

***CITY*service**



AB City Service

**Consolidated annual report for 2009
(reviewed by auditors)**

Prepared in accordance with the Rules of preparation and submission of periodic
and additional information of the Lithuanian Securities Commission

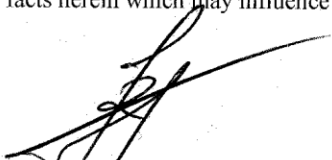
Approved by the Board of AB City Service on 9 April, 2010

April 2010

Confirmation of responsible persons to the shareholders of the company and Lithuanian securities commission

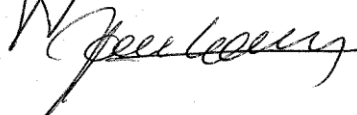
Following the Law on Securities of Republic of Lithuania and rules of preparation and submission of periodic and additional information of Lithuanian Securities Commission we hereby confirm that AB City Service Consolidated annual report for the year 2009 (reviewed by the auditors) and Audited consolidated and parent company's Financial Statements for the year ended 31 December 2009, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of activity results, assets, liabilities and financial position of AB City Service and the Group as well. To our knowledge, there are no any concealed essential facts herein which may influence the value of the shares.

General Manager



Žilvinas Lapinskas

Finance and Administrative Director



Jonas Janukėnas



1. About the company

1.1. City Service group

AB City Service together with its controlled subsidiaries is the facility management market leader in the Baltic States. During the first half of 2009, the Group and its subsidiaries provided facility management services in the territory of the whole Lithuania and Latvia, as well as in St. Petersburg and Leningrad district of the Russian Federation.

The Company provides facility management administration; maintenance of utility systems (heat and hot water supply, water supply and sewerage, ventilation and air conditioning, electric power supply, etc.); management of energy resources; provision of technical audit services for buildings and consultations on maintenance and energy resource use issues; supervision of various subcontractors (premise and territory management, protection, repairs and renovation, maintenance of gas supply systems, elevators, etc); management of renovation projects of heating facilities and energy facilities management; provides employee health and safety services; handling services of waste and recyclable materials.

City Service and its Group companies manage apartment buildings, various commercial and public buildings, offices and specialised sites such as kiosks, telephone booths and mobile communications stations all over Lithuania. The Company provides the management of heating facility renovation projects in Lithuania and foreign markets. As the price of energy resources in Lithuania have increased significantly, the company recently started focusing on activities enabling to reduce energy costs. City Service provides consultations on the issues of optimizing energy costs and actively participates in the renovation programme of apartment buildings.

In 2009, City Service was successfully expanding by acquiring enterprises – the Company completed two important transactions that underlay the development of the Group. At the beginning of the year, the acquisition procedures of the group of companies controlled by UAB Būsto Investicijų Valdymas were completed, and four companies that manage apartment buildings in Vilnius (Lithuania) have merged with the Group. In May, the Company won the auction that took place in St. Petersburg (Russia) and acquired 80 percent of the authorised share capital in each of the six companies that provide apartment building maintenance in that city. After the assessment of the prospects of the companies, three companies that decreased profitability were sold and the remaining were integrated into the structure of the Group (in Groups financial statements they were consolidated since June 1st, 2009). At the end of the year, the Company decided to increase its authorised capital and acquire a waste management company UAB Ecoservice. The acquisition was completed at the beginning of this year.

Over 2009, the Group has increased the area of managed facilities by 58 percent – from 11.4 million sq. m. to over 18.1 million sq. m.

1.2. Strategy and objectives

A long-term goal of City Service is expansion in the markets of Eastern Europe, with focus to integrated utility services. We pursue development by acquiring economically viable private or state-owned companies. We reorganise the acquired companies by applying the model and standards of our Group, thus, gradually increasing the profitability of activities.

A long-term objective of the companies of City Service Group is expansion in the area of managed facilities to 27 million sq. m. and operations in six countries by 2011–2012.

1.3. Mission and vision

Our vision is a leading position in the market of Eastern Europe.

Our mission is by providing effective facility management services and solutions to provide our clients with the opportunity to focus on their core business. To implement our mission and vision, we adhere to the following values:

We strive to expand our client base and we value our loyal clients. We know that the quality of services can always be improved and therefore we always strive for improvement.

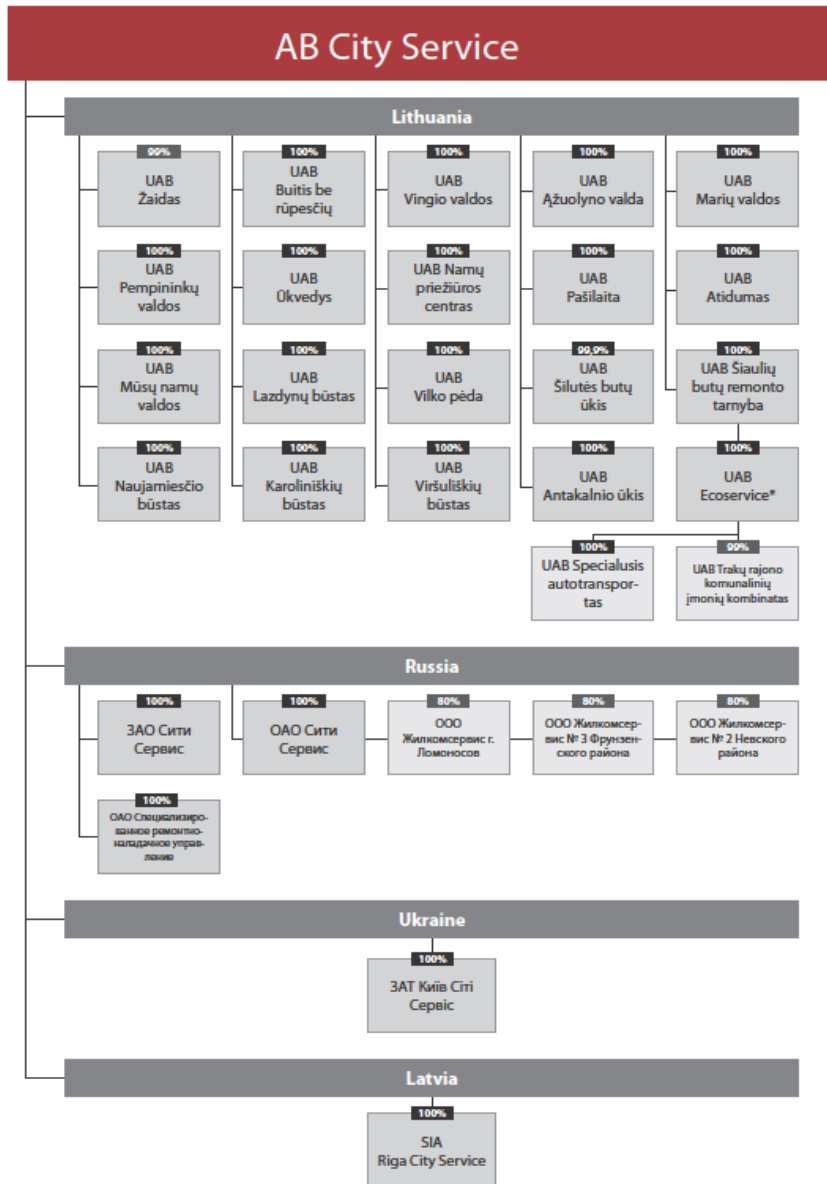


We believe that professional skills and conscientious employees constitute the foundation for company growth. Our specialists know their job and undergo continuous professional and personal development.

We believe that success in business lies not only in management skills, but also in social responsibility. We maintain harmonious balance in the working environment; we support communities and their initiatives, and take all possible steps to improve the quality of life.

Innovation is the key to maintaining the company's value and leader position. Therefore, we are continually looking for non-traditional solutions and striving to set standards in business. We express our ideas openly and encourage initiative.

