

VST

KAD GYVENTI BŪTŲ ŠVIESIAU

VST, AB

Interim financial report for six months of 2007



OUR MISSION –

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

OUR VISION –

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

OUR ACHIEVEMENTS:

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

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

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

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

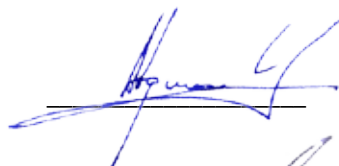
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CONFIRMATION OF RESPONSIBLE PERSONS

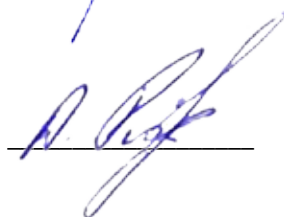
Following the Law on Securities of the Republic of Lithuania and the Rules on Preparation and Submission of Periodic and Additional Information of the Lithuanian Securities Commission, the persons listed below hereby confirm that the information contained in the Report is true and gives correct view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

Chief Executive Officer



Aidas Ignatavičius

Chief Financial Officer



Antanas Poška

Head of the Economic and Finance department



Kęstutis Jaržemskas

Accounting Department Manager, Chief Accountant



Lina Minderienė

Head of the Marketing and Public relations department



Rasa Kruopaitė - Lalienė

31 August 2007
Vilnius

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

FINANCIAL ACCOUNTABILITY

Following financial statements are prepared in accordance with the International Financial Reporting Standards. Financial statements for the six months of 2006 and 2007 are not audited. Financial statements for the year ended 31 December 2006 are audited by the auditors.

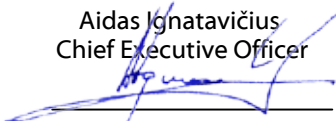
Balance sheet (financial statement presented for the 1st half of 2007, the 1st half of 2006 and the full financial year of 2006):

VST, AB

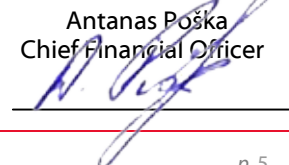
BALANCE SHEET (in LTL '000)

	30/06/2007	31/12/2006	30/06/2006
ASSETS			
Non-current assets			
Property, plant and equipment	2 008 724	2 079 091	2 101 914
Intangible assets	302	656	501
	<u>2 009 026</u>	<u>2 079 747</u>	<u>2 102 415</u>
Current assets			
Inventories	16 369	6 525	9 364
Trade and other receivables	54 009	83 039	46 686
Prepayments, deferred charges and accrued income	21 928	12 672	30 047
Cash and cash equivalents	168 486	102 935	93 415
	<u>260 792</u>	<u>205 171</u>	<u>179 512</u>
Total assets	2 269 818	2 284 918	2 281 927
EQUITY			
Share capital	111 540	111 540	111 540
Revaluation reserve (result)	794 276	830 011	1 140 443
Legal reserve	11 154	11 154	11 154
Retained earnings (deficit)	460 564	453 999	110 918
Total equity	1 377 534	1 406 704	1 374 055
LIABILITIES			
Non-current liabilities			
Borrowings	350 143	347 091	396 580
Deferred income	153 970	136 385	108 759
Deferred income tax liability, net	192 939	206 293	221 379
	<u>697 052</u>	<u>689 769</u>	<u>726 718</u>
Current liabilities			
Borrowings	23 617	49 498	25 176
Trade and other payables	107 675	94 699	77 343
Advances, accrued charges and deferred income	20 275	28 321	27 617
Income tax payable	43 665	15 936	51 018
	<u>195 232</u>	<u>188 445</u>	<u>181 154</u>
Total liabilities	892 284	878 214	907 872
Total equity and liabilities	2 269 818	2 284 918	2 281 927

Aidas Ignatavičius
Chief Executive Officer



Antanas Poška
Chief Financial Officer



Income statement (financial statement presented for the 1st half of the year 2007 and the 1st half of the year 2006):

