

CONSOLIDATED ANNUAL REPORT OF PUBLIC COMPANY MAZEIKIU NAFTA FOR THE YEAR 2006

The year 2006 was significant as well as historical for AB Mazeikiu Nafta (hereinafter – the Company) and its subsidiaries (hereinafter jointly – the Group) due to the management, organizational and operational changes.

Ownership changes

On December 14, 2006, Polski Koncern Naftowy Orlen SA (hereinafter - PKN ORLEN) acquired 379,918,411 shares from Yukos International UK BV, with subsequent acquisition of 216,915,941 shares from the Government of the Republic of Lithuania on December 15, 2006, this way becoming entitled to 84.36 per cent of the total number of shares of the Company. The number of shares owned by the Government of the Republic of Lithuania then amounted to 10.0 per cent, while the remaining portion of shares were held by the minority shareholders of the Company.

Upon closing of the transaction for transfer of the Company shares to PKN ORLEN and acquisition of shares granting more than 40 per cent of all votes in the Company's General Meeting of Shareholders, the Mandatory Takeover Bid was announced by PKN ORLEN on December 22, 2006, for purchase of all shares of the Company traded publicly on the Vilnius Stock Exchange.

Based on the Terms of Reorganization prepared on October 28, 2006, AB Mazeikiu Nafta and AB Mažeikių elektrinė have been reorganized pursuant to Article 2.97(3) of the Civil Code of the Republic of Lithuania by way of merger of AB Mažeikių elektrinė, wound up as a legal person after reorganization, into AB Mazeikiu Nafta continuing its activities after reorganization. After reorganization closing on December 28, 2006, the authorized capital of the Company was increased from LTL 707,454,130 to LTL 708,821,122. Upon exchange of the shares issued by AB Mažeikių elektrinė for the shares of AB Mazeikiu Nafta, continuing its activities after reorganization, at the exchange ratio of 0.859757 share of AB Mazeikiu Nafta against 1 share issued by AB Mažeikių elektrinė, and allocation of the newly issued shares of AB Mazeikiu Nafta pursuant to the principles of shares allocation provided for in the Terms of Reorganization, the shareholders of AB Mažeikių elektrinė became entitled to 1,366,992 ordinary registered shares of AB Mazeikiu Nafta with a nominal value of LTL 1 each.

After the reorganization PKN ORLEN became entitled to 84.2 per cent, the Government of the Republic of Lithuania – to 9.98 per cent, and the minority shareholders – to 5.82 per cent of the shares of the Company. Information on compliance of the Company's governance structure to the Corporate Governance Code for Companies Listed on the National Stock Exchange is presented in Annex no.1 to this Consolidated Annual Report.

Financial and operating results

The consolidated net profit of the Group in 2006 under the International Financial Reporting Standards amounted to USD 67.9 million (LTL 197.1 million), while the consolidated net profit of the Group for the year 2005 was USD 318.7 million (LTL 885.7 million).

The revenues of the Group increased by 7.4 per cent reaching the total amount of USD 4.300 billion (LTL 11.865 billion) for the year 2006. Relatively weaker results of the Group, if compared to 2005, had a respective impact on the changes of its financial indicators. Profitability indicators reduced, as follows: the return on assets was 0.04 USD/USD (0.20 USD/USD in 2005), and the return on equity was 0.09 USD/USD (0.47 USD/USD in 2005). Changes of other indicators were, as follows: the long term debt to equity ratio was 0.62 (0.70 in 2005), the current ratio was 2.49 (2.27 in 2005), and the asset turnover ratio was 2.71 (2.49 in 2005).

Notwithstanding the fire of 12th October 2006 which regarded to the Vacuum Distillation column of the Vacuum Unit, the Company ended the year with profit. Working under the complicated conditions the Company managed to produce high-quality products and satisfy the demand of its target markets. Shortages that occurred due to the temporary reduction of the refining capacities of the Company have

been covered by purchasing the products on the market; therefore no fuel deficit has been faced by the Baltic market. Dynamics of profit in the year 2006, if compared to previous year, has changed: everything what was granted by the market in 2005 was taken in 2006; therefore, the profit of the Group after the fire significantly reduced.

The main reasons that had an impact on reduced net profit of the Group, if compared to the year 2005, are as follows:

- reduction of the world refining margins and petroleum product prices in August-December 2006;
- interruption of crude oil supplies by pipeline since August 2006; crude oil import through Būtingė Oil Terminal is relatively more expensive if compared to the pipeline supplies. In addition, no revenues have been received for crude oil transportation by pipeline and transshipment via Būtingė Oil Terminal (revenues of the Terminal reduced by 41.1 per cent if compared to the same period of 2005, while reduction of revenues from the pipeline transportation services amounted to 31.8 per cent year on year);
- due to the consequences of the fire in October 2006, refining efficiency reduced followed by less quantity of light petroleum products obtained from the crude oil refined. Management of the Company set the following main tasks right after the fire and oriented at improvement of the situation: refurbishment, within three months, of the vacuum tower in Bitumen Production Unit with the capacity of the tower being twice less than that of KT 1/1 Complex (which was done by February 14th 2007), and rebuild of the damaged vacuum tower in KT 1/1 Complex until the end of 2007.

Sales of petroleum products by the Group in 2006 amounted to 7.963 million tons, compared to 8.511 million tons of petroleum products in 2005. Western Europe remained the largest market for the Group with 39 per cent of the total sales volume (3.091 million tons). Other large markets for the Group remained Lithuania (23 per cent) and the USA (16 per cent or 1.250 million tons). Estonia and Latvia each made for 7 per cent, while Poland made for 6 per cent of the total sales volume (566 thousand, 556 thousand, and 453 thousand tons respectively). The remaining 3 percent of sales (214 thousand tons) came from Ukraine and Moldova.

The Group continued increase of petroleum products sales in the target markets. The amount of petroleum products sold in Lithuanian market in 2006 was 1.834 million tons, i.e. increased by 4.9 per cent versus 2005; the amount of petroleum products sold in 2006 in Latvian and Estonian markets was 1.122 million tons (increase by 3.2 per cent versus 2005). Increase of the sales in such markets witnesses the continued dynamic sales policy implemented by Mazeikiu Nafta, active sales in cooperation with the largest as well as minor clients, pursuit of the strategic objectives of the Company, recognition of petroleum products by such markets and increasing demand for higher quality, taking into consideration the growing attention of society to the environmental issues and, consequently, the stricter quality requirements.

In 2006 the fuel stations of the Group operating under a single brand VENTUS sold 72.9 million liters of fuel, i.e. increase by 46 per cent versus 2005. Sales by the shops operating within the chain increased by 32.5 per cent if compared to the year 2005. Revenues of AB Ventus-Nafta from the main activities amounted to USD 47.2 million, and increased by 50.4 per cent if compared to the year 2005. The main reasons for such revenue increase were increased volumes of fuel sold and higher fuel prices.

Sales increase was also due to the flexible discount system applied to the chain customers, sales supporting promotions, dynamic activities of the card department in attracting new corporate customers and advertising the benefits offered.

Business activities of the Group are closely related to the foreign markets; therefore the Company faces challenges associated with the volatility of refining margins, prices of goods, rate of interest, credit and currency associated risks. For this reason, risk management activity is being followed the Group and based on the written risk management policies.

Highest standards of financial operations

As a measure of professional standards, the Group has engaged the international rating agency Fitch Ratings. It is aimed at precise evaluation of the risks of the Group, stability of its business environment and perspectives, as well as achieving establishment of reasonable payment conditions in terms of economics when concluding agreements with its suppliers and borrowing funds from banks,

In September 2006 the agency assigned B+ long-term foreign currency credit rating and B short-term rating to the Group. Despite the fire in Refinery, the agency has not changed to AB Mazeikiu Nafta the assigned rating of B+ on Rating Watch Positive and short-term rating at B. In Fitch Ratings' view the fire in the Company's Refinery does not presently warrant a rating action as it is expected that the Company shall substantially cover its reconstruction costs and business interruption losses via insurance claims.

Aspect of crude supply and fire at refinery

Previously Company was receiving the crude oil for refining by pipelines through the territory of the Russian Federation; however the Company also had a possibility of importing crude oil through its flexible import and export terminal in Būtingė. At the end of July 2006, the Company faced interruption of crude oil supplies by pipeline and started import of crude oil through its Oil Terminal. Therefore crude oil costs relatively increased. Due to the fire of October 12, 2006, the refinery now is operating approx. at half of its capacity. Based on assessments of the Company management, the total period required for reinstatement of the previous capacities would be up to 12 months, that is, by the end of 2007. As the Company has the property and business interruption insurance policies concluded, the insurers are to cover the damaged property associated replacement costs as well as the fixed costs incurred within business interruption period.

Modernization program

The Group also continued its activities under the second phase of Modernization Program. The total amount of investments into the long-term and intangible assets during 2006 comprised a total of USD 114.9 million. The projects implemented in 2006 were mainly intended, as in the year 2005, for ensuring the compliance of petroleum products with the EU clean fuel and emissions-regulating requirements.

