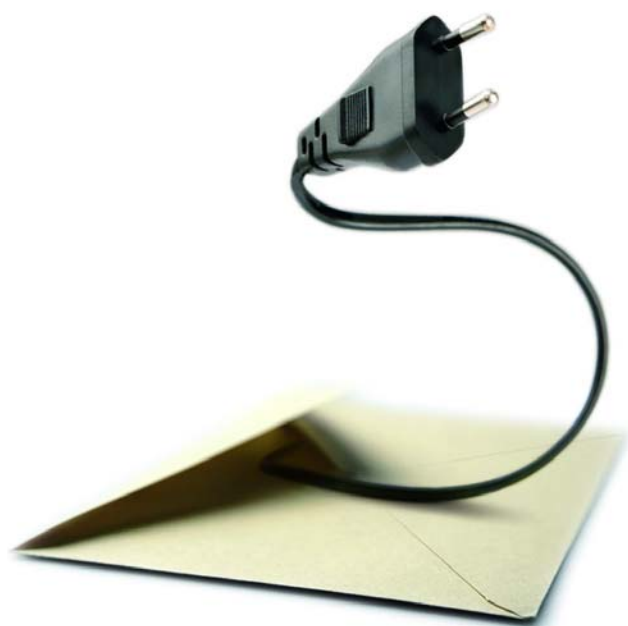


TABLE OF CONTENTS

I GENERAL PROVISIONS.....	4
1.Accounting period covered by the Report.....	4
2.Key data on the Issuer.....	4
3.Information on where and when the Report and the documents, on which the Report is based, are publicly available and the names of the mass media means.....	4
4.Persons in charge of the information contained in the Report	4
5.Declaration of the members in charge of the preparation of the Report of the managing bodies of the Issuer, employees, the Head of the administration and the consultants of the Issuer that the information contained in the Report is true and correct and that there are no concealed facts.....	5
II INFORMATION ON THE MAJOR SHAREHOLDERS AND MANAGING BODIES	6
6.Shareholders	6
7.Members of the Management Bodies of the company	7
III FINANCIAL SITUATION	9
8.Balance sheet	9
9.Income statement	10
Cash flow statement.....	11
Statement of changes in equity.....	12
10. Explanatory letter	13
IV ESSENTIAL EVENTS	15
11. Essential events.....	15

I GENERAL PROVISIONS

1. Accounting period covered by the Report

This report has been prepared for the 3rd quarter of the year 2006.

2. Key data on the Issuer

Name of the Company:	"VST" AB
Share capital:	111 539 940 Lt
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:	vst@vst.lt
Website:	www.vst.lt
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

3. Information on where and when the Report and the documents, on which the Report is based, are publicly available and the names of the mass media means

The Report is available during work days from 7³⁰ till 16³⁰ and Fridays from 7³⁰ till 15¹⁵ at the headquarters of the company at the address: J.Jasinskio str. 16C, Vilnius, Department of Marketing and Public relations.

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".

4. Persons in charge of the information contained in the Report

4.1. Members of the managing bodies of the company, employees and the head of administration:

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
Economic and Finance Department Manager	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
Marketing and Public Relations Department Manager	Rasa Kruopaitė	(8~5) 278 12 59	(8~5) 278 12 69

4.1. Consultant

5. Declaration of the members in charge of the preparation of the Report of the managing bodies of the Issuer, employees, the Head of the administration and the consultants of the Issuer that the information contained in the Report is true and correct and that there are no concealed facts

The persons listed below hereby confirm that the information contained in the Report is true and correct and that there are no concealed facts, which might have essential influence on the decisions of investors:

Joint Stock Company "VST"
Chief Executive Officer



Darius Nedzinskas

Chief Financial Officer



Antanas Poška

Economic and Finance
Department Manager



Kęstutis Jaržemskas

Accounting Department
Manager, Chief Accountant



Lina Minderienė

Marketing and Public Relations
Department Manager



Rasa Kruopaitė

31 October 2006
Vilnius

II INFORMATION ON THE MAJOR SHAREHOLDERS AND MANAGING BODIES

6. Shareholders

6.1. Share capital registered in the Register of companies

The share capital of the company has not changed in the period of the report: it is 111 539 940 Lt (registration date: 26 April 2005).

After 26/04/2005

Type of shares	Number of shares	Par value (LTL)	Total par value (LTL)	Part in the share capital (percent)
Ordinary registered shares	3 717 998	30	111 539 940	100.00
Total:	3 717 998	-	111 539 940	100.00

All shares of the company are fully paid.