VST, AB

INCOME STATEMENT (in LTL '000 unless otherwise stated)		
	30/06/2007	30/06/2006
Sales	522 846	470 494
Other operating income	2 764	2 421
	<u>525 610</u>	<u>472 915</u>
Purchases of electricity	(277 168)	(242 613)
Other operating expenses	(198 106)	(185 585)
	<u>(475 274)</u>	<u>(428 198)</u>
Operating profit (loss)	50 336	44 717
Financial income (expenses), net	(5 643)	(4 923)
Profit (loss) before tax	44 693	39 794
Income tax	(27 730)	(28 141)
Deferred income tax benefit	13 355	12 860
	<u>(14 375)</u>	<u>(15 281)</u>
Net profit (loss)	30 318	24 513
Basic and diluted earnings (loss) per share, in LTL	8.15	6.59

Aidas Ignatavičius
Chief Executive Officer



Antanas Poška
Chief Financial Officer



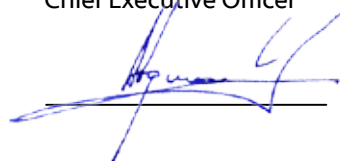
Cash flow statement (financial statement presented for the 1st half of the year 2007 and the 1st half of the year 2006):

VST, AB

CASH FLOW STATEMENT (in LTL '000)	30/06/2007	30/06/2006
Cash flow from operating activities		
Net profit (loss)	30 318	24 513
<i>Adjustments for non-cash items:</i>		
Income tax	14 375	15 281
Depreciation and amortization	121 356	99 597
Write-offs and impairment of property, plant and equipment	1 265	15 949
Proceeds from sales of property, plant and equipment, net	(137)	198
Impairment of receivables and prepayments	11 483	9 539
(Increase) decrease in inventories	(1 184)	-
Net (profit) loss from transactions in foreign currencies	-	2
Interest income	(3 008)	(3 054)
Interest expenses	8 977	8 316
	183 445	170 341
<i>Changes in working capital:</i>		
Inventories	(3 405)	4 531
Receivables, prepayments, deferred charges and accrued income	20 466	9 697
Payables, advances received, accrued charges and deferred income	22 282	(8 179)
<i>Cash flow from operations</i>		
Interest received	3 008	3 054
Interest paid	(8 799)	(8 439)
Income tax paid	(12 260)	(19 270)
<i>Net cash flows from operating activities</i>	204 737	151 735
Cash flows from investing activities		
Purchase of property, plant, equipment and intangible assets	(57 340)	(54 955)
Proceeds from sale of property, plant and equipment	179	1 330
Loan repayments received	12	25
<i>Net cash flows from investing activities</i>	(57 149)	(53 600)
Cash flows from financing activities		
Loans received	1 309 109	-
Loans repaid	(1 331 845)	(76 082)
Payments of financial lease	(12)	(21)
Dividends and payments related to share capital decrease paid	(59 289)	(127 915)
<i>Net cash flows from financing activities</i>	(82 037)	(204 018)
Effects of exchange rate changes on cash balance	-	(2)
Net increase (decrease) in cash and cash equivalents	65 551	(105 885)
Cash and cash equivalents at beginning of year	102 935	199 300
Cash and cash equivalents at end of year	168 486	93 415

Aidas Ignatavičius

Chief Executive Officer



Antanas Poška

Chief Financial Officer



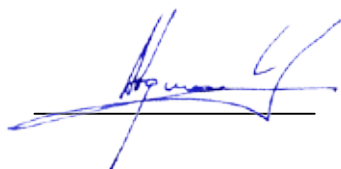
Statement of changes in equity (financial statement presented for the 1st half of the year 2007 and the 1st half of the year 2006):

VST, AB

STATEMENT OF CHANGES IN EQUITY (in LTL '000)	Share capital paid	Revaluation reserve for property, plant and equipment	Legal reserve	Retained earnings (deficit)	Total
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		(53 395)		53 395	-
Dividends for the year 2005				(128 307)	(128 307)
Net profit for the reporting period				24 513	24 513
Balance as at 30 June 2006	111 540	1 140 442	11 154	110 918	1 374 054
Balance as at 31 December 2006	111 540	830 011	11 154	453 999	1 406 704
Increase of the share capital					
Transfer from legal reserve to retained earnings					
Transfer from revaluation reserve to retained earnings		(35 735)		35 735	-
Dividends for the year 2006				(59 488)	(59 488)
Net profit for the reporting period				43 518	43 518
Balance as at 30 June 2007	111 540	794 276	11 154	473 764	1 390 734


Aidas Ignatavičius

Chief Executive Officer



Antanas Poška

Chief Financial Officer



Explanatory letter

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

Revenue and Expenses

Throughout the first six months of 2007 the Company sold 1 966 million kWh of electricity, which is 5 percent more than during the same period of 2006 (Table 1). Revenue from sales amounted to 523 million LTL and exceeded revenue in the same period last year by 11 percent.