The major part of investments was intended for implementation of the projects under Modernization Program. Construction of new PRIME G+ Unit intended for hydrotreatment of catalytic cracking gasoline was made at the intensive speed. Upon commissioning of this unit, sulfur content in all gasoline made by the Company shall be less than 10 ppm, that is in accordance with EU standards. The total investments for implementation of the FCC Gasoline Selective Hydrotreatment Unit in 2006 amounted to USD 18.1 million. The total amount of investments for completion of the project for production of fuel with bio-components amounted approx. to USD 2 million; production of bio-gasoline and bio-diesel was started in spring of 2006. The total amount of USD 8.4 million was spent for modernization of Truck Loading Terminal for loading of light petroleum products. The amount spent in 2006 on one of the biggest efficiency improvement projects – replacement of the heater in Atmospheric Distillation Unit of LK-2 – comprised USD 16.2 million. The total amount of USD 24.6 million was spent on preparatory activities for modernization of KT 1/1 Complex.

In 2006 the Company has started considerable investments for upgrade of its process units and liquidation of the consequences of fire in October 2006: refurbishment of the vacuum tower in Bitumen Production Unit – USD 11.3 million, rebuild of the vacuum tower in KT 1/1 Complex – USD 2.9 million. The amount spent for replacement of Būtingė Terminal SPM and liquidation of the consequences of the 29th December 2005 incident was USD 8.4 million, upgrading of crude oil tank RZ21 – USD 1.2 million, and modifications of fuel oil tank – USD 1 million. In order to reduce the risk of fuel losses, modern electronic fuel level system and video-monitoring system was introduced in the tanks of fuel stations of AB Ventus-Nafta, the subsidiary of the Company, in 2006.

Social and environmental responsibility

The Group employs 3,858 people. If compared to the number of employees at the end of 2005, it reduced by 125 people in the year 2006.

On June 16, 2006, the Company and the Joint Representative Team of Trade Unions signed the new Collective Agreement for the period ending on December 31, 2008.

The new Collective Agreement formalizes the continuity of the previous obligations of the Company with respect to the compensation, social benefits and guarantees, establishes the arrangement on the

new labor market-oriented compensation policy based on the principles of internal equity and external competitiveness. Following the above, the Company undertook to participate in the annual surveys of Lithuanian labor market and ensure payment of base salaries not lower than the median of Lithuanian labor market. Increase of the base salaries by Company will be based on the following major factors: work efficiency, inflation level and labor market changes.

The Company dedicates special attention to employees' qualification improvement and professional training.

The Company has the license issued by the Ministry of Education and Science of the Republic of Lithuania for vocational training of employees under 33 vocational education and training programs. In 2006 Medical Center of the Company conducted the First Aid Training and Hygiene Training courses.

Taking into consideration the importance of vocational training and professional education the Company allocated funds for establishment of the new modern equipped Training Center opened in 2006.

The Company was also one of the first business enterprises in Lithuania which started in 2005 and continued in 2006 the implementation of projects financed from the EU structural funds according to the SPG measure "Development of Labor Force Competencies and the Ability to Adapt to Changes". 362 employees participated in the courses and sessions on business ethics, English language courses, refining processes control and efficiency increase courses.

Individual groups of employees attended seminars and courses on project management, project leadership, implementation of employees' safety and health management system, improvement of the skills of graphic documents preparation and other management and motivation associated subjects.

In 2006 the Refinery of AB Mazeikiu Nafta operated under the Integrated Pollution Prevention and Control (IPPC) Permit issued under the requirements of Directive 96/61/EC under the "Reference Document on Best Available Techniques for Mineral Oil and Gas Refineries".

The Company also dedicates special attention to the environmental issues in its Būtingė Oil Terminal. Starting the year 1999, with commencement of the Terminal operations, the Company introduced and started implementation of Būtingė Terminal Monitoring Program. The program covers monitoring of sea and ground waters, seashore and seabed, as well as sea flora and fauna. The monitoring is performed 4 times a year. Būtingė Oil Terminal puts all efforts for ensuring safety of crude oil loading operations.

Būtingė Oil Terminal was the first port facility in Lithuania to have implemented the provisions of the International Ship and Port Facility Security Code. The vessels serviced by the Terminal are applied with strict environmental requirements – only vessels with segregated ballast water tanks containing the Baltic Sea or the North Sea water may moor to the Terminal SPM.

In 2006 the Company implemented the following environmental measures mitigating its possible negative impact on the environment:

- New Vapor Recovery Unit was commissioned in the Petroleum Product Loading Terminal for reduction of air pollution. Low NOx burner was installed in the Heater 20Kr-1 of Sulfur Production Unit. 3,670 tons of oil sludge (accumulated earlier) were treated in the Company's centrifuge.
- The 1st stage of petroleum products-contaminated ground water treatment was initiated.
- Section of 1.76 kilometers of the drinking water piping was replaced with polyethylene piping in the territory of the Company, and Environmental Laboratory equipment changed.

Having secured its leading position in the Lithuanian economy, the Company also seeks to become a leader in the area of social responsibility having positive influence on the Company's business results and improving quality of life of the Company's employees and their families, as well as communities of Mažeikiai, Biržai and Palanga and the entire Lithuanian community. In 2006 the Company granted financial support and sponsored a lot of valuable initiatives in line with the provisions of the Company's Social Policy.

In June 2006, the Company being a member of Global Compact, the network of socially-responsible business, together with other Lithuanian enterprises and organizations – members of the Global Compact as well – signed Declaration acknowledging their commitment to honest and transparent compensation policy, protection of employees' rights, and respect for the national laws and community.

Treasury shares

The Company has not acquired and is not in possession of its own shares. In 2006 the Company did not acquire or transfer any of its own shares either.

Branches

The Company has no branches established. The Company has AB Mazeikiu Nafta Representative Office in Ukraine.

PKN ORLEN – new shareholder with value oriented character

On January 5, 2007, the Company signed the Agreement with PKN ORLEN granting PKN ORLEN the exclusive right for the crude oil supply to the Company. The Agreement has been concluded for an indefinite period, and its conclusion was associated with centralization of crude oil purchases in PKN ORLEN Group.

One of the key initiatives of the new shareholder of the Group is the Value Creation Program which was launched at the very beginning of 2007. The Program is intended for establishment of the strategy and business directions of the Company and its Group going forward. The Program would - above others - extract and build additional improvement of the Group's management processes, cost reduction, improvement and implementation of new processes and technologies to achieve the ambitious objectives for the years to come.

Participants of the Program will generate new ideas which later on will be transformed by value creation teams into the properly developed initiatives covering production and its development, logistics, wholesale and retail, human resources management, procurement and cost control, IT, finance management and other areas of the Group's business.

Year 2007 – positive ventures ahead

With the commissioning and start-up of the refurbished vacuum tower in Bitumen Production Unit on February 14, 2007, light petroleum products yield could possibly improve.

The forecasted throughput at the refinery for 2007 is 6.5 million tons of feedstock, with import volumes through Būtingė Oil Terminal amounting to 5.8 million tons of crude oil, and transportation volumes through Biržai pipeline reaching 6.8 million tons of diesel fuel in Ventspils direction. In 2007 the Company is planning reconstruction of some fuel stations of AB Ventus-Nafta and installation of new car facilities, and increase sales volumes: fuel – by 21 per cent, and goods – by 15 per cent.

In 2007 the Company will continue implementation of the projects under its Modernization program. Upon implementation of such projects the Company is planning on further increase its refining efficiency and profitability per ton of refined crude.

The Group will further pursue the goal of creating shareholder value by aiming to achieve the operational excellence in the spheres of crude refining, production, marketing, logistics, and financial management and organizational improvements, by becoming one of the most successful and efficient oil companies in North East Europe.

Chairman of the Board
22 March 2007

P. Kownacki



Annex I to Annual Report of AB
Mazeikiu Nafta for the year 2006

Disclosure form concerning the
compliance with the Governance Code
for the companies listed on the regulated
market

The public company *Mazeikiu Nafta*, legal person's code 166451720, following Section 3 of Article 21 of the Law of the Republic of Lithuania on Securities and item 20.5 of the Trading Rules of the Vilnius Stock Exchange (VSE), discloses its compliance with the Governance Code, approved by the VSE for the companies listed on the regulated market, and its specific provisions. In the event of non-compliance with the Code or with certain provisions thereof, it must be specified which provisions are not complied with and the reasons of non-compliance.