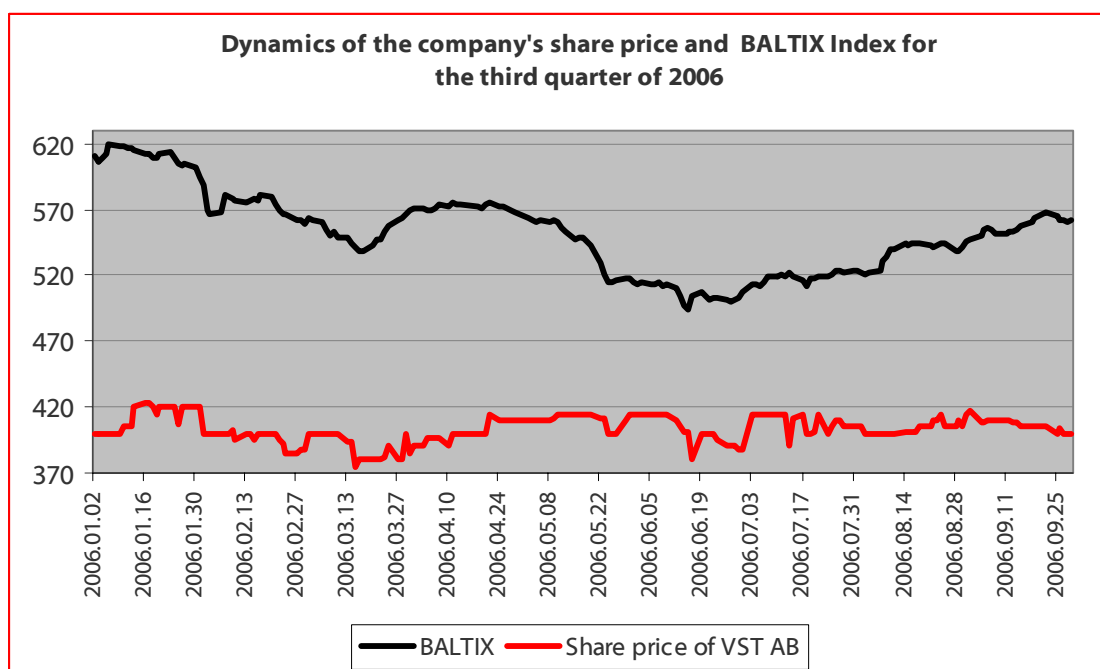
The biggest shareholders, which hold under ownership right or control more than 5 percent of the authorized capital of the Issuer

Names and surnames of the shareholders, name and type of the companies, headquarters, addresses, company register codes	Number of ordinary registered shares		Hold share of the authorized capital and votes , percent		
	Total	Hold share of the authorized capital and votes, percent	Total	Including ordinary registered shares hold by a shareholder votes under ownership right	Together with persons acting in corpore , percent
UAB "NDX energija" Ozo st. 25 LT-07150 Vilnius, 1262 11233	3 610 159	3 610 159	97.10	97.10	-

Price of the share

During the third quarter share price of VST AB decreased by 3.4 percent from 414 litas to 400 litas per share (in the beginning and in the end of the period). The top and minimal share prices were 417 litas and 381 litas accordingly. The maximum turnover amounted to 530 400 litas (1 326 shares). The last turnover in the end of the period amounted to 4 838 litas (12 shares).

The diagram below shows the price of VST AB share at closing time in litas and the BALTIX index in points. BALTIX Stock Index is calculated on a daily basis using the most recent official closing prices of all shares that are listed in the Main Lists of Vilnius Stock Exchange, Riga Stock Exchange and Tallinn Stock Exchange. The index base value was set at 100 points on the 1st of January, 2000.



7. Members of the Management Bodies of the company

Management Bodies of VSTAB:

- Shareholder's meeting;
- Board;
- Administration.

The members of the Board with the Office term of 4 years are elected by the general meeting of the shareholders. Chief Executive Officer is appointed and recalled by the Board of the Company.