1.4. Structure of the Group



* UAB Ecoservice was acquired on January 5th, 2010

** Group structure does not include companies UAB Sinsta, UAB Fervėja, UAB Sostinės Naujienos

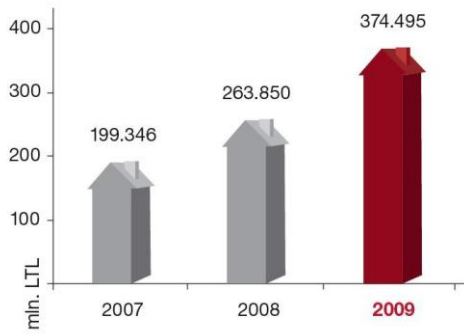


1.5. Key indicators of the Group

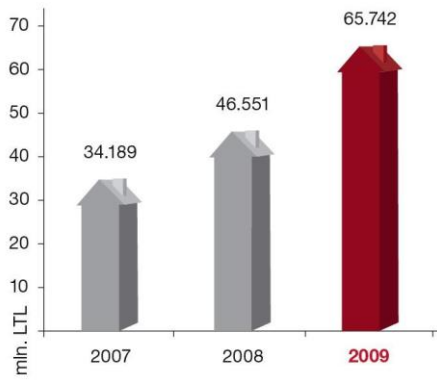
Key financial indicators	2007	2008	2009
Sales	199,346	263,850	374,495
Sales in the Lithuanian market	160,532	179,210	182,496
Sales in foreign markets (Baltic States and CIS)	38,814	84,640	191,999
Area administered in Lithuania (thousand sq. m.)	7,520	8,945	10,986
Area administered in foreign markets (Baltic States and CIS)	2,580	2,476	7,163
Total profit	34,189	46,551	65,742
EBITDA	11,896	14,464	25,168
EBITDA margin	5.97%	5.48%	6.70%
Operating profit	10,472	12,440	20,588
EBIT margin	5.25%	4.71%	5.50%
Net profit	9,361	8,686	15,293
Net profit in foreign markets (Baltic States and CIS)	(223)	(1.866)	4.534
Net profit margin	4.70%	3.29%	4.08%
Profit per share (LTL)	0.52	0.45	0.80



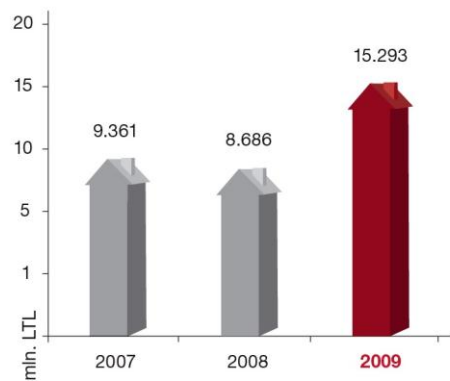
Sales



Gross profit



Net profit



1.6. Key events

February

On 6 February City Service Group took over the company UAB Fervėja, at the same time merging into the Group the companies UAB Būsto investicijų Valdymas, UAB Karoliniškių Būstas, UAB Viršuliškių Ūkis, UAB Naujamiesčio Būstas and UAB Antakalnio Ūkis.

On 23 February a new Board of the Company was appointed. Newly appointed members of the Board Andrius Janukonis and Darius Leščinskas replaced Žilvinas Lapinskas and Valdas Jankauskas.

On 24 February Andrius Janukonis was elected Chairman of the Board of City Service.

March

On 18 March SIA Riga City Service commenced the provision of services to four shopping centres owned by investment fund Baltic Property Trust in Riga. The area of managed facilities – more than 24 thousand sq. metres.

May

On 11 May City Service implemented the environmental management system in line with the international ISO 14001:2004 standard. A certificate to this effect was issued by an international certification company Bureau Veritas.

On 15 May, in the auction that took place in St. Petersburg (Russia), City Service Group acquired 80 percent of the authorised share capital in each of the six apartment building management companies of St. Petersburg.

June

On 17 June City Service signed a long-term co-operation agreement with charity fund Food Bank. The Fund that takes care of distributing support food from the EU intervention programme received support in developing the infrastructure for warehousing and distributing food products.

August

On 28 August following the assessment of business prospects, three out of six utility service companies purchased in St. Petersburg were sold. The remaining three steadily operating and profit increasing companies have been integrated into the structure of the Group.

November

On 2 November City Service commenced providing the services of facility management to 25 shopping centres, belonging to the retail chain Rimi Lietuva; the total space of the shopping centres is 70 thousand sq. meters.

On 13 November, investment fund East Capital awarded City Service in the category “Discovery of the Year” for its effective expansion strategy from the Baltic States to the market of Russia.

December

On 7 December City Service implemented the occupational health and safety management system in compliance with the requirements of the standard OHSAS 18001:2007. The certificate of verification was issued by Bureau Veritas, an international certification company.

On 21 December the Board of City Service decided to increase the authorised capital of the Company by additional contributions of the shareholders, by issuing new shares and allocating part of the raised funds for the acquisition of UAB Ecoservice.

Most recent events

January

On 5 January through its 100 percent owned subsidiary, City Service acquired the ownership right of UAB Ecoservice and its subsidiaries UAB Specialus Autotransportas and UAB Trakų Rajono Komunalinių Įmonių Kombinas.

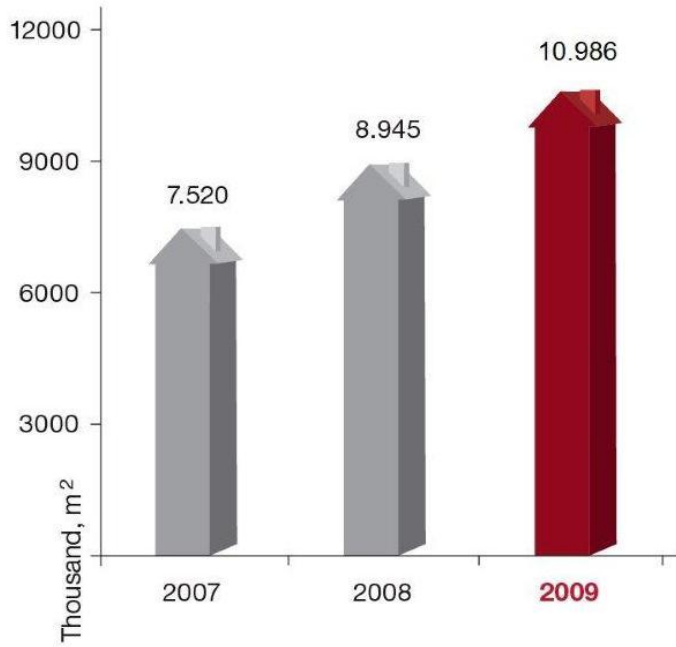
On 15 January City Service successfully completed the underwriting of the new issue of shares, in which present shareholders participated. The amount of the underwritten new issue of shares – 12,500,000 ordinary registered shares. The set issue price amounted to LTL 5.06.

February

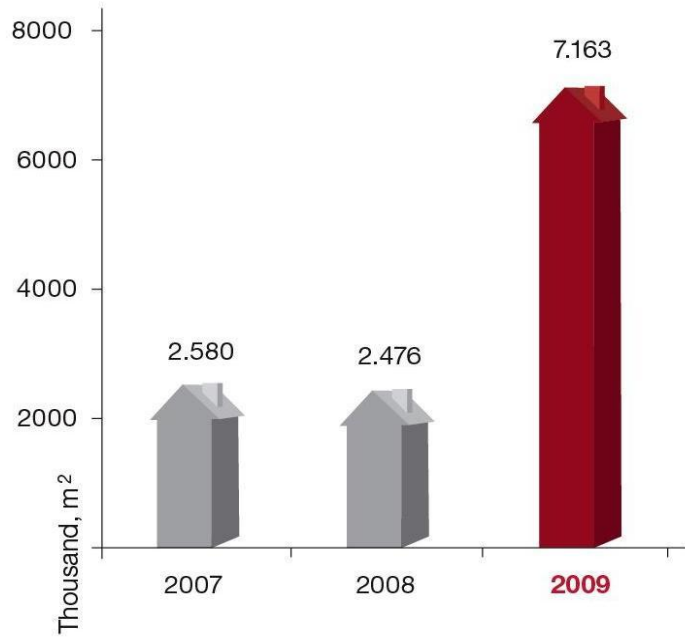
On 1 February City Service signed a co-operation agreement with the largest Russian bank Sberbank. The companies agreed to look for opportunities for joint development in the area of the Russian utility facilities market.



Administered area in Lithuania



Administered area in foreign countries



1.7. A word from the General Manager



Žilvinas Lapinskas
AB City Service General Manager

When we were getting ready to become a publicly listed company and list our shares at the stock exchange, we would stress in the first meetings with future investors that our goal was to expand intensively, implement the development stages one after the other and not to stop even if achievements looked very impressive.

I can say with a firm conviction that the visions we shared with the investors three years ago match with the reality of our Company today. Each year, addressing the investors and making a presentation of the last year's achievements, I would talk about record developments. Each year would see record levels and we would make one more step further in the coming years.

The year 2009 was not an exception. Early in the year, we completed the acquisition of the Group of companies Būsto Investicijų Valdymas and merged to the Group the second by size participant in the market of residential apartment buildings management in Lithuania, thereby increasing the area of residential apartment buildings managed in Lithuania by as much as 29 per cent: from 6.6 million sq. m to 8.5 million sq. m. It is the biggest deal of such nature in the history of Lithuania.

The development in Lithuania was followed by expansion in Russia. In May, St. Petersburg held a privatisation auction of companies managing residential apartment buildings, where we acquired 80 percent of the authorised share capital in each of the

six companies. After the assessment of business prospects, at the end of the summer we sold three out of six acquired companies in St. Petersburg. The remaining three steadily operating and profitable companies have been integrated into the structure of the Group. This transaction enabled the Group to finish the year with profit in Russia.

I would like to note that the expansion in Russia is a much awaited event of special significance to us. Thanks to it, we have strengthened our position in this region, expanding the area of managed facilities almost three times – from 2.5 to 7 million sq. metres. As a result of our significant expansion, our operations have caught the interests of strong partners. At the beginning of this year, we signed a co-operation agreement with the largest Russian bank Sberbank. Together with the Bank, we are intending to implement development projects in St. Petersburg and other Russian cities and regions in the future. Partnership with the main Bank of Russia opens vast opportunities for expansion in this country, where the area of apartment buildings amounts to 3 billion sq. metres.