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
<p>Principle I: Basic Provisions</p>		
<p>The overriding objective of a company should be to operate in common interests of all the shareholders by optimizing over time shareholder value.</p>		
<p>1.1. A company should adopt and make public the company's development strategy and objectives by clearly declaring how the company intends to meet the interests of its shareholders and optimize shareholder value.</p>	<p>No</p>	<p>The Company's approved Management Plans defining the Company's development strategy are not in public domain because, in order to retain the competitive advantages, they have been included into the list of the corporate commercial secrets in accordance with the procedure established by the Articles of Association.</p>
<p>1.2. All management bodies of a company should act in furtherance of the declared strategic objectives in view of the need to optimize shareholder value.</p>	<p>Yes</p>	<p>All bodies of the Company act in implementation of the business objectives provided for by the Company's Articles of Association.</p>
<p>1.3. A company's supervisory and management bodies should act in close co-operation in order to attain maximum benefit for the company and its shareholders.</p>	<p>Yes</p>	<p>The Company's Board and CEO develop and implement in close cooperation the Company's process technologies, plans of modernization of the process units, and introducing more efficient business management methods/systems; the Company's Supervisory Council supervises and evaluates the activities of the management bodies, monitors the Company's financial situation.</p>
<p>1.4. A company's supervisory and management bodies should ensure that the rights and interests of persons other than the company's shareholders (e.g. employees, creditors, suppliers, clients, local community), participating in or connected with the company's operation, are duly respected.</p>	<p>Yes</p>	<p>The Company takes all reasonable actions to ensure rights and interests of the shareholders, other persons involved in or associated with the Company's activities (employees, creditors, suppliers, clients, local community) strictly in compliance with the principles of law protecting them, terms and conditions of the transactions concluded, being a member of the Global Compact holding socially responsible companies, granting financial support in accordance with the</p>

		procedure established by applicable laws, etc.
<p>Principle II: The corporate governance framework</p> <p>The corporate governance framework should ensure the strategic guidance of the company, the effective oversight of the company's management bodies, an appropriate balance and distribution of functions between the company's bodies, protection of the shareholders' interests.</p>		
2.1. Besides obligatory bodies provided for in the Law on Companies of the Republic of Lithuania – a general shareholders' meeting and the chief executive officer, it is recommended that a company should set up both a collegial supervisory body and a collegial management body. The setting up of collegial bodies for supervision and management facilitates clear separation of management and supervisory functions in the company, accountability and control on the part of the chief executive officer, which, in its turn, facilitate a more efficient and transparent management process.	Yes	The Company complies with this recommendation; the following bodies have been established in accordance with the procedure defined in its Articles of Association: the General Meeting Of Shareholders, the Supervisory Council, the Board, and the Company's CEO (General Director).
2.2. A collegial management body is responsible for the strategic management of the company and performs other key functions of corporate governance. A collegial supervisory body is responsible for the effective supervision of the company's management bodies.	Yes	The Company's collegial management body – the Board – is responsible for the strategic management of the company and implements other key functions of the corporate governance, and the collegial supervisory body – the Supervisory Council – is responsible for efficient supervision of the Company's management bodies.
2.3. Where a company chooses to form only one collegial body, it is recommended that it should be a supervisory body, i.e. the supervisory board. In such a case, the supervisory board is responsible for the effective monitoring of the functions performed by the company's chief executive officer.	Not applicable	The Company has the Supervisory Council and the Board.
2.4. The collegial supervisory body to be elected by the general shareholders' meeting should be set up and should act in the manner defined in Principles III and IV. Where a company should decide not to set up a collegial supervisory body but rather a collegial management body, i.e. the board, Principles III and IV should apply to the board as long as that does not contradict the essence and purpose of this body. ¹	No	Considering the reasons presented with regard to implementation of recommendations as per Principles III and IV.

¹ Provisions of Principles III and IV are more applicable to those instances when the general shareholders' meeting elects the supervisory board, i.e. a body that is essentially formed to ensure oversight of the company's board and the chief executive officer and to represent the company's shareholders. However, in case the company does not form the supervisory board but rather the board, most of the recommendations set out in Principles III and IV become important and applicable to the board as well. Furthermore, it should be noted that certain recommendations, which are in their essence and nature applicable exclusively to the supervisory board, should not be applied to the board, as the competence and functions of these bodies according to the Law on Companies of the Republic of Lithuania (*Official Gazette*, 2003, No 123-5574) are different. For instance, item 3.1 of the Code concerning oversight of the management bodies applies to the extent it concerns the oversight of the chief executive officer of the company, but not of the board itself; item 4.1 of the Code concerning recommendations to the management bodies applies to the extent it relates to the provision of recommendations to the company's chief executive officer; item 4.4 of the Code concerning independence of the collegial body elected by the general meeting from the company's management bodies is applied to the extent it concerns independence from the chief executive officer.

<p>2.5. Company's management and supervisory bodies should comprise such number of board (executive directors) and supervisory (non-executive directors) board members that no individual or small group of individuals can dominate decision-making on the part of these bodies.²</p>	<p>Yes</p>	<p>The Company's Board consists of seven (7) members, i.e. their number is two times the minimum number set by Section 2 of Article 33 of the Law on Companies; the Company's Articles of Association also provide for the greater majority of votes required for adoption of decisions than stipulated in Section 4 of Article 35 of the Law on Companies, i.e. the number of votes "in favor" shall constitute more than one half of the members present at the meeting, except for the cases when adoption of decisions with respect to approval of certain draft decision: for example, approval of the Company's development projects, establishment of other legal persons, acquisition of any interest in other persons, providing loans, establishment or closing of branches and representative offices, investment, transfer, acquisition of the high-value long-term assets (the value exceeding 1/20 of the Company's authorized capital), approval and amendment of the Work Regulations of the Board, etc., requires at least five members voting "in favor."</p> <p>The Company's Supervisory Council consist of nine (9) member, i.e. their number is three times the minimum number set by Section 2 of Article 31 of the Law on Companies, which forms 3/5 of their maximum number permitted; the Company's Articles of Association also provide for the greater majority of votes required for adoption of decisions than stipulated in Section 8 of Article 32 of the Law on Companies, i.e. the number of votes "in favor" shall constitute more than one half of the members present at the meeting, except for the cases when (i) submission of proposals to the Board or the Company's CEO to revoke their adopted decisions (ii) adoption of the decision regarding approval/disapproval of dismissal of the Company's CEO and CFO, or (iii) approval or amendment of the Work Regulations of the Supervisory Council require that more than one half of the member present at the meeting vote "in favor", but not less than four members; and decision on recalling of the member of the Board is adopted if at least 2/3 of the members present at the meeting vote in favor.</p>
<p>2.6. Non-executive directors or members of the supervisory board should be appointed for specified terms subject to individual re-election, at maximum intervals provided for in the Lithuanian legislation with a view to ensuring necessary development of professional experience and sufficiently frequent reconfirmation of their status. A possibility to remove them should also be stipulated however this procedure should not be easier than the removal procedure for an executive director or a member of the management board.</p>	<p>Yes</p>	<p>The term of the members of the Supervisory Council is four (4) years. The Company's Articles of Association and practices do not prohibit election of new members (removal of the members before expiry of the term).</p>

² Definitions 'executive director' and 'non-executive director' are used in cases when a company has only one collegial body.

<p>2.7. Chairman of the collegial body elected by the general shareholders' meeting may be a person whose current or past office constitutes no obstacle to conduct independent and impartial supervision. Where a company should decide not to set up a supervisory board but rather the board, it is recommended that the chairman of the board and chief executive officer of the company should be a different person. Former company's chief executive officer should not be immediately nominated as the chairman of the collegial body elected by the general shareholders' meeting. When a company chooses to depart from these recommendations, it should furnish information on the measures it has taken to ensure impartiality of the supervision.</p>	<p>Yes</p>	<p>The Chairman of the Company's Supervisory Council has never acted as the Company's CEO.</p>
<p>Principle III: The order of the formation of a collegial body to be elected by a general shareholders' meeting</p> <p>The order of the formation a collegial body to be elected by a general shareholders' meeting should ensure representation of minority shareholders, accountability of this body to the shareholders and objective monitoring of the company's operation and its management bodies.³</p>		
<p>3.1. The mechanism of the formation of a collegial body to be elected by a general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure objective and fair monitoring of the company's management bodies as well as representation of minority shareholders.</p>	<p>No</p>	<p>The existing procedure for election of the Supervisory Council members established by the Articles of Association does not provide for mechanism of election of independent members.</p>
<p>3.2. Names and surnames of the candidates to become members of a collegial body, information about their education, qualification, professional background, positions taken and potential conflicts of interest should be disclosed early enough before the general shareholders' meeting so that the shareholders would have sufficient time to make an informed voting decision. All factors affecting the candidate's independence, the sample list of which is set out in Recommendation 3.7, should be also disclosed. The collegial body should also be informed on any subsequent changes in the provided information. The collegial body should, on yearly basis, collect data provided in this item on its members and disclose this in the company's annual report.</p>	<p>No</p>	<p>Disclosure of names and surnames of the candidates to become members of the Supervisory Council, information about their education, qualification, professional background, positions taken, other material professional commitments and potential conflicts of interest to the Company's shareholders before the General Meeting of Shareholders is not always ensured. There is no practice in the Company that all circumstances (excluding such provided by applicable laws) that may affect the candidate's independence as per the sample list set out in Recommendation 3.7 should be disclosed and that the Supervisory Council should be informed on any subsequent changes in the information provided. The Supervisory Council does not collect and does not disclose the data of such nature in the Company's Annual Report.</p>

³ Attention should be drawn to the fact that in the situation where the collegial body elected by the general shareholders' meeting is the board, it is natural that being a management body it should ensure oversight not of all management bodies of the company, but only of the single-person body of management, i.e. the company's chief executive officer. This note shall apply in respect of item 3.1 as well.