7.1. Positions, full names and data on participation in the Share capital

Board till the 29th of March, 2008

Name, surname	Position	Part of the share capital owned, percent	Part of votes owned, percent
Darius Nedzinskas	Chairman	-	-
Antanas Poška	Member	-	-
Arūnas Bivainis	Member	-	-
Aidas Ignatavičius	Member	-	-
Rytis Borkys	Member	0%	0%

Administration from 15 February 2005 to the day of the Report preparation

Name, surname	Position	Part of the share capital owned, percent	Part of votes owned, percent
Darius Nedzinskas	Chief Executive Officer	-	-
Lina Minderienė	Accounting department Manager, Chief Accountant	-	-

7.2. Data about participation in the activities of other companies, institutions and organizations.

Name, surname	Name of the company, institution or organization and position	Part of the share capital and votes in other enterprises and organizations, percent
Lina Minderienė	-	-
Darius Nedzinskas	UAB "NDX energija" – member of the Board	5
Antanas Poška	-	-
Arūnas Bivainis	-	-
Aidas Ignatavičius	-	-
Rytis Borkys	-	-

There is no data on the still valid criminal records of the members of the managing bodies for crimes on property, order of business, finance.

III FINANCIAL SITUATION

Following financial statements presented for the third quarter of the year 2006 are prepared in accordance with the International Financial Reporting Standards. These financial statements for the report period are not audited.

8. Balance sheet (financial statement presented for the 3rd quarter of 2006, the 3rd quarter of 2005 and the whole financial year of 2005):

"VST" AB

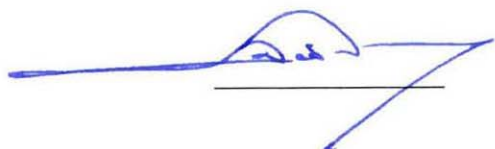
Financial statement for the 3rd quarter, 2006

Company code: 110870748, address: J. Jasinskio str. 16C, LT-01112 Vilnius

BALANCE SHEET (in LTL '000)	30/09/2006	31/12/2005	30/09/2005
ASSETS			
Non-current assets			
Property, plant and equipment	2 089 231	2 164 243	2 176 273
Intangible assets	289	666	816
	2 089 520	2 164 909	2 177 089
Current assets			
Inventories	8 540	13 701	9 386
Trade and other receivables	49 962	67 474	45 847
Prepayments, deferred charges and accrued income	39 015	9 252	19 890
Cash and cash equivalents	96 574	199 300	191 064
	194 092	289 727	266 187
Total assets	2 283 612	2 454 636	2 443 276
EQUITY			
Share capital	111 540	111 540	111 540
Revaluation reserve (result)	1 115 616	1 193 837	1 311 054
Legal reserve	11 154	11 154	11 154
Retained earnings (deficit)	147 953	161 317	25 361
Total equity	1 386 263	1 477 848	1 459 109
LIABILITIES			
Non-current liabilities			
Borrowings	396 579	388 801	454 687
Deferred income	118 101	98 787	89 360
Deferred income tax liability, net	211 040	234 239	265 169
	725 720	721 827	809 216
Current liabilities			
Borrowings	25 165	100 414	58 828
Trade and other payables	91 748	112 673	83 462
Advances, accrued charges and deferred income	13 932	18 998	7 046
Income tax payable	40 785	22 876	25 615
	171 629	254 961	174 951
Total liabilities	897 349	976 788	984 167
Total equity and liabilities	2 283 612	2 454 636	2 443 276

Darius Nedzinskas
Chief Executive Officer

Antanas Poška
Chief Financial Officer




9. Income statement (financial statement presented for the 3rd quarter of the year 2006 and the 3rd quarter of the year 2005):

“VST” AB

Financial statement for the 3rd quarter, 2006

Company code: 110870748, address: J. Jasinskio 16C, LT-01112 Vilnius

INCOME STATEMENT (in LTL '000 unless otherwise stated)

	30/09/2006	30/09/2005
Sales	677 115	606 233
Other operating income	3 239	1 833
	680 354	608 066
Purchases of electricity	(354 476)	(324 642)
Other operating expenses	(263 318)	(225 555)
	(617 794)	(550 197)
Operating profit (loss)	62 560	57 869
Financial income (expenses), net	(8 131)	(9 832)
Profit (loss) before tax	54 429	48 037
Income tax	(40 908)	(26 086)
Deferred income tax benefit	23 200	-
	(17 708)	(26 086)
Net profit (loss)	36 721	21 952
Attributable to:		
Equity holders of the Company	35 650	21 311
Minority interest	1 071	640
Basic and diluted earnings (loss) per share, in LTL	9.88	5.9

Darius Nedzinskas

Chief Executive Officer

Antanas Poška

Chief Financial Officer

Cash flow statement (financial statement presented for the 3rd quarter of the year 2006 and the 3rd quarter of the year 2005):