We have finished the year with a successful underwriting of a new share emission and have attracted funds to finance our most recent acquisition – waste management company Ecoservice. With the merging of this company of high development potential not only in Lithuania, but also in Russia, we can offer our clients integrated facility management services, covering to full extent all needs of real estate owners and managers.

The last year's developments and consistent increase in the effectiveness of our performance has remarkably improved the performance results of this year. The Group's consolidated earnings for the last year amounted to LTL 374.5 million and have grown 42 percent compared to 2008. The net profit for the reporting period was LTL 15.3 million, representing a 76 percent increase compared to 2008.



In the coming years, we will continue in the active pursuit of development opportunities both in Lithuania, Russia and in other foreign markets. We will also take a targeted approach streamlining the operations of the acquired companies, increasing their performance effectiveness, the quality of their services and profitability.

2. Activities in Lithuania

2.1. Apartment building maintenance

The management of residential apartment buildings remains one of the strategic directions of our activity. The Group's companies provide administration and maintenance services to apartment buildings where they are appointed administrators of communal facilities, apartment buildings where owners have established legal partnerships or concluded joint household contracts, as well as to suites, recreational and other types of buildings that have residential premises or apartments.

At the end of 2009, our services were used by residents of all major Lithuanian cities: Vilnius, Kaunas, Klaipėda, Šiauliai, Panevėžys, Alytus, Palanga, as well as Šilutė and Pagėgiai municipalities.

The Group's revenue from residential facilities management all over Lithuania continued to increase significantly over the recent years and last year amounted to LTL 130 million. At present, the maintenance of residential apartment buildings is the main source of revenue of City Service. This is a priority area of activities and will remain so in the future.

At the beginning of the year, we completed the acquisition procedures of the group of companies controlled by UAB Būsto Investicijų Valdymas that commenced in the autumn of 2008. With the acquisition of Būsto Investicijų Valdymas we took over four companies that manage residential apartment buildings in Vilnius – Antakalnio Ūkis, Viršuliškių Būstas, Naujamiesčio Būstas and Karoliniškių Būstas. It is the biggest ever deal of such nature in Lithuania. It has enabled the Group to increase the area of apartment buildings managed in Lithuania by 29 percent: from 6.6 million sq. m to 8.5 million sq. m.

Improving the quality of service provision to clients and increasing the performance efficiency, the Company consolidated the potential of the technical staff of its subsidiaries in Vilnius by establishing a Technical Maintenance Unit. The unit employs more than 150 specialists.

During the first six months of 2009, one of the major tasks was the integration of the newly acquired companies into the Group. Currently, the restructured companies already operate according to the Group's standards.

With the acquisition of UAB Būsto Investicijų Valdymas we undertook expanding the business of territory cleaning. One of the acquired companies, UAB Naujamiesčio Būstas, has an agreement for the cleaning of one out of five areas of Vilnius city. We are engaged in the territory cleaning in Klaipėda and Palanga for quite a while already, therefore, taking advantage of the accumulated experience and a possibility of optimizing the use of existing resources, we have also offered this service in other cities. After winning a tender, since June we began providing services in Alytus, where we clean two out of five town areas.

We intend to strengthen the activities of territory cleaning in 2010 – the technical basis will be extended, these services will be promoted in the towns where they are not widespread yet.

At the end of 2009, we focused on the renovation of elevators in residential apartment buildings and the first projects were finished early this year. In the meantime, a significant part of the elevators in the houses under maintenance of our Group have already exceeded the 25 years limit of the operating period. They will have to be replaced in the coming years. According to our estimates, more than 400 elevators need renovation in the buildings administered by the subsidiaries of City Service in Vilnius. Next year we intend to focus even more on this area.

The main task for the Company and its subsidiaries next year is to continue increasing the effectiveness of their performance, the quality of servicing their clients, and client satisfaction. Working in this direction, we have developed a standard for informing clients – the Client Information Centre provides follow-up to the residents who registered their notices; the development of a concept of the system of on-line communication with clients also started.

Monitoring of the condition of buildings and increasing the efficiency of heat consumption is one of the areas of facilities management to which more emphasis will be placed this year. Record colds that predominated in Lithuania last winter and a significant increase in the cost of heat in the recent years have made the residents of apartment buildings



interested in the opportunities of reducing the levels of heat consumption. Thanks to the team of experts, we can offer residents such added value services, which single us out of competitors.

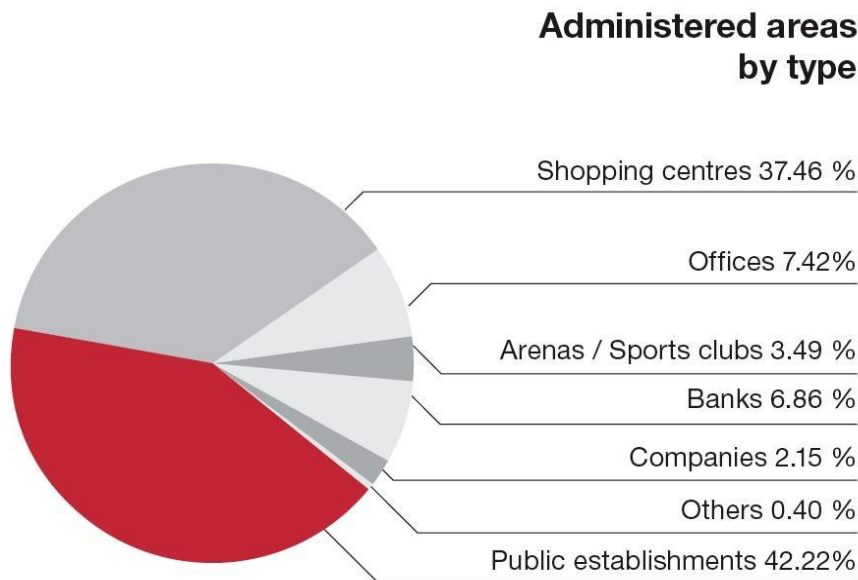
As a result of the initiative taken by us, as managers of heating facilities, a remarkable reduction of heat losses was possible in some most problematic buildings even this winter. It has been achieved without any major investments into heating systems, which is very attractive to our clients.

This year we will also follow privatisation tenders for residential apartment building administration companies announced by municipalities. Confronted with economic difficulties municipalities of the country have taken decisions to sell the enterprises they own. We are getting ready to take part in the privatisation of such enterprises, where possible.

2.2. Commercial and public facilities management

Last year marked 10 years since the Group has offered integrated facility management services to its first clients in Lithuania. Over 10 years City Service has grown from pioneers to undisputed leaders of the market – today we provide management services to about 34 percent of the Lithuanian market of commercial facilities.

Although we have a strong leading position, competition in the commercial facilities management sector in Lithuania remains fierce. The Company's main competitors in the field of commercial facilities management in Lithuania include UAB YIT Technika, UAB Corpus A, UAB Yglė, UAB BV Dominus. In the light of severe competition we are continuously looking for advanced solutions to increase the effectiveness of our performance and to bring added value to our clients.



We increased our competitiveness in 2009 by making popular premium value added services: assessment and certification of building energy efficiency, and consultation on issues of energy consumption and facility management cost cutting. These services have helped to attract new customers. We carried out the assessment of the condition of the engineering systems of the buildings managed by Verdispar, a Norwegian real estate investment managing company. So far it is the largest-scale contract of such type of the Company.

Last year, City Service continued expanding the functional variety of the serviced facilities. We signed

an agreement with one of the largest national multifunctional shopping and entertainment centres Ozas, the area of which amounts to 70 thousand sq. m. We started administrating 25 shopping centres owned by the retail chain Rimi Lietuva, thus, expanding the area of the facilities we run by additional 70 thousand sq. m. The Office of the President of the Republic of Lithuania also became a client of the Company last year; after the award of the contract in the public procurement procedures, we started providing services in the buildings of the Office, including the Presidential Palace, located in S. Daukantas square, and in the residential complex in Turniškės.

These steps in the area of commercial facilities management in 2009 facilitated the successful retention of the market share held by the Group. In total, we currently provide services to commercial facilities with the total area amounting to 1.316 million sq. m., which represents the annual increase of 2.7 percent. This year we plan to retain the existing clients in the field of commercial facilities management by expanding highly skilled services that require expertise and, in this



way, utilizing the potential of specialists of relevant areas working in our Company. With a view to increasing performance efficiency, we will focus on the concentration of serviced facilities.

2.3. Energy facilities renovation

We undertook our first energy facilities renovation projects in 2000 on completion of an agreement with the enterprise Litesko controlled by the French energy company Dalkia. In 2002, the Group considerably expanded the scope of this activity by beginning cooperation with Vilniaus Energija, another enterprise of Dalkia. The Company's co-operation with the above-mentioned companies covers expertise in renovation projects and the functions of a general contractor in the areas of renovation of heating facilities.