Electricity purchases costs, in comparison with previous years increased by 14 percent.

Table 1. Electricity sales and expenditure

Indicators	Units of measure	2007 January - June	2006 January - June	Variation, thous. kWh	Variation, percent
Electricity purchased	thous. kWh	2 134 639	2 083 029	69 658	2.5
Electricity sold	thous. kWh	1 965 662	1 878 016	87 646	5
Network (transportation) losses	thous. kWh	174 980	190 904	-15 924	-8
Consumption for own needs	thous. kWh	12 045	14 109	-2 064	-15

Net financial activity expenses increased by 15 percent due to an increase in interest expenses and expenses for loan services.

The net profit of VST, AB, compared with the same six months' period last year, increased by 24 percent from 24.5 million LTL to 30.3 million LTL. The increase in net profit is mainly attributed to increased revenue.

Balance Sheet

Throughout the first half of 2007, investments into the development and maintenance of power distribution networks amounted to 58.5 million LTL; investments were slightly more extensive comparing with the same period in 2006 when they amounted to 55 million LTL.

Prepayments and deferred charges, in comparison to the first six months last year, decreased from 30 million LTL to 21.9 million LTL as payments to contractors as well as advanced profit and social taxes were smaller.

Deferred income for the reported period increased from 108.7 million LTL to 154 million LTL.

Trade and other payables increased by 39 percent to 107.7 million LTL due to increase in electric energy and reconstruction and maintenance liabilities.

Please note that the end of the reported half of the year 2007 coincided with a week-end, consequently, part of profit and social tax payments, as well as payments to contractors and other payments were shifted to the second half of the year.

Advances and accrued charges throughout the year decreased from 27.6 million LTL to 20.3 million LTL due to smaller amounts of accrued wages, salaries and social security liabilities.

Financial liabilities

Syndicated loan accounted for major part of Company's financial debts (total sum – 373.8 million LTL). The unpaid share of the syndicated loan amounted to 365.9 million LTL on June 30, 2007 (June 30, 2006 – 412.9 million LTL). During the reported period the structure of financial debts that the Company holds has not changed.

Total amount of short-term and long-term leasing liabilities was 73 thousand LTL in the end of the reported period and compared with amount in the first half of last year (176.5 thousand LTL) has been reduced more than twice.

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

Cash Flow

At the end of the first half of this year cash flow from the main activities was 204.7 million LTL and increased by 53 million LTL compared with the same period last year.

Cash flow after investing activities amounted to 147.6 million LTL when in the end of the first half of 2006 it was 98 million LTL. Even though the Company spent more on investments this year, but cash flow from the main activities outweighed capital expenditure.

Net increase in cash and cash equivalents at the end of the reported period was 65.6 million LTL. For comparison, the figure for the same period last year was 105.9 million LTL.

VST

KAD GYVENTI BŪTŲ ŠVIESIAU

VST, AB
INTERIM REPORT FOR SIX MONTHS
2007 January - June

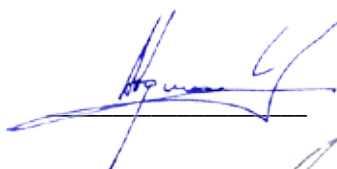
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CONFIRMATION OF RESPONSIBLE PERSONS

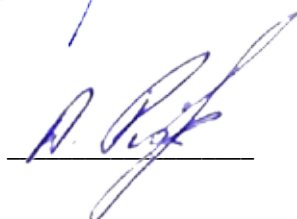
Following the Law on Securities of the Republic of Lithuania and the Rules on Preparation and Submission of Periodic and Additional Information of the Lithuanian Securities Commission, the persons listed below hereby confirm that the Report gives correct overview of business development and activities of VST, AB:

Chief Executive Officer



Aidas Ignatavičius

Chief Financial Officer



Antanas Poška

Head of the Economic and Finance department



Kęstutis Jaržemskas

Accounting Department Manager, Chief Accountant



Lina Minderienė

Head of the Marketing and Public relations department



Rasa Kruopaitė - Lalienė

31 August 2007
Vilnius

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

ACCOUNTING PERIOD COVERED BY THE REPORT

The first six months of the year 2007.