“VST” AB

Financial statement for the 3rd quarter, 2006

Company code: 110870748, address: J. Jasinskio 16C, LT-01112 Vilnius

CASH FLOW STATEMENT (in LTL '000)	30/09/2006	30/09/2005
Cash flow from operating activities		
Net profit (loss)	36 721	21 952
<i>Adjustments for non-cash items:</i>		
Income tax	17 708	26 086
Depreciation and amortization	146 896	112 501
Write-offs, impairment and proceeds from sales of property, plant and equipment, net	17 655	25 737
Impairment of receivables and prepayments	178	(134)
Net (profit) loss from transactions in foreign currencies	10 579	8 624
Interest income	-	(1)
Interest expenses	(3 901)	(2 636)
	<u>12 543</u>	<u>12 734</u>
<i>Changes in working capital:</i>		
Inventories	5 080	(1 963)
Receivables, prepayments, deferred charges and accrued income	5 809	(18 872)
Payables, advances received, accrued charges and deferred income	2 019	49 245
<i>Cash flow from operations</i>	<u>251 288</u>	<u>233 273</u>
Interest received	3 901	2 636
Interest paid	(12 581)	(12 734)
Income tax paid	(51 905)	(20 130)
<i>Net cash flows from operating activities</i>	<u>190 703</u>	<u>203 045</u>
Cash flows from investing activities		
Purchase of property, plant, equipment and intangible assets	(90 700)	(52 572)
Proceeds from sale of property, plant and equipment	1 397	552
Loan repayments received	33	24
<i>Net cash flows from investing activities</i>	<u>(89 270)</u>	<u>(51 996)</u>
Cash flows from financing activities		
Loans received	-	-
Loans repaid	(76 082)	(79 522)
Payments of financial lease	(31)	(30)
Dividends and payments related to share capital decrease paid	(128 046)	(27 405)
<i>Net cash flows from financing activities</i>	<u>(204 159)</u>	<u>(106 957)</u>
Effects of exchange rate changes on cash balance	-	1
Net increase (decrease) in cash and cash equivalents	<u>(102 726)</u>	<u>44 093</u>
Cash and cash equivalents at beginning of year	<u>199 300</u>	<u>146 971</u>
Cash and cash equivalents at end of year	<u>96 574</u>	<u>191 064</u>

Darius Nedzinskas

Chief Executive Officer

Antanas Poška

Chief Financial Officer

Statement of changes in equity (financial statement presented for the 3rd quarter of the year 2006 and the 3rd quarter of the year 2005):

“VST” AB

Financial statement for the 3rd quarter, 2006

Company code: 110870748, address: J. Jasinskio 16C, LT-01112 Vilnius

STATEMENT OF CHANGES IN EQUITY (in LTL '000)	Share capital paid	Revaluation reserve for property, plant and equipment	Legal reserve	Retained earnings (deficit)	Total
Balance as at 31 December 2004	3 718	1 422 189	29 866	99 467	1 555 240
Increase of the share capital	107 822	(107 822)			-
Transfer from legal reserve to retained earnings					-
Transfer from revaluation reserve to retained earnings			(18 713)	18 713	-
Impact of deferred income tax to revaluation reserve, due to change in income tax rates		(3 313)		3 313	-
Dividends				(118 084)	(118 084)
Net profit for the reporting period				21 951	21 951
Balance as at 30 September 2005	111 540	1 311 054	11 154	25 361	1 459 109
Balance as at 31 December 2005	111 540	1 193 837	11 154	161 317	1 477 848
Increase of the share capital					-
Transfer from legal reserve to retained earnings					-
Transfer from revaluation reserve to retained earnings		(78 221)		78 221	-
Dividends				(128 307)	(128 307)
Net profit for the reporting period				36 721	36 721
Balance as at 30 September 2006	111 540	1 115 616	11 154	147 953	1 386 263

Darius Nedzinskas

Chief Executive Officer

Antanas Poška

Chief Financial Officer

10. 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 700 905 customer objects in the end of the third quarter of this year.

Revenue and Expenses

Revenue from sales and services increased by 12 percent from 608 million litas in the third quarter of 2005 to 680 million litas this year. Other operating income increased due to increase in earnings from other companies for works of VST AB (from 448 thousand litas to 1.3 million litas).

Electricity purchases, in comparison with previous years, increased by 9 percent. Other operating expenses increased more (by 16.7 percent) due to bigger amount of works.

Net financial activity expenses decreased by 17 percent due to an increase in revenue from short-term investments from 2.3 million to 3.9 million litas. Moreover, expenses for loan services decreased from 125 thousand litas to 66 thousand litas.