In 2009, we carried out the construction project of two boilers and an economiser in Druskininkai, reconstructed boiler houses of Marijampolė, Kelmė and Telšiai towns, heat pipelines reconstructions in Vilnius, Alytus, Druskininkai, Telšiai, Marijampolė, as well as carried out the works of compensation equipment in the heating network in Druskininkai, Alytus and Marijampolė. In Vilnius city, we installed partitioned measuring systems and renovated heat supply substations in Vilnius and Alytus, Telšiai and Marijampolė. The income received from these projects in 2009 was LTL 31 million.

With the rapid expansion of the range of our main activities last year, the relative weight of the revenue from the heating facilities renovation projects in the overall revenue of the Group has decreased. This trend will continue this year as well.

By using our experience gained in Lithuania, we see opportunities for undertaking heat facility renovation projects in foreign markets – Russia and Ukraine in the future.

2.4. Apartment building renovation

In accordance with the housing strategy approved by the Lithuanian Government, 80 percent of residential apartment buildings constructed prior to 1993 must be renovated by 2020. On the national scale, the number of buildings to be renovated is more than 24 thousand. The investments allocated for the renovation will total approximately LTL 25 billion.

In June 2009 the Ministries of Finance and Environment of the Republic of Lithuania and the European Investment Bank (EIB) established a foundation, formed at the initiative of the European Commission, the EIB and the Council of Europe Development Bank – JESSICA (Joint European Support for Sustainable Investment in City Areas). The Foundation formed from the EU structural funds, the budget of the State, the funds of international institutions and finance providers is designated to implement and finance the Programme of Renewal of Residential Apartment Buildings. It is intended to invest LTL 784 million (EUR 227 million) into it until 2013.

These steps, together with the intensive efforts undertaken by the state to promote the renovation programme and the significant increase in the cost of heat in the recent years enables to expect that the new renovation programme will move forward significantly over 2010.

The Government's efforts to accelerate the renovation are of key importance for our Group as well. As many as 87 percent of the residential apartment buildings administered by City Service were constructed over 15 years ago. These buildings need to be upgraded due to incompliance of their energy properties with the present day construction and technical requirements, worn out engineering equipment and due to better life quality.

Our goal is to become the leaders in the field of residential apartment building renovation in Lithuania. We believe that this objective is achievable because we have gained considerable experience in working with apartment building residents and know their expectations, possibilities and wishes. We are also ready to facilitate and accelerate the renovation procedures as much as possible to the residents of apartment buildings, also allocate initial financing and conduct energy audits and prepare investment projects at our own expense.

It was last year already that we initiated the first renovation projects in the residential apartment buildings that we manage. At present, the City Service group has almost 50 investment projects developed, which are being revised according to the new Programme approved by the Government. Renovation will be carried out in accordance with the investment projects approved by the co-owners of the relevant apartment buildings.



2.5. Waste management

At the end of 2009, the Board of City Service made a decision to acquire a waste management company Ecoservice from Bionovus, the company owned by another major Company's shareholder ICOR. This transaction was effected early in 2010.

We acquired Ecoservice seeing the potential of this company and seeking its further fast growth within City Service, thereby increasing the value of the Group. The development prospects of Ecoservice reach beyond the borders of Lithuania. City Service Group is planning to expand the waste management services also in St. Petersburg (Russia). We are convinced that continued growth of the extremely economically viable business of Ecoservice within the Group will bring many benefits to our shareholders.

Ecoservice is the strongest company in the Lithuanian market of waste management; it controls companies Specialusis Autotransportas and Trakų Rajono Komunalinių Įmonių Kombinas. Since 2007, the company has been actively expanding its activities in Lithuanian regions and signed contracts for LTL 12 million.

Presently, the companies of Ecoservice Group manage the services of collection, transportation and treatment of recyclable and municipal waste in the cities of Vilnius, Klaipėda, the town of Neringa and in the municipalities of Varėna, Trakai, Šilutė, Širvintos and Pagėgiai. The company has a broad network of recyclable waste collection and carries out the sorting of waste. Ecoservice operates according to the integrated quality and environmental management system in compliance with the international ISO 9001:2008 and ISO 14001:2004 standards.

Ecoservice has the highest capacity equipment for sorting recyclable waste in the Baltic States – the company has installed a waste sorting line, pressing equipment, wastewater treatment equipment, technologies for shredding and washing PET bottles, making it possible to sort and prepare for recycling about 2 thousand tons of recyclable waste per month. The company uses one of the largest transportation bases in the country to collect municipal waste.

The major competitors of the company are VSA and Tönsmeier Group that includes such companies as Švaros Diena, Švarus Miestas and Dzūtra.

3. Activities in foreign markets

3.1. Russia

With the beginning of the communal facilities services reform in Russia, we entered this market in 2006, and since 2007 we are the largest private company in our field. Management of residential apartment buildings is the main activity of our companies operating in Russia. In addition to this core business, we also implement heat facility renovation projects.

The strategic goal of City Service in the Russian market has always been the active expansion of its share in the residential apartment building administration and maintenance market. In the spring of 2009, long delayed privatization auctions of the state-owned companies that provide maintenance of residential apartment buildings finally took place.

In the privatisation auctions, we acquired 80 percent of the authorised share capital in each of the six companies of St. Petersburg. After the assessment of the prospects, three companies that decreased profitability were sold in summer and the remaining – „Жилкомсервис № 2 Невского района“, „Жилкомсервис № 3 Фрунзенского района“, „Жилкомсервис г. Ломоносов“ – were integrated into the structure of the Group. After this transaction, the area of buildings serviced by the Group in St. Petersburg has reached 7 million sq. m. – 7 percent of the market.

In the second half of last year, we focused on the efficiency of newly acquired companies, making use of the experience gained managing our first companies in Russia. The number of employees was cut down by more than 16 percent by transferring experience to newly acquired entities, getting rid of financially unappealing areas of activities and transferring them to contractors, agreements with contractors and suppliers were revised. This year, we will finalise the organisational structure of newly acquired companies, as well as will implement quality and efficiency standards. One of the intended tasks in the area of quality enhancement is the establishment of a unified customer service centre.

In 2009, we aimed at increasing volumes of major repairs of the residential housing financed by the state. Last year the fund through which Russian federal authorities invest in the renovation of residential apartment buildings continued



operating actively. Plans are that by 2011 the state will allocate RUR 240 billion to the fund, which will be distributed for the major repair of residential buildings and for the transfer of residents from emergency-condition buildings.

St. Petersburg can qualify to the maximum amount due to the number of its residents from the fund, of which up to RUR 7 billion will be allocated to major repairs of apartment buildings. Almost RUR 4 billion have been received from the Fund and utilized in St. Petersburg by the end of 2009; this year the city should receive the remaining part of the support – over RUR 4 billion. The support will be absorbed over three years.

In Kirovsk (Leningrad district), where a company of the Group manages the area of 300 thousand sq. m. of apartment buildings, we receive steady financing for repair works since 2008. Two years ago year, we received RUR 21.3 million. RUR 57.3 million were allocated in the course of last year.

Under agreements with local authorities, last year we continued heat facility renovation projects: provided residential apartment buildings with modern heat meters which enable elimination of the old procedures of calculation of fees based on set norms. The issue of apartment building heating and hot water system renovation is becoming more relevant in Russia, because during the course of the communal reform the responsibility for residential apartment building maintenance is passing from the state to the residents and the latter are taking a greater interest in cutting the costs of the thermal energy consumed. The value of the works completed in St. Petersburg and Leningrad district last year amounted to RUR 271 million.

New opportunities for the Group are opening up with the adoption of the Federal Law No. 261-FZ “On Energy Saving and Energy Efficiency” late in 2009; the Law aims at the implementation of the measures promoting and enforcing energy saving in different fields, including residential apartment buildings.

The Law will enable the broadening of the service range of the Group, i.e. an opportunity to offer to the Russian market the experience of City Service gained in Lithuania in relation to the issuance of energy passports, installation and maintenance of heat meters, renovation of heat supply sub stations and implementation of other energy saving technologies.

The strategic objectives of the Company on the Russian market remain unchanged – we will continue our active efforts exploring development opportunities. In order to achieve these objectives, at the beginning of this year we signed a co-operation agreement with the largest Russian bank Sberbank. Within the framework of this agreement, a working group was formed and set a task to work out, within 6 months, projects for expansion in the Russian communal facilities, where Sberbank would take part together with City Service. This partnership with the main Russian bank opens tremendous opportunities for the development of City Service in all regions of Russia. The Russian housing fund consists of more than 3 billion sq. metres.

Among the short-term objectives set to us is increasing the market share of the residential apartment buildings administrated in St. Petersburg up to 10-15 percent as well as expanding to other Russian cities and regions.