<p>3.3. Should a person be nominated for members of a collegial body, such nomination should be followed by the disclosure of information on candidate's particular competences relevant to his/her service on the collegial body. In order shareholders and investors are able to ascertain whether member's competence is further relevant, the collegial body should, in its annual report, disclose the information on its composition and particular competences of individual members which are relevant to their service on the collegial body.</p>	<p>No</p>	<p>Information on specific competences of individual members of the Supervisory Council which competences are directly related to their service on the collegial body is not disclosed in the Company's Annual Report as such obligation is not set by the applicable legal acts and is not governed by the Company's administrative documents.</p>
<p>3.4. In order to maintain a proper balance in terms of the current qualifications possessed by its members, the collegial body should determine its desired composition with regard to the company's structure and activities, and have this periodically evaluated. The collegial body should ensure that it is composed of members who, as a whole, have the required diversity of knowledge, judgment and experience to complete their tasks properly. The members of the audit committee, collectively, should have a recent knowledge and relevant experience in the fields of finance, accounting and/or audit for the stock exchange listed companies.</p>	<p>No</p>	<p>There are no practices applied in the Company that the Supervisory Council of the Company establishes its desired composition with regard to the Company's structure and activities, and the respective periodic evaluation is not conducted; the Company's Supervisory Council does not form the Audit Committee.</p>
<p>3.5. All new members of the collegial body should be offered a tailored program focused on introducing a member with his/her duties, corporate organization and activities. The collegial body should conduct an annual review to identify fields where its members need to update their skills and knowledge.</p>	<p>No</p>	<p>The Company has no special programs focused on introducing members of the Supervisory Council with their duties, corporate organization and activities. The Supervisory Council has not so far practiced annual reviews to identify fields where its members need to update their skills and knowledge.</p>
<p>3.6. In order to ensure that all material conflicts of interest related with a member of the collegial body are resolved properly, the collegial body should comprise a sufficient⁴ number of independent⁵ members.</p>	<p>No</p>	<p>The Company does not follow this Recommendation because the independence of the Supervisory Council members has not been evaluated so far; the contents of the "sufficient number" of independent members have not been defined in the Company.</p>

⁴ The Code does not provide for a concrete number of independent members to comprise a collegial body. Many codes in foreign countries fix a concrete number of independent members (e.g. at least 1/3 or 1/2 of the members of the collegial body) to comprise the collegial body. However, having regard to the novelty of the institution of independent members in Lithuania and potential problems in finding and electing a concrete number of independent members, the Code provides for a more flexible wording and allows the companies themselves to decide what number of independent members is sufficient. Of course, a larger number of independent members in a collegial body is encouraged and will constitute an example of more suitable corporate governance.

⁵ It is notable that in some companies all members of the collegial body may, due to a very small number of minority shareholders, be elected by the votes of the majority shareholder or a few major shareholders. But even a member of the collegial body elected by the majority shareholders may be considered independent if he/she meets the independence criteria set out in the Code.

<p>3.7. A member of the collegial body should be considered to be independent only if he is free of any business, family or other relationship with the company, its controlling shareholder or the management of either, that creates a conflict of interest such as to impair his judgment. Since all cases when member of the collegial body is likely to become dependant are impossible to list, moreover, relationships and circumstances associated with the determination of independence may vary amongst companies and the best practices of solving this problem are yet to evolve in the course of time, assessment of independence of a member of the collegial body should be based on the contents of the relationship and circumstances rather than their form. The key criteria for identifying whether a member of the collegial body can be considered to be independent are the following:</p> <ol style="list-style-type: none"> 1) He/she is not an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) of the company or any associated company and has not been such during the last five years; 2) He/she is not an employee of the company or some any company and has not been such during the last three years, except for cases when a member of the collegial body does not belong to the senior management and was elected to the collegial body as a representative of the employees; 3) He/she is not receiving or has been not receiving significant additional remuneration from the company or associated company other than remuneration for the office in the collegial body. Such additional remuneration includes participation in share options or some other performance based pay systems; it does not include compensation payments for the previous office in the company (provided that such payment is no way related with later position) as per pension plans (inclusive of deferred compensations); 4) He/she is not a controlling shareholder or representative of such shareholder (control as defined in the Council Directive 83/349/EEC Article 1 Part 1); 5) He/she does not have and did not have any material business relations with the company or associated company within the past year directly or as a partner, shareholder, director or superior employee of the subject having such relationship. A subject is considered to have business relations when it is a major supplier or service provider (inclusive of financial, legal, counseling and consulting services), major client or organization receiving significant payments from the company or its group; 	<p>No</p>	<p>Due to insignificantly small number of the votes held by the minor shareholders, the election of the members of the Supervisory Council depends on votes of two major shareholders. The practice still exists in the Company that the candidates to the members of the Supervisory Council are nominated, as a rule, from persons having employment relations with the controlling shareholders.</p> <p>The Supervisory Council has not defined the term "independence."</p>
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<p>6) He/she is not and has not been, during the last three years, partner or employee of the current or former external audit company of the company or associated company;</p> <p>7) He/she is not an executive director or member of the board in some other company where executive director of the company or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) is non-executive director or member of the supervisory board, he/she may not also have any other material relationships with executive directors of the company that arise from their participation in activities of other companies or bodies;</p> <p>8) He/she has not been in the position of a member of the collegial body for over than 12 years;</p> <p>9) He/she is not a close relative to an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) or to any person listed in above items 1 to 8. Close relative is considered to be a spouse (common-law spouse), children and parents.</p> <p>3.8. The determination of what constitutes independence is fundamentally an issue for the collegial body itself to determine. The collegial body may decide that, despite a particular member meets all the criteria of independence laid down in this Code, he cannot be considered independent due to special personal or company-related circumstances.</p>		
<p>3.9. Necessary information on conclusions the collegial body has come to in its determination of whether a particular member of the body should be considered to be independent should be disclosed. When a person is nominated to become a member of the collegial body, the company should disclose whether it considers the person to be independent. When a particular member of the collegial body does not meet one or more criteria of independence set out in this Code, the company should disclose its reasons for nevertheless considering the member to be independent. In addition, the company should annually disclose which members of the collegial body it considers to be independent.</p>	No	The Company has not applied the practice of evaluation and disclosure of independence of the Supervisory Council members.

3.10. When one or more criteria of independence set out in this Code has not been met throughout the year, the company should disclose its reasons for considering a particular member of the collegial body to be independent. To ensure accuracy of the information disclosed in relation with the independence of the members of the collegial body, the company should require independent members to have their independence periodically re-confirmed.	No	Considering the reasons presented with regard to implementation of recommendations as per Principle III.
3.11. In order to remunerate members of a collegial body for their work and participation in the meetings of the collegial body, they may be remunerated from the company's funds. ⁶ The general shareholders' meeting should approve the amount of such remuneration.	Not applicable	The members of the Company's Supervisory Council have not been remunerated from the Company's funds.
<p>Principle IV: The duties and liabilities of a collegial body elected by the general shareholders' meeting</p> <p>The corporate governance framework should ensure proper and effective functioning of the collegial body elected by the general shareholders' meeting, and the powers granted to the collegial body should ensure effective monitoring⁷ of the company's management bodies and protection of interests of all the company's shareholders.</p>		
4.1. The collegial body elected by the general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure integrity and transparency of the company's financial statements and the control system. The collegial body should issue recommendations to the company's management bodies and monitor and control the company's management performance. ⁸	Yes	The Supervisory Council elected in the Company make proposals and comments to the General Meeting of Shareholders on the Company's annual financial statements, the draft of distribution of profit, annual report of the Company, activities of the Board and the General Director as well as performs other functions assigned to the Supervisory Council in association with supervision of the activities of the Company and its management bodies.

⁶ It is notable that currently it is not yet completely clear, in what form members of the supervisory board or the board may be remunerated for their work in these bodies. The Law on Companies of the Republic of Lithuania (*Official Gazette*, 2003, No 123-5574) provides that members of the supervisory board or the board may be remunerated for their work in the supervisory board or the board by payment of annual bonuses (tantiems) in the manner prescribed by Article 59 of this Law, i.e. from the company's profit. The current wording, contrary to the wording effective before 1 January 2004, eliminates the exclusive requirement that annual bonuses (tantiems) should be the *only* form of the company's compensation to members of the supervisory board or the board. So it seems that the Law contains no prohibition to remunerate members of the supervisory board or the board for their work in other forms, besides bonuses, although this possibility is not expressly stated either.

⁷ See Footnote 3.

⁸ See Footnote 3. In the event the collegial body elected by the general shareholders' meeting is the board, it should provide recommendations to the company's single-person body of management, i.e. the company's chief executive officer.

<p>4.2. Members of the collegial body should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders with due regard to the interests of employees and public welfare. Independent members of the collegial body should (a) under all circumstances maintain independence of their analysis, decision-making and actions (b) do not seek and accept any unjustified privileges that might compromise their independence, and (c) clearly express their objections should a member consider that decision of the collegial body is against the interests of the company. Should a collegial body have passed decisions independent member has serious doubts about, the member should make adequate conclusions. Should an independent member resign from his office, he should explain the reasons in a letter addressed to the collegial body or audit committee and, if necessary, respective company-not-pertaining body (institution).</p>	<p>Yes</p>	<p>To the best of the Company's knowledge, all members of the Supervisory Council act in good faith with respect to the Company and in the interests of the Company but not in their own or third parties' interests.</p>
<p>4.3. Each member should devote sufficient time and attention to perform his duties as a member of the collegial body. Each member of the collegial body should limit other professional obligations of his (in particular any directorships held in other companies) in such a manner they do not interfere with proper performance of duties of a member of the collegial body. In the event a member of the collegial body should be present in less than a half⁹ of the meetings of the collegial body throughout the financial year of the company, shareholders of the company should be notified.</p>	<p>No</p>	<p>The Company has not notified the Company's shareholders of the cases when a member of the Supervisory Council has participated at less than a half of the Supervisory Council meetings throughout the financial year because the procedure of such notification has not been established, if the General Meeting of Shareholders is not convened.</p>
<p>4.4. Where decisions of a collegial body may have a different effect on the company's shareholders, the collegial body should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed on the company's affairs, strategies, risk management and resolution of conflicts of interest. The company should have a clearly established role of members of the collegial body when communicating with and committing to shareholders.</p>	<p>No</p>	<p>The role of the Supervisory Council members, when communicating with and committing to the shareholders, has not been clearly defined in the Company.</p>

⁹ It is notable that companies can make this requirement more stringent and provide that shareholders should be informed about failure to participate at the meetings of the collegial body if, for instance, a member of the collegial body participated at less than 2/3 or 3/4 of the meetings. Such measures, which ensure active participation in the meetings of the collegial body, are encouraged and will constitute an example of more suitable corporate governance.