KEY DATA ON THE COMPANY

Name of the Company:	VST, AB
Share capital:	111 539 940 LTL
Address of its headquarters:	Jasinskio st. 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

THE MAIN ACTIVITIES OF THE COMPANY

VST, AB is the owner of electric power distribution network (medium and low voltage power lines, transformer substations and other electricity 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 and Šiauliai regions of Lithuania. It is responsible for the security, reliable performance, maintenance, management and development of these networks.

Company supplied services to 706 619 customer objects in the end of the first half of this year.

CONTACTS WITH THE MEDIATORS OF SECURITIES PUBLIC CIRCULATION

VST, AB and AB bank "Hansabankas" have signed a contract on securities accounting issued by VST, AB, and handling personal accounts of securities:

AB bank "Hansabankas"
19 Savanoriu av., LT-03502 Vilnius
Phone (8 5) 268 44 85
Fax (8 5) 268 41 70

SHARE CAPITAL

Share capital has not been changed during the reported period and amounted to 111 539 940 LTL (registration date: 26 April, 2005).

Type of shares	Number of shares	Par value (LTL)	Total par value (LTL)	Part in the share capital (%)
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.

SHAREHOLDERS

The number of the shareholders on the accounting day (20 April, 2007) was 4 121.

The biggest shareholders, who 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 corporate, %
UAB „NDX energija“ Ozo st. 25 LT-07150 Vilnius, 1262 11233	3 610 159	3 610 159	97,10	97,10	-

DATA ON THE SECONDARY CIRCULATION OF THE SECURITIES ISSUED BY THE COMPANY

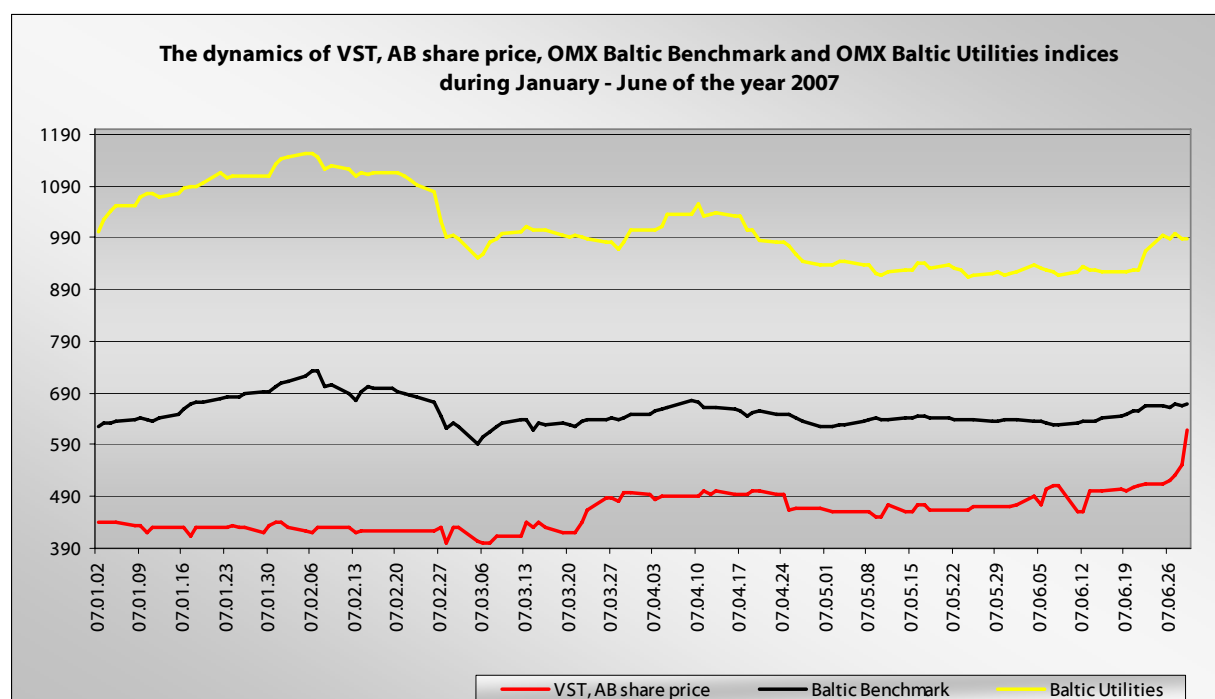
Ordinary registered shares of VST, AB (3 717 998 pcs., total par value 111 539 940 LTL) are included into the Current trade list of *Vilnius Stock Exchange* (VSE). Security code is 12637. There is no trade of company's shares by other organized markets.