3.2. Latvia

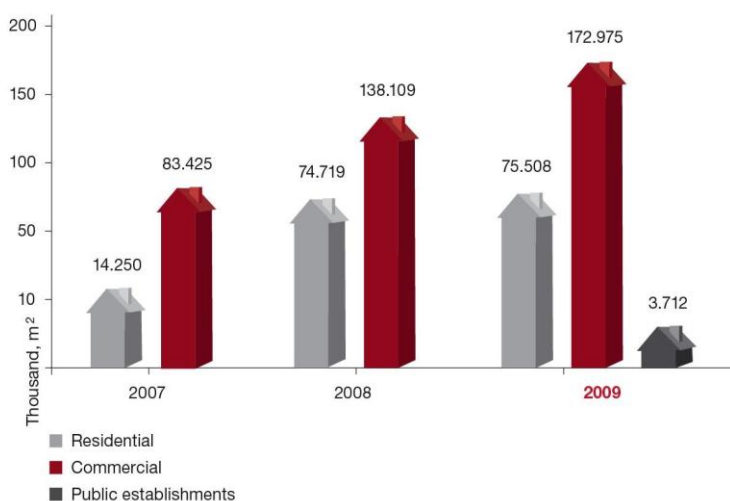
The company Riga City Service operating in the Latvian market strengthened the positions in the sector of administration of commercial facilities and expanded the geographical coverage of the services all over Latvia.

We signed an agreement with the investment fund BPT and started providing integrated facility management services to four shopping centres. The integrated facility management services were also launched in 27 shopping centres of Maxima, operating in 15 major towns of Latvia. In Riga, we undertook the maintenance of 6 shopping centres belonging to the retail chain of Rimi. We also broadened the co-operation with the retail chain Iki and, currently, we provide services to 51 facilities already. In the meantime, it is the largest-scope project of Riga City Service in Latvia.

By the end of 2009 the area of the buildings administrated by Riga City Service totalled 252 thousand sq. m. The area of the administrated buildings has increased by 32.6 percent, and the turnover has grown to LTL 3.893 million over the year.



Administered areas in Latvia



The privatisation of the state-owned companies administering residential apartment buildings has not advanced in Latvia in 2009. For the time being the Group's clients in the residential sector in Latvia are only new buildings. We are awaiting the start of the privatization of state-owned companies and we can see extensive opportunities for expansion in this market.

Although the facilities management market in Latvia is less advanced compared to Lithuania, there are already some serious competitors in the commercial facilities management market. The main competitor is SIA RBS Skals Serviss.

The trends in the Latvian facilities management market remain the same: the number of tenders for integrated or individual facilities management services is on the rise; therefore, this year the Company has the objective to attract even more new clients.

3.3. Ukraine

In 2006, we incorporated our subsidiary Kiev City Service in Ukraine. Although the political and economic instability in this country in recent years has forced us to postpone our active development plans, we still view the Ukrainian market as an attractive one and will not abandon our plans to strengthen our position here. We are also waiting for the beginning of the communal services reform, and, when the situation in the country becomes more stable, we will enter the Ukrainian residential apartment building management market.

4. Key risk activity types and uncertainties

In 2009 the market was distinguished by intense competition and determined by its price recession, which the Company recovered by reducing remuneration costs and increasing effectiveness.

Inflation rate and possibility that City Service services volume will decrease due to the overall economic recession together with a decrease in clients' revenue are the main factors determining the Group's service costs for commercial and residential buildings. Changes in service costs determine the economic conditions of activity of the Group, and constitute the main risk factor while providing the services and the planning service.

The salary related competition defined as one of the key risk factors in 2008 was not important last year. On the contrary, as the unemployment rate is on the rise, we now have the chance to choose the required employees. A greater concern may be provoked by the decreasing solvency of the population; thus we strengthen our debt control mechanisms and narrow down the service pack in the residential apartment building management sector.

The requirements for commercial facilities administration and maintenance services are set by national authorities in the relevant legislation, which regulates the key conditions for provision of the said services and which does not usually undergo any major amendments in the long run. The prices (tariffs) of commercial facilities administration and maintenance services are agreed upon with the client and stipulated in the relevant contracts and arrangements with facilities owners or users considering the market conditions, actual circumstances, service volumes, and other aspects. Therefore, additional risk factors in this field may include severe competition, high expectations of the clients, and requirements for service providers to adapt to specific client needs, ensuring excellent quality or assuming specific obligations. Pursuant to the Republic of Lithuania legislation (the Civil Code), commercial facilities owners or users may terminate service provision agreements agreed with the Company.

Due to the economical recession in the year of 2009 the contracts with the some clients of the Company have been revised in order to reduce the contractual rates and the volume of provided services. It must be mentioned that the significant changes were avoided.



The scope of residential apartment building administration and maintenance services, the essential requirements for service providers, and the tariff calculation procedure are set and regulated in detail by the national and local authorities. Local authorities are empowered to set maximum tariffs for such services, together with the relevant inspectorates control the proper implementation by service providers of the administration and maintenance requirements set out in legislation, and to impose sanctions for failure to comply with the set requirements. Any claims concerning the services provided may be presented to the authorities or service providers by individual owners, too. Taking into account the aforementioned, additional risk factors in the field of apartment building administration and maintenance include any possible amendments to the enforced legislation, the frequency of adoption of such amendments, resolutions passed by central or local authorities which provide for additional obligations of service providers, and the results of controls carried out by various inspectorates and local authorities. Timely and correct indexation of the set maximum tariffs is also a risk factor which has an impact on the Group's activities in the field of residential apartment building administration and maintenance.

In the year of 2009 the project of a new edition of model regulations of apartments and other premises owners common property administration was extensively discussed although this legal act have not been changed before the end of the year 2009. In the year of 2009 no major changes in the legislation regulating apartment building administration and maintenance, and no resolutions providing for any significant additional obligations of service providers were passed. The supervisory institutions did not document any major non-compliance of services with the compulsory legislation. The number of apartment buildings which refused to use the services of the Group's companies in 2009 is not significant

The main financial risks and uncertainties related to the Company's activity are reflected in the explanatory note to the 2008 consolidated financial statements (note No. 29).

5. Employees

The Group has grown significantly both in Lithuania and abroad over the last year. At the beginning of the year, the Group was joined by 6 companies in Vilnius (Lithuania). After the privatization auctions in St. Petersburg (Russia), three companies were merged with the Group. It resulted in a remarkable growth in the number of its employees – the Group had 1,621 employees at the beginning of 2009, whereas at the end of the year, where were already 3,234 employees.

One of the main objectives in the new companies merged in Russia in 2009 was restructuring in order to increase performance efficiency. With a view to expanding the directions of the core business of the Group in this market, the managerial chain was strengthened in Russia. The Head of Kaunas Branch of City Service was appointed Chairman of the Board of Directors of the companies Жилкомсервис № 2 Невского района, Жилкомсервис № 3 Фрунзенского района, Жилкомсервис г. Ломоносов. He is responsible for the reorganisation of the Russian companies and for the implementation of the operational model of the Group applied in Lithuania. Furthermore, the positions of the Sales Manager and Manager of Heating Facilities Renovation Projects were introduced.

The Group also implemented structural changes in the companies operating in Lithuania. In Vilnius City Service opened a Maintenance Unit where the technical staff of the subsidiaries was relocated. Strengthening its cleaning activities in Vilnius the Company consolidated the cleaning services in one company – UAB Naujamiesčio Būstas, which has the strongest positions in this field. The cleaners who worked in other subsidiaries of City Service were transferred to this company.

There were also structural changes in the Building Facilities Management Department: a position of group managers was introduced and the facilities serviced were grouped by sectors, for example, the Banks' Group, the Shopping Centres' Group. This novelty enabled ensuring more stringent control of the performance of managers and extended career opportunities. A step up in the career was made by most experienced employees of City Service. They were offered the positions of heads of the subsidiaries.

As a result to the employee adaptation system, which was implemented a year ago, new specialists in the Lithuanian companies were effectively involved in the activities of the Group. The adaptation of the employee is the process during which a newly recruited employee gets familiar with the Company's structure, its internal procedures and other useful information that ensures the first solid steps in the new company. In order to shorten the time of adaptation of new employees, this procedure underwent improvement at the end of the year. The new programme covers all theoretical material necessary for facility maintenance managers.



In 2009 intensive training courses for technical and administrative staff were continued. The Company arranged a course of seminars for administrative staff on the improvement of customer services and the management of complicated situations. The training took place in Vilnius and Kaunas and was attended by employees of all subsidiaries operating in Lithuania. At the end of the year, we launched a continuous training cycle on engineering for facility administrators of the whole City Service Group.

Together with the applied programming company, City Service implemented an integrated system to optimize and automate the billing, personnel, client relations, document management and services management processes. To increase the effectiveness of the Group's internal processes, this year City Service started implementing this system also in its subsidiaries.

The Group continually seeks to retain the employees with long-term experience in the field of facilities management and to attract new specialists. The fact that the sector of business of City Service has not been so severely influenced by the economic difficulties provides the Group with an advantage in the search for a qualified workforce. Construction companies – our most serious competitors in the labour market – began dismissing greater numbers of employees in the second half of the year. Being in the position to offer competitive salaries and jobs in a stable sector to qualified employees, we have gained highly skilled specialists in our team.