<p>4.5. It is recommended that transactions (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions), concluded between the company and its shareholders, members of the supervisory or managing bodies or other natural or legal persons that exert or may exert influence on the company's management should be subject to approval of the collegial body. The decision concerning approval of such transactions should be deemed adopted only provided the majority of the independent members of the collegial body voted for such a decision.</p>	<p>No</p>	<p>Transactions described in this recommendation are not approved by the Supervisory Council because the Articles of Association do not provide for such approval; moreover, the Company's Supervisory Council does not have independent members.</p>
<p>4.6. The collegial body should be independent in passing decisions that are significant for the company's operations and strategy. Taken separately, the collegial body should be independent of the company's management bodies¹⁰. Members of the collegial body should act and pass decisions without an outside influence from the persons who have elected it. Companies should ensure that the collegial body and its committees are provided with sufficient administrative and financial resources to discharge their duties, including the right to obtain, in particular from employees of the company, all the necessary information or to seek independent legal, accounting or any other advice on issues pertaining to the competence of the collegial body and its committees.</p>	<p>No</p>	<p>Independence of the Supervisory Council members from persons who elected them is not ensured and/or the latter influence their decisions, also considering the fact that persons nominated to the Supervisory Council by the Government of the Republic of Lithuania and elected to it in accordance with the procedure established are also the state officials voting in accordance with a respective administrative document issued by the state government body.</p>

¹⁰ In the event the collegial body elected by the general shareholders' meeting is the board, the recommendation concerning its independence from the company's management bodies applies to the extent it relates to the independence from the company's chief executive officer.

<p>4.7. Activities of the collegial body should be organized in a manner that independent members of the collegial body could have major influence in relevant areas where chances of occurrence of conflicts of interest are very high. Such areas to be considered as highly relevant are issues of nomination of company's directors, determination of directors' remuneration and control and assessment of company's audit. Therefore when the mentioned issues are attributable to the competence of the collegial body, it is recommended that the collegial body should establish nomination, remuneration, and audit committees. Companies should ensure that the functions attributable to the nomination, remuneration, and audit committees are carried out. However they may decide to merge these functions and set up less than three committees. In such case a company should explain in detail reasons behind the selection of alternative approach and how the selected approach complies with the objectives set forth for the three different committees. Should the collegial body of the company comprise small number of members, the functions assigned to the three committees may be performed by the collegial body itself, provided that it meets composition requirements advocated for the committees and that adequate information is provided in this respect. In such case provisions of this Code relating to the committees of the collegial body (in particular with respect to their role, operation, and transparency) should apply, where relevant, to the collegial body as a whole.</p>	<p>No</p>	<p>The committees have not been formed considering the fact that the Supervisory Council has no independent members; for these reasons the nomination committee was not formed because, subject to Paragraph 1 of Section 1 of Article 32 of the Law on Companies and the Articles of Association of the Company, the Supervisory Council has the right to elect (appoint) only board members (directors); therefore the functions of this committee are performed by the Supervisory Council itself; the remuneration committee was not formed considering the fact that, subject to provisions of the Law on Companies and Articles of Association of the Company, establishment of remuneration to the Board Members and the Company's CEO (directors) is not within the competence of the Supervisory Council; the audit committee was not formed because the functions of this committee are performed by the Supervisory Council itself, based on the authority assigned.</p>
<p>4.8. The key objective of the committees is to increase efficiency of the activities of the collegial body by ensuring that decisions are based on due consideration, and to help organize its work with a view to ensuring that the decisions it takes are free of material conflicts of interest. Committees should present the collegial body with recommendations concerning the decisions of the collegial body. Nevertheless the final decision shall be adopted by the collegial body. The recommendation on creation of committees is not intended, in principle, to constrict the competence of the collegial body or to remove the matters considered from the purview of the collegial body itself, which remains fully responsible for the decisions taken in its field of competence.</p>	<p>No</p>	<p>The committees have not been formed within the Supervisory Council so far, considering the reasons presented in explanation regarding implementation of recommendation 4.7 under Principle IV.</p>
<p>4.9. Committees established by the collegial body should normally be composed of at least three members. In companies with small number of members of the collegial body, they could exceptionally be composed of two members. Majority of the members of each committee should be constituted from independent members of the collegial body. In cases when the company chooses not to set up a supervisory board, remuneration and audit committees should be entirely comprised of non-executive directors. Chairmanship and membership of the committees should be decided with due regard to the need to ensure that committee membership is refreshed and that undue reliance is not placed on particular individuals.</p>	<p>No</p>	<p>The committees have not been formed within the Supervisory Council so far, considering the reasons presented in explanation regarding implementation of recommendation 4.7 under Principle IV.</p>

<p>4.10. Authority of each of the committees should be determined by the collegial body. Committees should perform their duties in line with authority delegated to them and inform the collegial body on their activities and performance on regular basis. Authority of every committee stipulating the role and rights and duties of the committee should be made public at least once a year (as part of the information disclosed by the company annually on its corporate governance structures and practices). Companies should also make public annually a statement by existing committees on their composition, number of meetings and attendance over the year, and their main activities. Audit committee should confirm that it is satisfied with the independence of the audit process and describe briefly the actions it has taken to reach this conclusion.</p>	No	The committees have not been formed within the Supervisory Council so far, considering the reasons presented in explanation regarding implementation of recommendation 4.7 under Principle IV.
<p>4.11. In order to ensure independence and impartiality of the committees, members of the collegial body that are not members of the committee should commonly have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or demand participation in the meeting of particular officers or experts. Chairman of each of the committees should have a possibility to maintain direct communication with the shareholders. Events when such are to be performed should be specified in the regulations for committee activities.</p>	No	The committees have not been formed within the Supervisory Council so far, considering the reasons presented in explanation regarding implementation of recommendation 4.7 under Principle IV.
<p>4.12. Nomination Committee. 4.12.1. Key functions of the nomination committee should be the following:</p> <ul style="list-style-type: none"> • Identify and recommend, for the approval of the collegial body, candidates to fill board vacancies. The nomination committee should evaluate the balance of skills, knowledge and experience on the management body, prepare a description of the roles and capabilities required to assume a particular office, and assess the time commitment expected. Nomination committee can also consider candidates to members of the collegial body delegated by the shareholders of the company; • Assess on regular basis the structure, size, composition and performance of the supervisory and management bodies, and make recommendations to the collegial body regarding the means of achieving necessary changes; • Assess on regular basis the skills, knowledge and experience of individual directors and report on this to the collegial body; • Properly consider issues related to succession planning; • Review the policy of the management bodies for selection and appointment of senior management. <p>4.12.2. Nomination committee should consider proposals by other parties, including management and shareholders. When dealing with issues related to executive directors or members of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) and senior management, chief executive officer of the company should</p>	No	The nomination committee has not been formed within the Supervisory Council so far, considering the reasons presented in explanation regarding implementation of recommendation 4.7 under Principle IV.

<p>be consulted by, and entitled to submit proposals to the nomination committee.</p>		
<p>4.13. Remuneration Committee. 4.13.1. Key functions of the remuneration committee should be the following:</p> <ul style="list-style-type: none"> • Make proposals, for the approval of the collegial body, on the remuneration policy for members of management bodies and executive directors. Such policy should address all forms of compensation, including the fixed remuneration, performance-based remuneration schemes, pension arrangements, and termination payments. Proposals considering performance-based remuneration schemes should be accompanied with recommendations on the related objectives and evaluation criteria, with a view to properly aligning the pay of executive director and members of the management bodies with the long-term interests of the shareholders and the objectives set by the collegial body; • Make proposals to the collegial body on the individual remuneration for executive directors and member of management bodies in order their remunerations are consistent with company's remuneration policy and the evaluation of the performance of these persons concerned. In doing so, the committee should be properly informed on the total compensation obtained by executive directors and members of the management bodies from the affiliated companies; • Make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies; • Assist the collegial body in overseeing how the company complies with applicable provisions regarding the 	<p>No</p>	<p>The remuneration committee has not been formed within the Supervisory Council so far, considering the reasons presented in explanation regarding implementation of recommendation 4.7 under Principle IV.</p>