ISIN code	Sales list	Number of shares, pcs.	Par value of a share, LTL	Total par value, LTL
LT0000126377	BALTIC I-LIST	3 717 998	30	111 539 940

Price of the share

The price of Company's share during the first half of 2007 increased by 40.9 percent from 440 LTL to 620 LTL per share (at the beginning and at the end of period accordingly). The maximum and minimum price was 400 LTL and 620 LTL accordingly. The maximum turnover amounted to 560 685 LTL (1 209 pieces).

Further diagram shows the price of VST, AB share at closing time in litas and two VSE indices in points. *OMX Baltic Benchmark* index includes shares of companies that are of the biggest capitalization and the most actively traded in VSE. *Industry OMX Baltic Utilities* index shows trends in utilities industry and enables to compare companies in that sector.



Information Source: www.baltic.omxgroup.com

PROCEDURE FOR AMENDMENT OF THE COMPANY'S BY-LAWS

According to the By-laws of VST, AB, By-laws of the company could be amended only by General Meeting of Shareholders and come into force after registering in the State Enterprise Centre of Registers.

EMPLOYEES OF THE COMPANY

The average number of employees in the end of June, 2007 was 1928, and, compared with the end of June, 2006, decreased by 39 employees. The average monthly brutto salary increased from 1657 LTL to 2005 LTL.

The Company seeks to implement preventive personnel policies which would foster professionalism and loyalty to the Company among the employees. Internal selection procedures continue to be organized, spurring the employees towards the realization of their professional goals and ambitions at other positions within the Company. In the first half of 2007, twelve internal selection processes were organized. About 5.5 percent of employees changed their positions, 4 percent of them (71 employees) were promoted to higher positions.

The Company has been collaborating closely with academic institutions, accepting their students for internships. In the first half of 2007, twenty-nine students from various academic institutions – Kaunas University of Technology, Klaipėda University, Vytautas Magnus University, Kaunas Technical College, Šiauliai College, College of Žemaitija did their field training in the Company. The Company continues to maintain its programme for the funding of studies, which provides partial (50 percent) financial support for the academic studies in electrotechnics.

The Company maintains a Collective Agreement, signed in 2004. The purpose of this Collective Agreement is to ensure effective work in the Company and to represent the interests of all of the Company's employees. It sets the social and professional terms as well as guarantees pertaining to work, working conditions, and remuneration. The Company sponsors cultural and sporting activities organized by the unions. In 2007, like in the previous year, the unions received LTL 17,000 from VST, AB.

In 2007, the Company has continued its consistent personnel management policies directed towards the development of employees' skills that match the Company's strategic goals. The added value created by

personnel management is the development of professional leaders. The workshops conducted by client service specialists help to implement one of the strategic goals of the Company – to develop a strong culture of high-quality customer service. In the first half of 2007, about LTL 200,000 has already been invested by the Company into the development of employees' competencies.

More detailed information on average number of employees, changes during the last years, the grouping according education; the number of higher level management, specialist, workers and average salary in each group are disclosed in VST, AB Annual prospectus – Report of the year 2006, announced on May 21, 2007.