Distribution of employees by educational degrees held:

Education	Company	Group
Graduate academic	174	1,072
Graduate non-academic	32	68
Higher education	130	512
College education	270	684
Secondary education	84	776
Comprehensive	22	114
Primary	-	8

Distribution of employees by positions:

Group of the employees	Company	Average monthly wage (salary) * (before taxes, in LTL)	Group	Average monthly wage (salary) * (before taxes, in LTL)
Managerial personnel*	17	6,918	43	5,433
Specialists and technical personnel	695	1,936	3,191	1,634

* In 2009, remuneration to the General Manager and to the Finance and Administrative Director amounted to LTL 452,044.

Distribution of the number of employees by countries:

Countries	Company	Group
Lithuania	712	1,448
Latvia	-	24
Russia & Ukraine	-	1,762
Total	712	3,234

6. Social and environmental responsibility



6.1. Social responsibility

The activities of facility management enable us to maintain close day by day relations with a wide part of the general public. Being the facility management market leader in Lithuania, we are socially responsible not only for our immediate tasks but also for the environment that surrounds us.

By maintaining harmonious relations with society and the environment around us, we focus on and strengthen the social and environmental aspects of the facility management business.

City Service understands and assumes full responsibility for its actions as market leader, employer, and active member of society. We implement the key elements of our social responsibility policy in the following four areas: the market, social activity, relations with employees, and relations with the environment.

6.2. Social responsibility directions

Market

By providing facility management services, we strive to ensure that our clients receive maximum benefits. Our goal is to assume and overcome all problems in connection with the function, longevity, and cost-efficiency of real estate. We seek to achieve this goal by developing the professional skills of our employees, expanding the package of our value added services, and paying major attention to client care.

In its activity, City Service adheres to the most stringent quality and responsibility standards. The LST EN ISO 9001:2008 standard awarded to the Company confirms that the management system implemented at City Service satisfies the highest requirements.

Social activity

We actively support and initiate various social and educational projects in the cities where we work. We invest in the infrastructure of apartment buildings in a targeted manner, and we promote the ideas of community and safe neighbourhood and a responsible attitude towards common property.

We believe that responsible business and the active participation of the company in the support and initiation of various educational projects encourages social progress and helps create the basis for long-term harmonious business development.

In the course of our activity, we encounter different members of society, including the poor. We know from our direct experience that projects aimed at the reduction of poverty and social segregation are very important for our country, and we have been encouraging initiatives in this field for a number of years now. City Service is a sponsor of the Maltese Order.

In June 2009, the company concluded a long-term co-operation agreement with charity and sponsorship fund Food Bank. The Food Bank operates overall in Lithuania as an intermediary between food producers, sellers and non-governmental charity organisations, through which food products reach the beneficiaries of charity. This principle of charity, spread in the whole Europe and USA, helps to use food products effectively and reduce the level of poverty.

Thanks to the infrastructure and logistic support of City Service, the Food Bank has been able to successively expand its activity and help an ever increasing number of the poor. We have granted premises in the offices of the Company's subsidiaries in five sub-districts of Vilnius, from where the Food Bank distributes support to socially supported residents.

In September, we provided the Food Bank with a warehouse of 216 sq. metres in space, housing about 180-200 tons of food stock. At the end of the year, before Christmas, we assisted the Food Bank in distributing food packages to the deprived persons in five Lithuanian cities – the support was carried to the homes of the latter by employees of our Group. This year we helped the Food Bank to commence work in Klaipėda. A local office of the charity fund has settled in the premises of our Company; we have also provided a warehouse of 133 sq. m., which can house not less than 150 tons of food products. The volume of support provided by City Service to the Food Bank over the year exceeded LTL 100 thousand.

Relations with employees



We consider our employees our most important asset, and we ensure just and timely remuneration, social protection in case of unemployment, the right to rest, and annual holiday. We adhere to the country's legislation and provide all employees with equal opportunities and equal rights.

We strive to ensure safe working conditions, which enables us to achieve the best work results. Last year City Service implemented a management system complying with the requirements of the occupational safety and health management system BS OHSAS 18001:2007. This occupational safety and health management system enables us to reduce the probability of occupational diseases, dangerous occurrences, and accidents at work.

Relations with the environment

The encouragement of saving energy is one of the directions of our activity. The consultations provided by City Service specialists help clients reduce energy costs. This way we contribute to the implementation of the policy of maintaining the global ecological balance.

We promote an environmental attitude in society, implement projects concerning the utilisation of waste dangerous to the environment, and take part in international programmes aimed at efficient lighting and the reduction of energy wasting. Since 2008, we are a supporter of the voluntary European effective lighting programme Green Light. This initiative of the European Commission aims at reducing the costs of indoor and outdoor lighting overall in Europe. The steps of City Service in the field of environmental protection were rewarded with the Energy Trophy, an award supported by the European Commission.

City Service acts responsibly and takes preventive steps in order to protect the environment. The environmental protection management system implemented at the company in 2009 complies with the international standard ISO 14001:2004.

7. Board and management

7.1. The Board of the Company

Members of the Board of the Company as of December 31, 2009:

Name and surname	Position	Start of term	End of term
Andrius Janukonis	Board Chairman	October 6, 2009	October 6, 2013
Arūnas Mačiuitis	Board Member	October 6, 2009	resigned on January 18, 2010
Darius Leščinskas	Board Member	October 6, 2009	October 6, 2013
Gintautas Jaugielavičius	Board Member	October 6, 2009	October 6, 2013





Andrius Janukonis

Andrius Janukonis (born in 1971) is the Chairman of the Board of AB City Service (since 2009). He graduated from the Faculty of Law of Vilnius University and holds a Master's degree in Law. At present, he is a member of the board of UAB Litesko (since 1999), a member of the board of UAB Vilniaus Energija (since 2002), as well as chairman of the council of the Lithuanian Heat Supplier's Association (since 2005) and a member of the Lithuanian Committee of the World Energy Council (since 2005). He works as a consultant for UAB ICOR and is the chairman of the board of the company (since 2004). Andrius Janukonis holds the title to 146,434 shares of the Company and is also a shareholder of UAB ICOR.

Darius Leščinskas

Darius Leščinskas (born in 1968) is a Member of the Board of AB City Service (since 2009). He graduated from the Faculty of Law of Vilnius University and holds a Master's degree in Law. At present, he works as a consultant for UAB ICOR and is a member of the board of the company (since 2004). Darius Leščinskas is a shareholder of UAB ICOR.



Gintautas Jaugielavičius

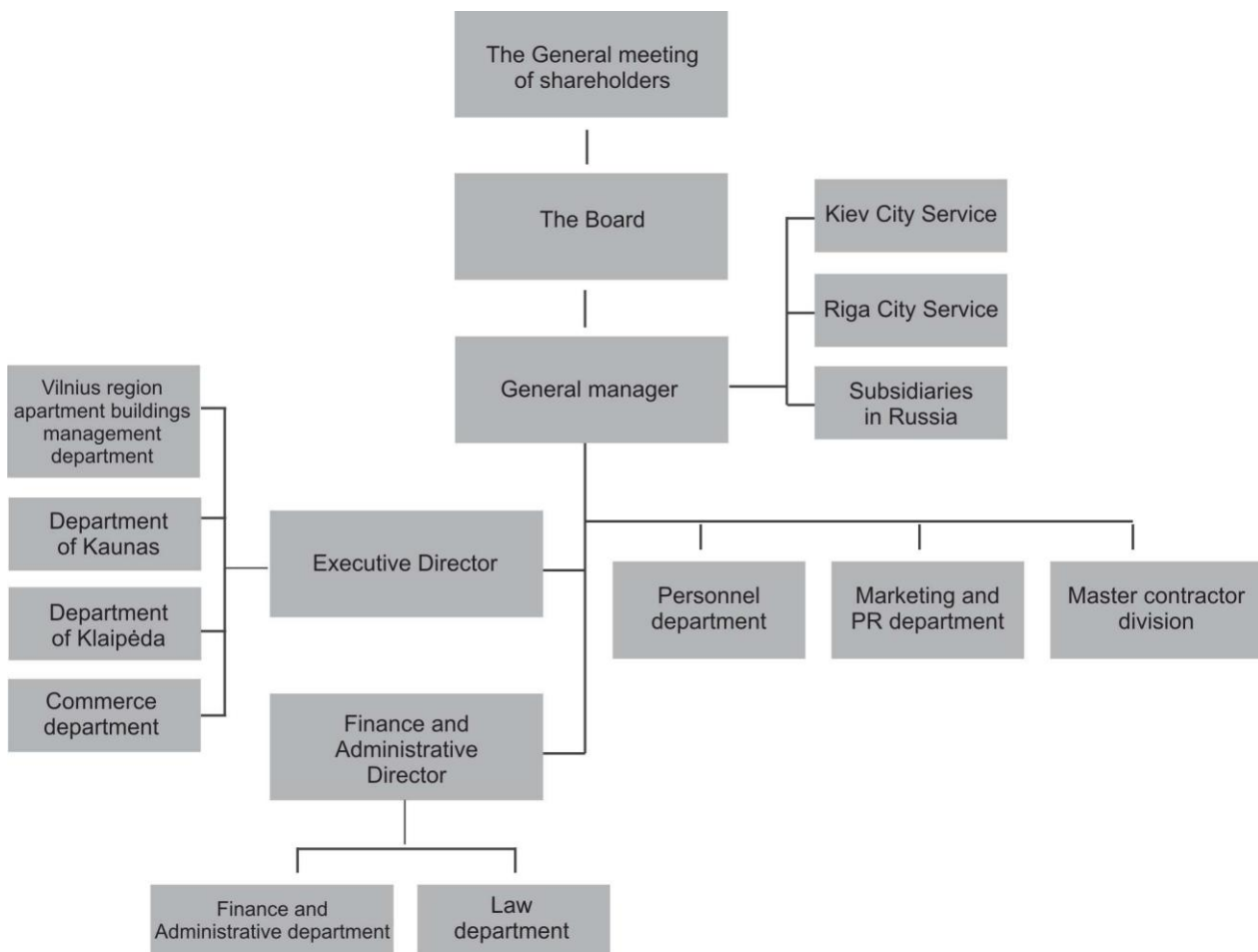
Gintautas Jaugielavičius (born in 1971) is a Member of the Board of AB City Service (since 2005). He graduated from the Faculty of Economics of Kaunas University of Technology and holds a Bachelor's degree in Economics. At present, he is the chairman of the board of UAB Axis Industries (since 2005), and works as a consultant for UAB ICOR and is a member of the board of the company (since 2004). Gintautas Jaugielavičius holds the title to 146,432 shares of the Company and is also a shareholder of UAB ICOR.