<p>remuneration-related information disclosure (in particular the remuneration policy applied and individual remuneration of directors);</p> <ul style="list-style-type: none"> • Make general recommendations to the executive directors and members of the management bodies on the level and structure of remuneration for senior management (as defined by the collegial body) with regard to the respective information provided by the executive directors and members of the management bodies. <p>4.13.2. With respect to stock options and other share-based incentives which may be granted to directors or other employees, the committee should:</p> <ul style="list-style-type: none"> • Consider general policy regarding the granting of the above mentioned schemes, in particular stock options, and make any related proposals to the collegial body; • Examine the related information that is given in the company's annual report and documents intended for the use during the shareholders meeting; • Make proposals to the collegial body regarding the choice between granting options to subscribe shares or granting options to purchase shares, specifying the reasons for its choice as well as the consequences that this choice has. <p>4.13.3. Upon resolution of the issues attributable to the competence of the remuneration committee, the committee should at least address the chairman of the collegial body and/or chief executive officer of the company for their opinion on the remuneration of other executive directors or members of the management bodies.</p>		
<p>4.14. Audit Committee.</p> <p>4.14.1. Key functions of the audit committee should be the following:</p> <ul style="list-style-type: none"> • Observe the integrity of the financial information provided by the company, in particular by reviewing the relevance and consistency of the accounting methods used by the company and its group (including the criteria for the consolidation of the accounts of companies in the group); • At least once a year review the systems of internal control and risk management to ensure that the key risks (inclusive of the risks in relation with compliance with existing laws and regulations) are properly identified, managed and reflected in the information provided; • Ensure the efficiency of the internal audit function, among other things, by making recommendations on the selection, appointment, reappointment and removal of the head of the internal audit department and on the budget of the department, and by monitoring the responsiveness of the management to its findings and recommendations. Should there be no internal audit authority in the company, the need for one should be reviewed at least annually; • Make recommendations to the collegial body related with selection, appointment, reappointment and removal of the external auditor (to be done by the general shareholders' meeting) and with the terms and conditions of his engagement. The committee should investigate situations that lead to a resignation of the audit company or auditor and make recommendations on required actions in such situations; 	No	The audit committee has not been formed within the Supervisory Council so far, considering the reasons presented in explanation regarding implementation of recommendation 4.7 under Principle IV.

- Monitor independence and impartiality of the external auditor, in particular by reviewing the audit company's compliance with applicable guidance relating to the rotation of audit partners, the level of fees paid by the company, and similar issues. In order to prevent occurrence of material conflicts of interest, the committee, based on the auditor's disclosed inter alia data on all remunerations paid by the company to the auditor and network, should at all times monitor nature and extent of the non-audit services. Having regard to the principals and guidelines established in the 16 May 2002 Commission Recommendation 2002/590/EC, the committee should determine and apply a formal policy establishing types of non-audit services that are (a) excluded, (b) permissible only after review by the committee, and (c) permissible without referral to the committee;
- Review efficiency of the external audit process and responsiveness of management to recommendations made in the external auditor's management letter.

4.14.2. All members of the committee should be furnished with complete information on particulars of accounting, financial and other operations of the company. Company's management should inform the audit committee of the methods used to account for significant and unusual transactions where the accounting treatment may be open to different approaches. In such case a special consideration should be given to company's operations in offshore centers and/or activities carried out through special purpose vehicles (organizations) and justification of such operations.

4.14.3. The audit committee should decide whether participation of the chairman of the collegial body, chief executive officer of the company, chief financial officer (or superior employees in charge of finances, treasury and accounting), or internal and external auditors in the meetings of the committee is required (if required, when). The committee should be entitled, when needed, to meet with any relevant person without executive directors and members of the management bodies present.

4.14.4. Internal and external auditors should be secured with not only effective working relationship with management, but also with free access to the collegial body. For this purpose the audit committee should act as the principal contact person for the internal and external auditors.

4.14.5. The audit committee should be informed of the internal auditor's work program, and should be furnished with internal audit's reports or periodic summaries. The audit committee should also be informed of the work program of the external auditor and should be furnished with report disclosing all relationships between the independent auditor and the company and its group. The committee should be timely furnished information on all issues arising from the audit.

4.14.6. The audit committee should examine whether the company is following applicable provisions regarding the

<p>possibility for employees to report alleged significant irregularities in the company, by way of complaints or through anonymous submissions (normally to an independent member of the collegial body), and should ensure that there is a procedure established for proportionate and independent investigation of these issues and for appropriate follow-up action.</p> <p>4.14.7. The audit committee should report on its activities to the collegial body at least once in every six months, at the time the yearly and half-yearly statements are approved.</p>		
<p>4.15. Every year the collegial body should conduct the assessment of its activities. The assessment should include evaluation of collegial body's structure, work organization and ability to act as a group, evaluation of each of the collegial body member's and committee's competence and work efficiency and assessment whether the collegial body has achieved its objectives. The collegial body should, at least once a year, make public (as part of the information the company annually discloses on its management structures and practices) respective information on its internal organization and working procedures, and specify what material changes were made as a result of the assessment of the collegial body of its own activities.</p>	No	The Company has no annual practice with respect to the evaluation of the Supervisory Council and/or disclosure of information thereof.
<p>Principle V: The working procedure of the company's collegial bodies</p> <p>The working procedure of supervisory and management bodies established in the company should ensure efficient operation of these bodies and decision-making and encourage active co-operation between the company's bodies.</p>		

<p>5.1. The company's supervisory and management bodies (hereinafter in this Principle the concept 'collegial bodies' covers both the collegial bodies of supervision and the collegial bodies of management) should be chaired by chairpersons of these bodies. The chairperson of a collegial body is responsible for proper convocation of the collegial body meetings. The chairperson should ensure that information about the meeting being convened and its agenda are communicated to all members of the body. The chairperson of a collegial body should ensure appropriate conducting of the meetings of the collegial body. The chairperson should ensure order and working atmosphere during the meeting.</p>	<p>Yes</p>	<p>The recommendation is implemented through organization of the activities of the Company's Supervisory Council and the Board.</p>
<p>5.2. It is recommended that meetings of the company's collegial bodies should be carried out according to the schedule approved in advance at certain intervals of time. Each company is free to decide how often to convene meetings of the collegial bodies, but it is recommended that these meetings should be convened at such intervals, which would guarantee an interrupted resolution of the essential corporate governance issues. Meetings of the company's supervisory board should be convened at least once in a quarter, and the company's board should meet at least once a month¹¹.</p>	<p>No</p>	<p>The Company has established the frequency of the meetings of the Supervisory Council and the Board; however, there is no practice to approve specific schedules of meetings of the collegial bodies. The meetings of the Company's Supervisory Council were not held every quarter in the reporting year; however, seven meetings were held during the indicated period. It is intended to convene the meetings of the Company's Board at least once a quarter; however actually, they were convened more than 14 times during the reporting year.</p>
<p>5.3. Members of a collegial body should be notified about the meeting being convened in advance in order to allow sufficient time for proper preparation for the issues on the agenda of the meeting and to ensure fruitful discussion and adoption of appropriate decisions. Alongside with the notice about the meeting being convened, all the documents relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body are present or certain issues of great importance to the company require immediate resolution.</p>	<p>Yes</p>	<p>The Company's existing practice complies with the recommendation; however, the Work Regulations of the Supervisory Council and the Board provide for possibility of submission of documents related to the agenda of meetings later than the notification of the meeting convened is sent out, but not later than three days prior to a respective meeting.</p>
<p>5.4. In order to co-ordinate operation of the company's collegial bodies and ensure effective decision-making process, chairpersons of the company's collegial bodies of supervision and management should closely co-operate by co-ordinating dates of the meetings, their agendas and resolving other issues of corporate governance. Members of the company's board should be free to attend meetings of the company's supervisory board, especially where issues concerning removal of the board members, their liability or remuneration are discussed.</p>	<p>Yes</p>	<p>The Company's existing practice complies with the recommendation.</p>
<p>Principle VI: The equitable treatment of shareholders and shareholder rights</p> <p>The corporate governance framework should ensure the equitable treatment of all shareholders, including minority and foreign shareholders. The corporate governance framework should protect the rights of the shareholders.</p>		

¹¹ The frequency of meetings of the collegial body provided for in the recommendation must be applied in those cases when both additional collegial bodies are formed at the company, the board and the supervisory board. In the event only one additional collegial body is formed in the company, the frequency of its meetings may be as established for the supervisory board, i.e. at least once in a quarter.

6.1. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all their holders.	Yes	The ordinary registered shares forming the Company's authorized capital grant equal rights to all shareholders of the Company.
6.2. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.	Yes	The Company, in accordance with the procedure established by applicable legal requirements, announces the Company's Articles of Association and other mandatory documents/notifications which establish/indicate the rights granted by the shares of the new issue or those issued earlier.
6.3. Transactions that are important to the company and its shareholders, such as transfer, investment, and pledge of the company's assets or any other type of encumbrance should be subject to approval of the general shareholders' meeting. ¹² All shareholders should be furnished with equal opportunity to familiarize with and participate in the decision-making process when significant corporate issues, including approval of transactions referred to above, are discussed.	No	The Company's Articles of Association do not provide for the criteria of the important transactions based on which transactions which require approval of the General Meeting of Shareholders are selected.
6.4. Procedures of convening and conducting a general shareholders' meeting should ensure equal opportunities for the shareholders to effectively participate at the meetings and should not prejudice the rights and interests of the shareholders. The venue, date, and time of the shareholders' meeting should not hinder wide attendance of the shareholders. Prior to the shareholders' meeting, the company's supervisory and management bodies should enable the shareholders to lodge questions on issues on the agenda of the general shareholders' meeting and receive answers to them.	Yes	The Company's existing practice complies with the recommendation; however, the Company has no formal procedure based on which the Company's shareholders would have a possibility, before the General Meeting of Shareholders, to ask the members of the Company's supervision and management bodies questions related to the agenda of the General Meeting of Shareholders and to obtain answers. However, all shareholders have the right to address to the Company the relevant questions and obtain answers.