MANAGEMENT BODIES OF THE COMPANY

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, %	Part of votes owned, %
Darius Nedzinskas	Chairman	-	-
Antanas Poška	Member	-	-
Arūnas Bivainis	Member	-	-
Aidas Ignatavičius	Member	-	-
Rytis Borkys	Member	0%	0%

Administration

Name, surname	Position	Part of the share capital owned, %	Part of votes owned, %
Darius Nedzinskas	Chief Executive Officer (from 15 February 2005 till 6 August 2008)	-	-
Aidas Ignatavičius	Chief Executive Officer (from 6 August 2008)	-	-
Lina Minderienė	Accounting department Manager, Chief Accountant (from 15 February 2005 to the day of the Report preparation)	-	-

Additional information on the Chairman of the Board, Head of the Administration and the Chief Accountant: education, profession, employers and positions occupied during the last 10 financial (business) years:

Chairman of the Board – Darius Nedzinskas:

Education (profession)	Former employers in last 10 years	Positions	Data about criminal records for business crimes
University education, Vilnius University, faculty of economy. Banking and finance specialisation, bachelor, master degrees.	1994 – 1995 AB State Commercial Bank of Lithuania	Economist	None
	1995 – 1998 AB Agricultural Bank of Lithuania	Head of the Money Market Department, Manager of Vilnius Branch	
	1998 – AB Vilnius bank	Commercial Director of Vilnius branch	
	1998 – 2004 AB Hansabankas,	Deputy Chairman of the Board	
	2004 AB Hansabankas	Chairman of the Board	

Chief Executive Officer – Aidas Ignatavičius:

Education (profession)	Former employers in last 10 years	Positions	Data about criminal records for business crimes
University education, Vilnius University, Faculty of Humanities in Kaunas. Business administration and Management specialization, bachelor, master degrees.	1997 – 2000 AB Vilnius Bank, Kaunas Branch	Accounts Manager	None
	2000 – 2001 AB Vilnius Bank	Chief Manager at Large Business Customers Branch, Business Customers Department	
	2001 – 2004 AB Hansabankas,	Director of Business Customers Department	
	2004 – 2005 VST, AB	Director of Power Supply Division	
	2005 – 2007 VST, AB	Director of Power Supply and Branch Management Divisions	

Accounting Department Manager, Chief Accountant Lina Minderienė:

Education (profession)	Former employers in 10 years	Positions	Data about criminal records for business crimes
University education. Vilnius University, faculty of Finance and Credit. Bachelor, master degrees.	1993-1995 State Tax Inspectorate under the Ministry of Finance	Tax inspector	None
	1995-1996 Audit company „J. Kabašinskas ir partneriai“	Consultant	
	1996-2002 Ministry of Finance of Republic of Lithuania	Department of Tax policy, Head of the department	
	2002 UAB Enst & Young Baltic	Tax department, manager	
	2003-2005 AB Bankas Hansabankas	Department of financial accountancy and accounts	

Data about participation in the activities of other companies, institutions and organizations (hold more than 5 per cent of company's share capital)

Name, surname	Name of the company, institution or organization and position	Part of the share capital and votes in other enterprises and organizations, %
Darius Nedzinskas	-	-
Antanas Poška	-	-
Arūnas Bivainis	-	-
Aidas Ignatavičius	-	-
Rytis Borkys	-	-
Lina Minderienė	-	-

THE COMPANY'S ACTIVITY REVIEW

The Company's revenue is constantly growing due to increasing sales of electricity. In the first half of this year the Company received revenue of 522.9 million LTL from sales. As to compare during the same period last year revenue from sales amounted to 470.5 million LTL.

The net profit in the first half of this year amounted to 30.3 million LTL, last year – 24.5 million LTL.

More information on financial result of VST, AB activities in the first half of this year is presented in interim financial report for six months of 2007.

PURCHASE AND TRANSFER OF OWN SHARES

The Company has not purchased own shares before the report period and has not purchased own shares during six months of 2007.

INFORMATION ON TRANSACTION OF ASSOCIATED BODIES

Transactions of associated bodies were not made during the first six months of 2007.

KEY RISK FACTORS

Production and sales of electric power in Lithuania is regulated by the state more than other industry branches. Price caps for services are set by the National Control Commission for Prices and Energy. Therefore the pricing policy of the company is not flexible enough. Unplanned changes in the political situation of the country and legal regulations would have a negative influence on the company's operation. Change of the Chairman of National Control Commission for Prices and Energy might determine changes in the Commission's policy and goals. Thus, some risk is created and it might influence the results of Company's activities.