In 2009 the Company has not paid any remuneration to the Board Members Andrius Janukonis and Darius Leščinskas.

The 100.000 LTL bonuses have been paid for the work at the Board of the Company in the year of 2008. Bonuses have been paid for Company's Board member Gintautas Jaugielavičius and for the other members of the Company's Board of the year 2008 - Arūnas Mačiuitis, Valdas Jankauskas and Žilvinas Lapinskas as the implementation of the 30 April 2009 Ordinary Shareholders meeting decision.

7.2. Management of the Company



As of December 31, 2009 and as of date of submission of this report, the key managers of the Company and of the Group are as follows:

Name and surname	Position within the Company	Began work
Žilvinas Lapinskas	General Manager	February 2004
Vytautas Turonis	Executive Manager for Lithuania	May 2004
Jonas Janukėnas	Financial and Administrative Director	May 2007
Arūnas Kubilius	Foreign Markets Head	July 2002
Edvinas Paulauskas	Commercial Director	February 2005

They do not control any shares of the Company.



Žilvinas Lapinskas

Žilvinas Lapinskas (born in 1976) is the General Manager of AB City Service (since 2004). He completed business administration studies at Kaunas Business College. He started working in the Company in 1999 and worked as the Commercial Director (1999–2002) and the Facilities Management Department Head (2002–2004).

At present, the main task of the General Manager is the management of the expansion of the Group in Lithuania and abroad. He is also the immediate supervisor of the Group's heat facilities renovation management.

Vytautas Turonis

Vytautas Turonis (born in 1972) is the Executive Director for Lithuania of AB City Service (since 2008). He graduated from the International Business School of the Faculty of Economics of Vilnius University, where he was awarded the Bachelor's degree in International Business. He also undertook internship studies at Tampere University of Technology (Finland). Previously he worked as the Marketing Manager of UAB Specialus Autotransportas (2003–2004). He started work in the Company as the Market Development Department Director (2004–2008).

Vytautas Turonis is responsible for the Group's activities throughout Lithuania.





Jonas Janukėnas

Jonas Janukėnas (born in 1976) is the Financial and Administrative Director of AB City Service (since 2007). He graduated from Vytautas Magnus University and holds a Master's degree in Business Administration. Prior to coming to work at the Company, he worked as the Senior Auditor and Risk Management Consultant at the Vilnius division of Andersen (1998–2001) and the Financial Director of UAB Litesko (2001–2007).

The Finance and Administrative Director Jonas Janukėnas is responsible for the management of financial resources of the Group and for supervision of the administrative staff.

Arūnas Kubilius

Arūnas Kubilius (born in 1962) is the Foreign Markets Head of AB City Service (since 2007) and the General Manager of ОАО Сити Сервис (from 2008). He graduated from the Faculty of Mechanics of Vilnius Gediminas Technical University, where he was awarded the qualification of Mechanical Engineer. Previously, he worked as the Head of the Real Estate and Other Facilities Management of UAB Hanner (2000–2002). He started to work within the Company as the Facilities Management Department Director (2002–2007).

Arūnas Kubilius, Foreign Markets Head and ОАО Сити Сервис General Manager, is responsible for the current operations of the Group's companies working in Russia.



Edvinas Paulauskas

Edvinas Paulauskas (born in 1976) is the Commercial Director of AB City Service (since 2008). He graduated from the Faculty of Environment Engineering of Vilnius Gediminas Technical University, where he was awarded the Bachelor's degree. Edvinas Paulauskas started working in the Company in 2005 and worked as the Project Manager (2005-2006) and Executive Director (2006-2008).

At present, the Commercial Director Edvinas Paulauskas is responsible for the facility management projects of commercial and public establishments.



8. Financial overview



	2009	2008	2007	Change 2009-2008 (thousand LTL)	Change 2009-2008 (%)
Key financial indicators					
Sales	374,495	263,850	199,346	110,645	42%
Gross profit	65,742	46,551	34,189	19,191	41%
EBITDA	25,087	14,464	11,896	10,623	73%
Operating profit	20,588	12,440	10,472	8,148	65%
Net profit	15,293	8,686	9,361	6,607	76%
Factors that had a major impact on financial results					
Contract acquisition losses	-	-	(703)	-	-
Effect of discounting of accounts receivable	(1,283)	(651)	-	(632)	97%
Currency exchange loss	(1,078)	(1,710)	-	632	(37)%
Operating profit prior to the factors having a major impact	20,588	12,440	11,175	8,148	65%
Net profit prior to the factors having a major impact	17,654	11,047	10,064	6,607	60%
Margins					
Gross profit margin	17.55%	17.64%	17.15%	(0.1)%	(0.5)%
Operating margin	5.5%	4.7%	5.3%	0.8%	16.6%
Net profit margin	4.1%	3.3%	4.7%	0.8%	24.0%
<i>Margins prior to the factors having a major impact:</i>					
Gross profit margin	17.55%	17.64%	17.15%	(0.1)%	(0.5)%
Operating margin	5.50%	4.71%	5.61%	0.8%	16.6%
Net profit margin	4.71%	4.19%	5.05%	0.5%	12.6%
Results and key financial indicators by geographical segments					
<i>Lithuania:</i>					
Sales	182,496	178,559	160,532	3,937	2%
Net profit	10,759	10,552	11,284	207	2%
Net profit margin	5.90%	5.89%	7.03%	(0.01)%	(0.2)%
Provisions for accounts receivable	(1,613)	(105)	(294)	(1,508)	1,436%
Provisions for accounts receivable and sales ratio (%)	0.88%	0.06%	0.18%	0.8%	1,403%
<i>Latvia</i>					
Sales	4,041	2,673	272	1,368	51%
Net profit	(662)	(575)	(443)	(87)	15%
Net profit margin	17%	22%	(163)%	(5)%	(21)%
<i>CIS states:</i>					
Sales	187,958	81,967	38,542	105,991	129%
Net profit	5,196	(1,291)	(1,480)	6,487	(502)%
Net profit (adjusted by the contract acquisition losses and accounts receivable discounting effect)	7,557	1,070	(777)	6,487	606%
Net profit margin	2.8%	(1.6)%	(3.8)%	4.3%	(275)%
Adjusted net profit margin	4.02%	1.31%	(2.02)%	2.7%	208%
Provisions for accounts receivable	(5,130)	(3,000)	(1,451)	(2,130)	71%
Provisions for accounts receivable and sales ratio (%)	2.7%	3.7%	3.8%	(0.9)%	(25)%

A more comprehensive overview of the financial results of the Group and of the Company is presented in the explanatory notes to the 2009 consolidated annual financial statements.

Overview of the Audit Committee of the Company



The Company has the Audit Committee in place. The composition and Regulations of the Audit Committee were approved in the General Meeting of Shareholders on 30 April 2009. The Audit Committee consists of three members, elected for the term of office of four years:

Mr. Saulius Leonavičius – independent member;

Ms. Daiva Tamošiūnienė.

Mr. Jonas Mačiuitis.

The principal objective of the Audit Committee is to generate higher added value to the Company. With a view to achieving the set objective, the Audit Committee operates in accordance with the Regulations approved by the General Meeting of Shareholders of the Company. The Audit Committee follows in its activities the requirements of effective legal acts and seeks overall implementation of the recommendations of this Code. In accordance with Article 52(3) of the Law on Audit, the functions of the Company's Audit Committee are as follows:

- 1) to monitor the process of drawing up financial statement;
- 2) to monitor the effectiveness of the systems of corporate internal control, risk management and internal audit, if any;
- 3) to monitor the process of carrying out audit;
- 4) to monitor how the auditor and the audit firm adhere to the principles of independence and objectivity.