¹² The Law on Companies of the Republic of Lithuania (*Official Gazette*, 2003, No 123-5574) no longer assigns resolutions concerning the investment, transfer, lease, mortgage or acquisition of the long-term assets accounting for more than 1/20 of the company's authorized capital to the competence of the general shareholders' meeting. However, transactions that are important and material for the company's activity should be considered and approved by the general shareholders' meeting. The Law on Companies contains no prohibition to this effect either. Yet, in order not to encumber the company's activity and escape an unreasonably frequent consideration of transactions at the meetings, companies are free to establish their own criteria of material transactions, which are subject to the approval of the meeting. While establishing these criteria of material transactions, companies may follow the criteria set out in items 3, 4, 5 and 6 of paragraph 4 of Article 34 of the Law on Companies or derogate from them in view of the specific nature of their operation and their attempt to ensure uninterrupted, efficient functioning of the company.

<p>6.5. It is recommended that documents on the course of the general shareholders' meeting, including draft resolutions of the meeting, should be placed on the publicly accessible website of the company in advance¹³. It is recommended that the minutes of the general shareholders' meeting after signing them and/or adopted resolutions should be also placed on the publicly accessible website of the company. Seeking to ensure the right of foreigners to familiarize with the information, whenever feasible, documents referred to in this recommendation should be published in English and/or other foreign languages. Documents referred to in this recommendation may be published on the publicly accessible website of the company to the extent that publishing of these documents is not detrimental to the company or the company's commercial secrets are not revealed.</p>	<p>No</p>	<p>The Company has not established a procedure based on which the documents prepared for the General Meeting of Shareholders would be published in advance on the Company's publicly accessible website.</p>
<p>6.6. Shareholders should be furnished with the opportunity to vote in the general shareholders' meeting in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.</p>	<p>Yes</p>	<p>The Company's shareholders may exercise their right to participate at the General Meeting of Shareholders in person and through a representative, if such person has the appropriate proxy or if an agreement for transfer of the voting right has been concluded with such person in accordance with the procedure established by applicable legal acts; the Company also creates conditions for the shareholders to vote by completing the general voting ballot, as provided by the Law on Companies.</p>
<p>6.7. With a view to increasing the shareholders' opportunities to participate effectively at shareholders' meetings, the companies are recommended to expand use of modern technologies in voting processes by allowing the shareholders to vote in general meetings via terminal equipment of telecommunications. In such cases security of telecommunication equipment, text protection and a possibility to identify the signature of the voting person should be guaranteed. Moreover, companies could furnish its shareholders, especially foreigners, with the opportunity to watch shareholder meetings by means of modern technologies.</p>	<p>No</p>	<p>The Company does not follow this recommendation to create possibilities for the shareholders to vote at the meetings of shareholders via terminal equipment of telecommunications because it does not have technical capabilities to ensure signature identification of the voting person, considering the large number of the shareholders, to create satisfactory conditions, from the technical and economic standpoint, for watching the meetings of the shareholders by means of modern technologies.</p>

Principle VII: The avoidance of conflicts of interest and their disclosure

The corporate governance framework should encourage members of the corporate bodies to avoid conflicts of interest and assure transparent and effective mechanism of disclosure of conflicts of interest regarding members of the corporate bodies.

¹³ The documents referred to above should be placed on the company's website in advance with due regard to a 10-day period before the general shareholders' meeting, determined in paragraph 7 of Article 26 of the Law on Companies of the Republic of Lithuania (Official Gazette, 2003, No 123-5574).

7.1. Any member of the company's supervisory and management body should avoid a situation, in which his/her personal interests are in conflict or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory and management body should, within reasonable time, inform other members of the same collegial body or the company's body that has elected him/her, or to the company's shareholders about a situation of a conflict of interest, indicate the nature of the conflict and value, where possible.	Yes	To the best of the Company's knowledge, all members of the Supervisory Council act in good faith with respect to the Company and in the interests of the Company but not in their own or third parties' interests.
7.2. Any member of the company's supervisory and management body may not mix the company's assets, the use of which has not been mutually agreed upon, with his/her personal assets or use them or the information which he/she learns by virtue of his/her position as a member of a corporate body for his/her personal benefit or for the benefit of any third person without a prior agreement of the general shareholders' meeting or any other corporate body authorized by the meeting.	Yes	
7.3. Any member of the company's supervisory and management body may conclude a transaction with the company, a member of a corporate body of which he/she is. Such a transaction (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions) must be immediately reported in writing or orally, by recording this in the minutes of the meeting, to other members of the same corporate body or to the corporate body that has elected him/her or to the company's shareholders. Transactions specified in this recommendation are also subject to recommendation 4.5.	Yes	
7.4. Any member of the company's supervisory and management body should abstain from voting when decisions concerning transactions or other issues of personal or business interest are voted on.	Yes	To the best of the Company's knowledge, all members of the Supervisory Council act in good faith with respect to the Company and in the interests of the Company but not in their own or third parties' interests.
<p>Principle VIII: Company's remuneration policy</p> <p>Remuneration policy and procedure for approval, revision and disclosure of directors' remuneration established in the company should prevent potential conflicts of interest and abuse in determining remuneration of directors, in addition it should ensure publicity and transparency both of company's remuneration policy and remuneration of directors.</p>		
8.1. A company should make a public statement of the company's remuneration policy (hereinafter the remuneration statement). This statement should be part of the company's annual accounts. Remuneration statement should also be posted on the company's website.	No	The Company does not make public statements on remuneration under recommendations of this code because the members of the Company's Supervisory Council and the Board (directors) have not been remunerated so far.
8.2. Remuneration statement should mainly focus on directors' remuneration policy for the following year and, if appropriate, the subsequent years. The statement should contain a summary of the implementation of the remuneration policy in the previous financial year. Special attention should be given to any significant changes in company's remuneration policy as compared to the previous financial year.	No	The Company does not prepare the remuneration statement considering the reasons presented in explanation regarding implementation of recommendations 8.1 under Principle VIII.

<p>8.3. Remuneration statement should leastwise include the following information:</p> <ul style="list-style-type: none"> • Explanation of the relative importance of the variable and non-variable components of directors' remuneration; • Sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration; • Sufficient information on the linkage between the remuneration and performance; • The main parameters and rationale for any annual bonus scheme and any other non-cash benefits; • A description of the main characteristics of supplementary pension or early retirement schemes for directors. 	No	The Company does not prepare the remuneration statement considering the reasons presented in explanation regarding implementation of recommendations 8.1 under Principle VIII.
<p>8.4. Remuneration statement should also summarize and explain company's policy regarding the terms of the contracts executed with executive directors and members of the management bodies. It should include, inter alia, information on the duration of contracts with executive directors and members of the management bodies, the applicable notice periods and details of provisions for termination payments linked to early termination under contracts for executive directors and members of the management bodies.</p>	No	The Company does not prepare the remuneration statement considering the reasons presented in explanation regarding implementation of recommendations 8.1 under Principle VIII.
<p>8.5. The information on preparatory and decision-making processes, during which a policy of remuneration of directors is being established, should also be disclosed. Information should include data, if applicable, on authorities and composition of the remuneration committee, names and surnames of external consultants whose services have been used in determination of the remuneration policy as well as the role of shareholders' annual general meeting.</p>	No	
<p>8.6. Without prejudice to the role and organization of the relevant bodies responsible for setting directors' remunerations, the remuneration policy or any other significant change in remuneration policy should be included into the agenda of the shareholders' annual general meeting. Remuneration statement should be put for voting in shareholders' annual general meeting. The vote may be either mandatory or advisory.</p>	No	The Company does not prepare the remuneration statement considering the reasons presented in explanation regarding implementation of recommendations 8.1 under Principle VIII.
<p>8.7. Remuneration statement should also contain detailed information on the entire amount of remuneration, inclusive of other benefits, that was paid to individual directors over the relevant financial year. This document should list at least the information set out in items 8.7.1 to 8.7.4 for each person who has served as a director of the company at any time during the relevant financial year.</p> <p>8.7.1. The following remuneration and/or emoluments-related information should be disclosed:</p> <ul style="list-style-type: none"> • The total amount of remuneration paid or due to the director for services performed during the relevant financial year, inclusive of, where relevant, attendance fees fixed by the annual general shareholders meeting; • The remuneration and advantages received from any undertaking belonging to the same group; • The remuneration paid in the form of profit sharing and/or bonus payments and the reasons why such bonus payments and/or profit sharing were granted; 	No	The Company does not prepare the remuneration statement considering the reasons presented in explanation regarding implementation of recommendations 8.1 under Principle VIII.