Seimas of the Republic of Lithuania passed the Law on the Nuclear Power Plant that states the plan to construct a new nuclear power plant in Lithuania and the formation of the National Investor for the implementation of the project. Participation of Latvia, Estonia and Poland is also expected. The National Investor will be formed consolidating AB "Lietuvos energija", AB "Rytų skirstomieji tinklai" and VST, AB. These changes in the future will influence the working environment of VST, AB.

The key economic risk factor is insufficient capacity of the company and its contractors quickly eliminate the damages, which occur in result of natural calamities. Due to the disorders of electric power supply the incomes may be lost and losses may occur.

INFORMATION CONCERNING ENVIRONMENT

VST, AB is an electric power distribution company. Differently from the electric power producing companies, it hardly pollutes the environment. The chances of the issuer's operation limitations or its closedown due to the damages to the environment are really negligible.

This spring, the Company continued the campaign for protecting stork nesting places. Most birds which stay in Lithuania fly to the Western Lithuania, consequently this spring the workers of the Company safely moved about 250 stork nests from electricity poles onto the metal poles.

VST, AB has been carrying out the work of moving stork nests already for several years. The efforts of the Company to protect stork nests is favourably looked upon not only by the environmentalists who protect the national bird, but also by the residents of the farmsteads where the storks reside, as well as the Ministry of Environment.

INFORMATION ON THE SUBSIDIARIES OF THE COMPANY

During the period of January – June of 2007 the Company had no subsidiaries.

IMPORTANT EVENTS IN THE REPORTING PERIOD

Company's CEO change

On 6 August 2007, Aidas Ignatavičius, the former director of Branch Management and Electricity Supply Services divisions at VST, AB, has been appointed Chief Executive Officer in place of Darius Nedzinskas. Aidas Ignatavičius has been elected unanimously by the Board.

Since August 6, 2007 Darius Nedzinskas holds position of the Chairman of the Board and the Chief Executive Officer of "NDX energija", UAB group.

The Quality of Customer Service

Consistent improvement of the customer service culture and the quality of services provided are among the Company's top goals which it has been pursuing this year as well. In 2007, the improvement of the quality of services has been continued, the procedures of customer service have been simplified and new services are being implemented.

Modern, up-to-date customer service centres have been opened in Kaišiadorys, Kretinga, and Pakruojis. A similar centre is about to be opened in Gargždai.

By consistently raising the quality of customer service, VST, AB has joined the Project "March: a Good Month for Service". During the course of this event customers evaluated the work done by specialists. They also expressed their critical as well as appreciative comments and offered further suggestions. At the same time a "secret shopper" service research was conducted. According to the generalised results of the research, our Company received a number of positive responses from customers about the work of the service specialists.

In April, the Company introduced a new service to its customers (legal persons who have installed automatic meters) – a remote reading of measuring meters. The recipients of this service have to sign an additional agreement with the Company as a supplement to the purchase/sale contract, and the amount of energy used will be automatically read at a distance. The bill will be issued according to the factual usage of that month. The new service simplifies the procedure of declaring energy usage, saves the customers' time they used to spend declaring readouts as well as makes the work of the Company more efficient. It also helps in monitoring the factual energy usage of the customers and prevents potential debts.

Investments

The major investment by VST, AB goes into ensuring good quality as well as reliability of electric energy and into the maintenance of distribution networks.

In the first half of 2007, the reconstruction of the following transformer substations has been completed: Amaliai (11.9 million LTL invested) in the city of Kaunas, Akmenė (project value amounted to 3 million LTL) in Šiauliai region, Tytuvėnai (project value amounted to 2.6 million LTL) in Kelmė region, and Taikos transformer substation (5.8 million LTL) in Klaipėda region.

In April, the reconstruction of Gedminai 110/10 kV transformer substation, situated in the southern part of Klaipėda, has been started. Over 9.6 million LTL is going to be invested into a transformer substation which distributes electric energy to the city's strategic objects.

This year, another electric substation "Migla" located in Mažeikiai will also become one of the most modern substations in Lithuania. Its reconstruction has already begun in May this year; up-to-date, safe and reliable electric equipment will be installed and modern substation control system will be built-in. More than 6 million LTL has been invested into the renewal of the substation.