Throughout three quarters of 2006, VST AB sold 8.8 percent more electricity and totally amounted to 2701 million kWh (Table 1). Revenue from sales amounted to 677 million litas and grew up by 12 percent.

Table 1. Electricity sales and expenditure

Indicators	Units of measure	3 rd quarter, 2006	3 rd quarter, 2005	Variation, thous. kWh	Variation, percent
Electricity purchased	thous. kWh	2 955 613	2 738 298	217 315	7.9
Electricity sold (active)	thous. kWh	2 701 554	2 482 889	218 665	8.8
Electricity input related to power distribution in technological equipment	thous. kWh	239 712	241 841	- 2 129	- 0.9
Consumption of own production	thous. kWh	14 347	13 568	779	5.7

The net profit of VST AB in the third quarter increased by 67 percent from 21.9 million litas to 36.7 million litas. The main reason for increase in net profits was income from deferred profit tax amounting to 23.2 million litas. In 2006 the deferred profit tax was calculated on a quarterly basis, while in 2005 the deferred profit tax was calculated on a yearly basis.

Balance Sheet

Throughout three quarters in 2006, investments into the development and maintenance of power distribution networks amounted to 91 million litas, up 72.5 percent compared with 52.6 million litas of the same period in 2005.

Prepayments and deferred charges, in comparison to the third quarter last year, increased from 19.9 million litas to 39 million litas due to bigger amounts (total 28,9 million litas) of profit and social taxes paid.

Trade and other receivables increased by 4 million litas due to increase in amounts receivable for electricity.

Deferred income for three quarters amounted to 118 million litas and exceeded amount of 89.4 million litas for the according period in 2005 by 32 percent.

Advances and accrued charges almost doubled throughout the year from 7 million litas to 13.9 million litas due to bigger amounts of prepayments.

Financial liabilities

Syndicated loan (Table 2) accounted for 97.7 percent of all Company's financial debts that amounted to 421.8 million litas. In comparison to the same period last year, financial liabilities (short-term and long-term) to banks decreased by 19.5 percent from 513.1 million litas to 412.9 million litas. Total amount of short-term and long-term leasing was 166 thousand litas in the end of the third quarter this year (in comparison, in 2005 – 207.5 thousand litas).

Furthermore, financial liabilities were augmented by the sums (short-term – 864 thousand litas, long-term – 7.8 million litas, total – 8.6 million litas) paid to AB "Lietuvos energija" for acquired assets. These liabilities will be carried out during the period of ten years.

Table 2. Financial liabilities of VST AB.

Lender	Currency	Value in balance sheet (2006 09 30), million LTL	Value in balance sheet (2005 12 31), million LTL	Value in Balance sheet (2005 09 30), million LTL
AB bank „Hansabankas“	EUR	0.0	17.3	17.3
Nordea Bank Finland Plc Lithuania	EUR	0.0	34.5	34.3
Syndicated loan	EUR	412.9	437.2	461.5
Total		412.9	489.0	513.1

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

Cash Flow

In the third quarter of this year cash flow from the main activities were 190.7 million litas and decreased by 12.3 percent compared with the same period last year. The above changes resulted mainly from increased profit tax payments which amounted to 51.9 million litas.

Including intensified investment activities cash flow after investing activity amounted to 101,4 million litas, for comparison, in the end of the third quarter of 2005 it amounted to 151 million litas because there were less investment into power networks.

IV ESSENTIAL EVENTS

11. Essential events

29.09.2006 Resolutions of the General Meeting of the Shareholders of VSTAB held on September 29th, 2006

Ordinary General Meeting of the Shareholders of Public limited liability company VST held on September 29th, 2006 decided on the following:

"1.1. To elect UAB „Ernst & Young Baltic“ to audit the financial accounting of 2006 and to pay not more than LTL 110,000 (VAT excluded) for the audit."

19.09.2006 The drafts resolutions of the general meeting of the shareholders of VSTAB

According to the decision of the Board a general shareholders meeting is called on September 29th, 2006 and shall take place at the offices of the Company 5th floor, J.Jasinskio 16c, Vilnius. The shareholders will be asked to approve the following item:

„1.1. To elect UAB „Ernst & Young Baltic“ to audit the financial accounting of 2006 and to pay not more than LTL 110,000 (VAT excluded) for the audit."

29.08.2006 Prepared VSTAB semi-annual report for 2006

VST AB has prepared semi-annual report for 2006 in accordance with Republic of Lithuania Securities Commission approved rules regarding periodical disclosure of issuer and it's securities information.