<ul style="list-style-type: none"> • If permissible by the law, any significant additional remuneration paid to directors for special services outside the scope of the usual functions of a director; • Compensation receivable or paid to each former executive director or member of the management body as a result of his resignation from the office during the previous financial year; • Total estimated value of non-cash benefits considered as remuneration, other than the items covered in the above points. <p>8.7.2. As regards shares and/or rights to acquire share options and/or all other share-incentive schemes, the following information should be disclosed:</p> <ul style="list-style-type: none"> • The number of share options offered or shares granted by the company during the relevant financial year and their conditions of application; • The number of shares options exercised during the relevant financial year and, for each of them, the number of shares involved and the exercise price or the value of the interest in the share incentive scheme at the end of the financial year; • The number of share options unexercised at the end of the financial year; their exercise price, the exercise date and the main conditions for the exercise of the rights; • All changes in the terms and conditions of existing share options occurring during the financial year. <p>8.7.3. The following supplementary pension schemes-related information should be disclosed:</p> <ul style="list-style-type: none"> • When the pension scheme is a defined-benefit scheme, changes in the directors' accrued benefits under that scheme during the relevant financial year; • When the pension scheme is defined-contribution scheme, detailed information on contributions paid or payable by the company in respect of that director during the relevant financial year. <p>8.7.4. The statement should also state amounts that the company or any subsidiary company or entity included in the consolidated annual financial statements of the company has paid to each person who has served as a director in the company at any time during the relevant financial year in the form of loans, advance payments or guarantees, including the amount outstanding and the interest rate.</p>		
<p>8.8. Schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements should be subject to the prior approval of shareholders' annual general meeting by way of a resolution prior to their adoption. The approval of scheme should be related with the scheme itself and not to the grant of such share-based benefits under that scheme to individual directors. All significant changes in scheme provisions should also be subject to shareholders' approval prior to their adoption; the approval decision should be made in shareholders' annual general meeting. In such case shareholders should be notified on all terms of suggested changes and get an explanation on the impact of the suggested changes.</p>	<p>Not applicable</p>	<p>The Company does not implement schemes under which the directors are remunerated in shares, share options or any other right to purchase shares, or be remunerated on the basis of share price movements.</p>

<p>8.9. The following issues should be subject to approval by the shareholders' annual general meeting:</p> <ul style="list-style-type: none"> • Grant of share-based schemes, including share options, to directors; • Determination of maximum number of shares and main conditions of share granting; • The term within which options can be exercised; • The conditions for any subsequent change in the exercise of the options, if permissible by law; • All other long-term incentive schemes for which directors are eligible and which are not available to other employees of the company under similar terms. Annual general meeting should also set the deadline within which the body responsible for remuneration of directors may award compensations listed in this article to individual directors. 		
<p>8.10. Should national law or company's Articles of Association allow, any discounted option arrangement under which any rights are granted to subscribe to shares at a price lower than the market value of the share prevailing on the day of the price determination, or the average of the market values over a number of days preceding the date when the exercise price is determined, should also be subject to the shareholders' approval.</p>		
<p>8.11. Provisions of Articles 8.8 and 8.9 should not be applicable to schemes allowing for participation under similar conditions to company's employees or employees of any subsidiary company whose employees are eligible to participate in the scheme and which has been approved in the shareholders' annual general meeting.</p>		
<p>8.12. Prior to the annual general meeting that is intended to consider decision stipulated in Article 8.8, the shareholders must be provided an opportunity to familiarize with draft resolution and project-related notice (the documents should be posted on the company's website). The notice should contain the full text of the share-based remuneration schemes or a description of their key terms, as well as full names of the participants in the schemes. Notice should also specify the relationship of the schemes and the overall remuneration policy of the directors. Draft resolution must have a clear reference to the scheme itself or to the summary of its key terms. Shareholders must also be presented with information on how the company intends to provide for the shares required to meet its obligations under incentive schemes. It should be clearly stated whether the company intends to buy shares in the market, hold the shares in reserve or issue new ones. There should also be a summary on scheme-related expenses the company will suffer due to the anticipated application of the scheme. All information given in this article must be posted on the company's website.</p>		
<p>Principle IX: The role of stakeholders in corporate governance</p> <p>The corporate governance framework should recognize the rights of stakeholders as established by law and encourage active co-operation between companies and stakeholders in creating the company value, jobs and financial sustainability. For the purposes of this Principle, the concept "stakeholders" includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interest in the company concerned.</p>		

9.1. The corporate governance framework should assure that the rights of stakeholders that are protected by law are respected.	Yes	The Company complies with the related requirements established by applicable legal acts and related obligations undertaken by agreements.
9.2. The corporate governance framework should create conditions for the stakeholders to participate in corporate governance in the manner prescribed by law. Examples of mechanisms of stakeholder participation in corporate governance include: employee participation in adoption of certain key decisions for the company; consulting the employees on corporate governance and other important issues; employee participation in the company's share capital; creditor involvement in governance in the context of the company's insolvency, etc.		
9.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.		

Principle X: Information disclosure and transparency

The corporate governance framework should ensure that timely and accurate disclosure is made on all material information regarding the company, including the financial situation, performance and governance of the company.

<p>10.1. The company should disclose information on:</p> <ul style="list-style-type: none"> • The financial and operating results of the company; • Company objectives; • Persons holding by the right of ownership or in control of a block of shares in the company; • Members of the company's supervisory and management bodies, chief executive officer of the company and their remuneration; • Material foreseeable risk factors; • Transactions between the company and connected persons, as well as transactions concluded outside the course of the company's regular operations; • Material issues regarding employees and other stakeholders; • Governance structures and strategy. <p>This list should be deemed as a minimum recommendation, while the companies are encouraged not to limit themselves to disclosure of the information specified in this list.</p> <p>10.2. It is recommended that consolidated results of the whole group to which the company belongs should be disclosed when information specified in item 1 of Recommendation 10.1 is under disclosure.</p> <p>10.3. It is recommended that information on the professional background, qualifications of the members of supervisory and management bodies, chief executive officer of the company should be disclosed as well as potential conflicts of interest that may have an effect on their decisions when information specified in item 4 of Recommendation 10.1 about the members of the company's supervisory and management bodies is under disclosure. It is also recommended that information about the amount of remuneration received from the company and other income should be disclosed with regard to members of the company's supervisory and management bodies and chief executive officer as per Principle VIII.</p> <p>10.4. It is recommended that information about the links between the company and its stakeholders, including employees, creditors, suppliers, local community, as well as the company's policy with regard to human resources, employee participation schemes in the company's share capital, etc. should be disclosed when information specified in item 7 of Recommendation 10.1 is under disclosure.</p>	<p>No</p>	<p>The Company does not disclose information about the individual remuneration of the Company's CEO, as provided under Principle VIII (i.e. only data of top seven officers, including the Company's CEO, are disclosed), nor it discloses the information about the relations between the Company and the stakeholders, such as employees, creditors, suppliers, local community, because such disclosure is not required by the mandatory legal acts.</p>
<p>10.5. Information should be disclosed in such a way that neither shareholders nor investors are discriminated with regard to the manner or scope of access to information. Information should be disclosed to all simultaneously. It is recommended that notices about material events should be announced before or after a trading session on the Vilnius Stock Exchange, so that all the company's shareholders and investors should have equal access to the information and make informed investing decisions.</p>	<p>Yes</p>	<p>The Company implements this recommendation, i.e. discloses the information in the Lithuanian and English languages simultaneously, to the possible extent, through the information disclosure system of the Vilnius Stock Exchange. The Stock Exchange publishes the information received on its website and in its trade system, ensuring, hence, simultaneous announcement of information to all. Additionally, the Company puts efforts to announce information before and after the trading session of the Vilnius Stock Exchange and to present such information to all markets where the Company's securities are traded;</p>

		<p>however, announcement of notices about material events before and after the trading session of the Vilnius Stock Exchange is not ensured at all times, and also considering explanations presented with regard to implementation of recommendation 10.1 under Principle X. The Company's notices about the material events are also disclosed on the Company's website.</p> <p>The Company does not disclose information that may affect the price of its securities issued in the commentaries, interviews or otherwise until such information is publicly announced through the stock exchange information system.</p>
<p>10.6. Channels for disseminating information should provide for fair, timely and cost-efficient access to relevant information by users. It is recommended that information technologies should be employed for wider dissemination of information, for instance, by placing the information on the company's website. It is recommended that information should be published and placed on the company's website not only in Lithuanian, but also in English, and, whenever possible and necessary, in other languages as well.</p>	Yes	<p>In order to ensure fair, timely and cost-efficient access to information, the Company discloses it on the Company's website in the Lithuanian, English and Russian languages.</p>
<p>10.7. It is recommended that the company's annual reports and other periodical accounts prepared by the company should be placed on the company's website. It is recommended that the company should announce information about material events and changes in the price of the company's shares on the Stock Exchange on the company's website too.</p>	Yes	<p>The Company implements this recommendation.</p>
<p>Principle XI: The selection of the company's auditor</p> <p>The mechanism of the selection of the company's auditor should ensure independence of the firm of auditor's conclusion and opinion.</p>		
<p>11.1. An annual audit of the company's financial statements and report should be conducted by an independent firm of auditors in order to provide an external and objective opinion on the company's financial statements.</p>	Yes	<p>An independent audit company audits the Company's interim financial statements, annual financial statements and annual report.</p>
<p>11.2. It is recommended that the company's supervisory board and, where it is not set up, the company's board should propose a candidate firm of auditors to the general shareholders' meeting.</p>	No	<p>A candidate of the audit company has always been proposed to the General Meeting of Shareholders by the decision of the Board.</p>
<p>11.3. It is recommended that the company should disclose to its shareholders the level of fees paid to the firm of auditors for non-audit services rendered to the company. This information should be also known to the company's supervisory board and, where it is not formed, the company's board upon their consideration which firm of auditors to propose for the general shareholders' meeting.</p>	No	<p>The company has not disclosed to the shareholders information that the Company's audit company provided remunerated non-audit services to the Company in 2006 in association with development of the Company Group's accounting policy because there is no procedure established for such disclosure unless the General Meeting of Shareholders is convened.</p>