Last year, with the help of the Company's financial support, the Lampėdžiai dormitory in Kaunas was renovated. In March this year, the reconstruction project covering internal electric networks of 5 dormitories in Mažeikiai was finished. VST, AB earmarked a financial backing of half a million Litas for this project. This summer, in cooperation with the Šiauliai Municipality the Company has been working on the reconstruction of

internal electric networks of the three most indebted dormitories in the city of Šiauliai and installing individual meters for their residents. One hundred and seventy thousand litas have been granted by the Company to the reconstruction of Šiauliai dormitories.

Furthermore, each year the Company increases the funding for the reconstruction of their overhead cables and for replacing them with underground cable lines, which ensure high quality of electric supply in any weather. During the last year, almost 80 million LTL was invested in low voltage of 0.4—10 kV electrical network and new customers' connection in Kaunas, Klaipėda and Šiauliai regions; this year about 86 million LTL is still to be invested.

Sponsorship projects

As of this year, the Company's support has been directed towards maintaining the progress by supporting innovative projects in science, education and culture.

For the second consecutive year, the Company has joined the project "The National Award for the Progress" which promotes the development of science, culture, business, and society in Lithuania and became its patron.

In April this year, the Company became the patron of the fourth annual *TV 3 News* Broadcasting spring project "The Honour of Lithuania".

The Company became an active member of the project "a Gift for the Future" initiated by the Ministry of Education and Science in cooperation with the IT company *Microsoft Lietuva*. The Ministry of Education and Science together with Lithuanian business companies have created a system of school computerization with the purpose of encouraging other companies and organizations to donate used computer technologies to the schools. During the first stage of the project, VST, AB donated 30 computers to the least computerized schools in western Lithuania. The Company plans to provide schools with about 200 used computers per year.

For the second consecutive year, the Company has been sponsoring the project "I Want to See the World" during which funds are collected for handicapped children of Lithuania.

The plans of this year were to distribute the larger share of the Company's support to the regions: support was granted to Prienai Region Museum, Skuodas Art School, Mažeikiai special school, Pakruojis day centre for socially supported children, Klaipėda Juozo Karoso Music School, and Raseiniai Bards Club. This year, the Company was sponsor of Skaudvilė (Tauragė District) Festival, Jurbarkas, Radviliškis, and Žagarė town feasts.

For the third consecutive year, the Company has been providing Nominal academic grants to the most promising students of Electrical and Control Engineering Faculty at Kaunas University of Technology. As usual, in February, awards of LTL 1000 were given to 30 most advanced and promising students studying Electrical Systems, Process Management and Control Technologies departments of Electrical and Control Engineering Faculty at KTU. The University has already received modern electrotechnical devices from the Company. Also, modified transformer oil has been created in cooperation with the University's scientists.

Cooperation

While trying to protect the Company's assets and customers from possible disruptions of electric energy supply, which might result from the attempts to steal transformer oil or electric wiring, the Company has fought against thieves this year as intensely as before. The Company continues to fill its transformers with modified oil; residents are informed about the possible harm from modified oil; the Company cooperates with the police; raids are launched into metal procurement places, and the security of electric substations is being enhanced.

Social responsibility

Seeking to draw public attention to the fact that the age of those who get injured by electrical power is decreasing, VST, AB initiated educational classes for the children of foster homes. The workers of the Company invited children to the departments: they were introduced to the dangers of the work of an electrician; they were taught how to safely use electrical appliances, how to protect their own and other people's lives. About 500 foster home children of various ages from Kaunas, Klaipėda and Šiauliai regions participated in classes called "I am a friend of electricity, but I do not mess with it" which were held during March.

PLANS AND FORECASTS OF THE COMPANY OPERATION

In 2007 the Company does not plan any changes in the key operation and is going to continue distributing electric power by medium and low voltage lines and supplying electric power to the consumers.

VST, AB plans to continue reconstruction and modernization works, and improvement of customer service quality.

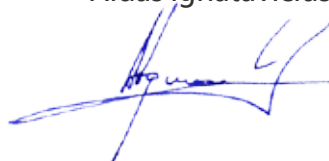
COMPLIANCE WITH THE GOVERNANCE CODE

The Company continues to follow the Governance Code, approved by *Vilnius Stock Exchange* for the companies listed on the regulated market, and its specific provisions as it was disclosed in Annual Report of the year 2006, Annex 1.

Chief Executive Officer

31 August 2007

Aidas Ignatavičius



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