28.08.2006 Convocation of extraordinary shareholders meeting of VSTAB on 29th of September 2006

The Board of VST AB decided to convene an extraordinary general meeting of VST AB shareholders on 29th of September 2006 01:00 p.m. at 16 Jasinskio str. Vilnius, Lithuania (2nd floor, Conference Center). The Board has approved the following agenda:

1. Election of audit company for auditing company's financial statements for 2006 and setting the terms and conditions of payment for audit services. The accounting day of the meeting – 22nd of September 2006. Start of registration to the meeting - 12:00 p.m. on 29th of September 2006.

28.07.2006 1 half activity result of VSTAB

Preliminary pre-audit 2006 1half activity result of VST AB is LTL 39,8 mil. (EUR 11,5 mil.) net profit before taxes.

28.04.2006 1Q activity result of VSTAB

Preliminary pre-audit 2006 1Q activity result of VST AB is LTL 22.1 mil. (EUR 6.4 mil.) net profit before taxes.

14.04.2006 Decisions adopted in the shareholders' meeting held on 04 April 2006

The following decisions were made during the shareholders' meeting of VST AB, held on April 14th, 2006:

1. Approve the annual report for 2005;
2. Take into account the Auditors report on the financial results of the company for 2005;
3. Approve the financial results for 2005;
4. Distribute the company's 2005 profit (loss);

The shareholders meeting of VST AB which took place on April 14th, 2006, decided to pay the company's shareholders dividends - 34.51 Litas (9.99 euro) per one ordinary registered share. Entities that were shareholders of the company up to the end of the day on which the shareholders meeting announced the dividend issue, i.e. the end of the day of April 14th, 2006, have the right to receive dividends.

The dividends will be paid through the company's shareholders' issuer accountants and the company's (issuer's) issuer accountant - AB Bankas Hansabankas. According to the 60'th article 4'th part of the law on corporations the dividends will be paid in one month from the day the decision to pay dividends was made.

03.04.2006 VSTAB General shareholders meeting agenda draft

According to the decision of the company's Board dated 2006 03 10, a general shareholders meeting will be called on April 14th, 2006, to take place at the offices of VST AB, 5th floor, J. Jasinskio 16C, Vilnius.

The shareholders will be asked to approve the following items:

1. Approve the company's operations report for 2005.
2. Take into account the conclusions of the auditors UAB "Ernst & Young Baltic"

when confirming the financial results of the company in 2005.

3. Approve the company's financial results for 2005.

4. Approve the company's distribution of profit (loss).

Retained earnings at the beginning of the financial year - 97 347 Lt (EUR 28 193.64)

Net annual operating result (profit/loss) - 48 471 567 Lt (EUR 14 038 336.13)

Transfers from reserves:

Transfer from Revaluation reserve - 112 749 528Lt (EUR 32 654 520.39)

Transfer from compulsory reserve - 0 Lt

Shareholders' contributions to cover losses (if shareholders decided to cover all or a portion of losses - 0 Lt

Total distributable profit (loss) - 161 318 442 Lt (EUR 46 721 050.16)

Profit allocation to the compulsory reserve - 0 Lt

Profit allocation to other reserves - 0 Lt

Profit allocation to pay out dividends - 0 Lt

Profit allocation to yearly pay outs to board and council members, employee bonuses and other purposes -0 Lt

Retained earnings carried forward to next financial year - 161 318 442 Lt (EUR 46 721 050.16)

10.03.2006 Convocation of General Shareholders Meeting on 14 April 2006

On 10th of March 2005 the board of VST AB made a decision to call the General Shareholders Meeting.

The agenda:

1) Approval of the Company's activity report of the year 2005

2) The company's auditor statement

3) Approval of Financial Statements for 2005

4) Distribution of profit (loss) for 2005

The date and time of Shareholders meeting - 14 April 2006. 2.00 PM

The shareholders meeting place: Vilnius, J.Jasinskio st. 16C (5th floor)

The accounting day of the shareholders meeting – 07 April 2006

Registration starts – 14 April 2006, 1.25 PM

Registration ends – 14 April 2006, 1.55 PM

The board of the VST AB does not suggest to make a decision to pay dividends.

24.02.2006 2005 activity result of VSTAB

2005 activity result of VST AB under International Accounting Standards is LTL 47.7 millions (EUR 13.81millions) audited profit before taxes.

Joint Stock Company "VST"
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