Performing the assigned functions and taking into account the fact that the audit firm, analyzing the Company's performance, regularly submits specific issues related to the financial, legal and organizational aspects of the Company's activities to the heads of the Company, it has determined that the external audit firm of the Company organizes and audits the Annual Report and a set of the Annual Financial Statements independently and objectively. The aforementioned conclusion of the Audit Committee has also been submitted to the Board of the Company and contained in the Annual Report in accordance with the requirements of the Regulations of the Audit Committee.

9. Trading information

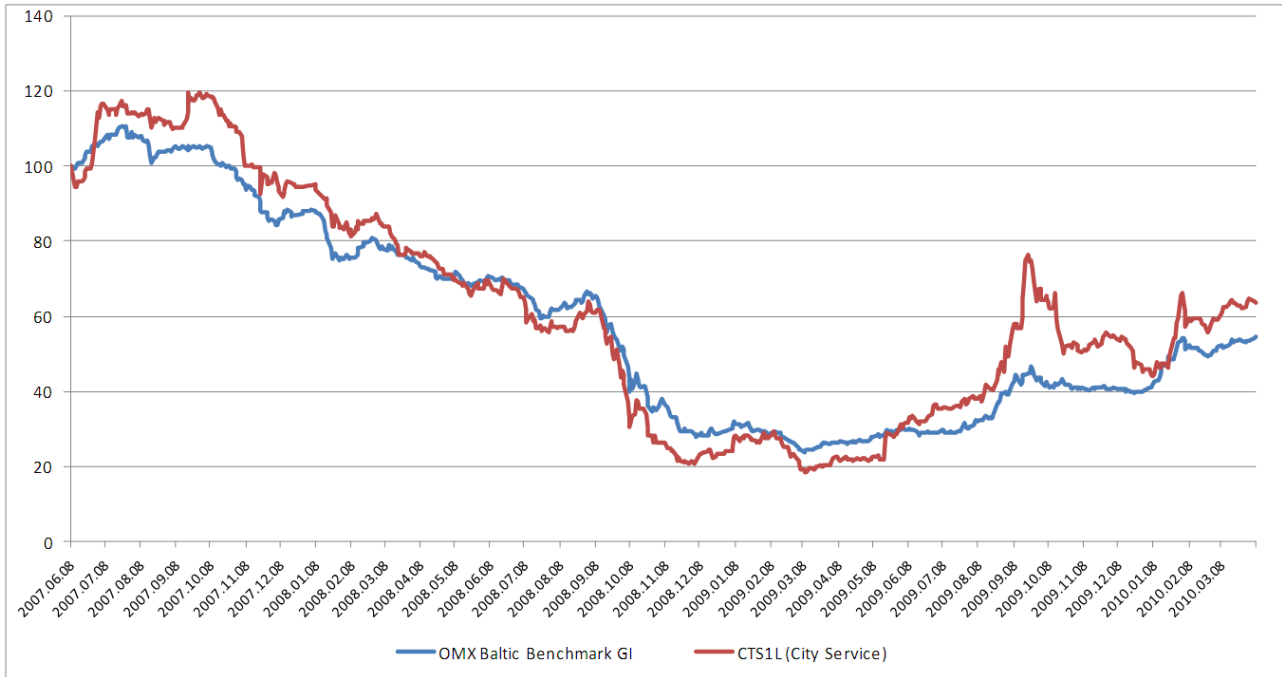
Shares of City Service, AB are listed on the Baltic Main List of the NASDAQ OMX Vilnius Stock Exchange (trading code: CTS1L). The Company is listed since 8 June, 2007.

In 2009, as the Group performed active expansion, trading in shares of AB City Service became more intense and rise in share price has surpassed Baltic stock exchange indexes substantially.

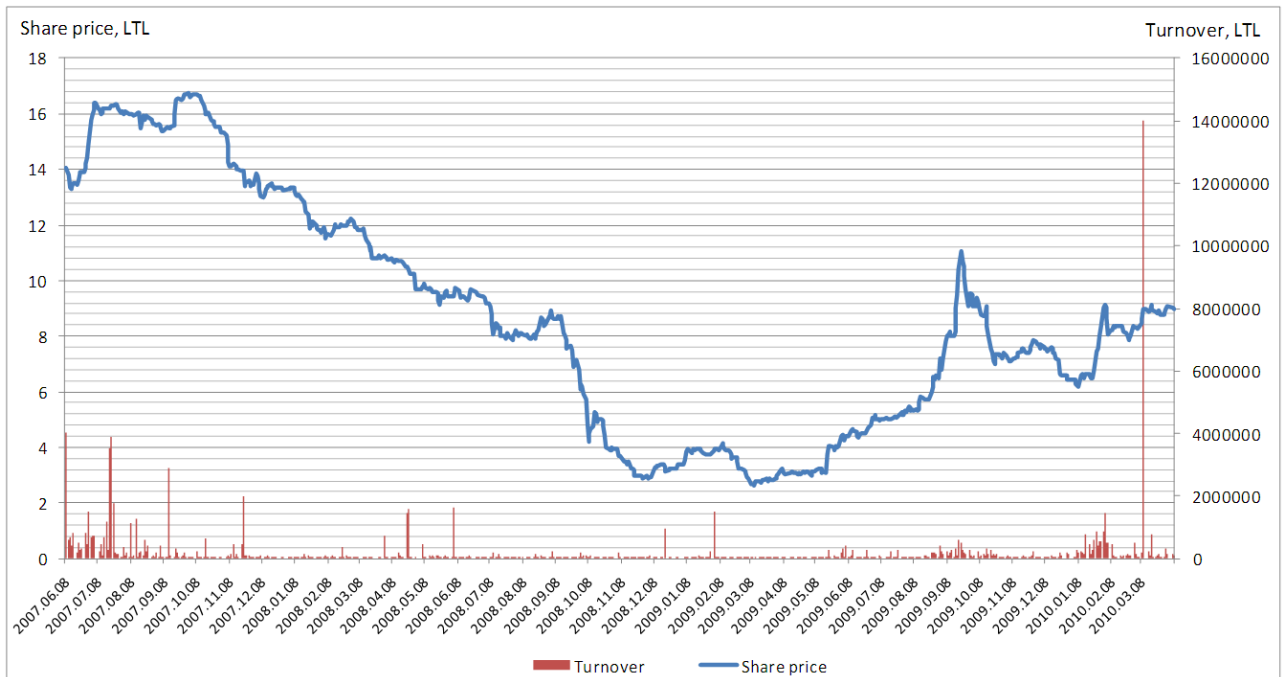
During the accounting period the Company's shares lowest price was LTL 2.62, the highest price LTL 12.00, average price LTL 5.88. At the end of the period market capitalisation was LTL 123,540,600. Share turnover reached LTL 17.24 million with total 2.93 million shares traded.



AB City Service and OMX Baltic Benchmark GI indexes development



AB City Service share price and volume



10. Data about agreements with intermediaries of public trading in securities

On 27 March 2007 the Company and AB Hansabankas concluded the contract on transfer of issuer's securities accounting which is valid today.

On 27 November 2007 the Company signed a liquidity provider agreement with UAB FMJ Orion Securities, which started a liquidity provider activity from 3 December 2007. The contract is still valid.

11. Data about issuer's securities traded on regulated markets

During period from 1 January 2009 till 31 December 2009 all 19,110,000 ordinary registered shares of the Company were included into Official List of Vilnius Stock Exchange, nominal value of one share – LTL 1 each. ISIN Code of the shares is LT0000127375, trading code of the shares on Vilnius Stock Exchange – CTS1L.

On 5 October, 2009 the Extraordinary General meeting of Shareholders had adopted the decision to increase the share capital of the Company by additional contribution from the Company's shareholders. On 13 January, 2010 the distribution of the new emission of shares was completed successfully. The scope of the new emission was 12,500,000 ordinary registered shares, which nominal value of one share – LTL 1 each.

After the new emission had been distributed all 31,610,000 ordinary registered shares of the Company were included into Official List of Vilnius Stock Exchange, nominal value of one share – LTL 1 each. ISIN Code of the shares is LT0000127375, trading code of the shares on Vilnius Stock Exchange – CTS1L.

Trading of the shares on Vilnius Stock Exchange started on 8 June 2007.

12. The structure of the Company's share capital

In period from 1 January 2009 till 31 December 2009 authorised share capital of the Company was LTL 19,110,000. The share capital of the Company is divided into 19,110,000 registered ordinary shares, nominal value of LTL 1 each.

On 5 October, 2009 the Extraordinary General meeting of Shareholders had adopted a decision to increase the share capital of the Company by additional contribution from the Company's shareholders. On 13 January, 2010 the distribution of the new emission was completed successfully. The scope of the new emission was 12,500,000 ordinary registered shares, which nominal value of one share – LTL 1 each. The price of the new emission was set at LTL 5.06. The shareholders that owned Company's shares on the end of account day of the Extraordinary General Meeting of Shareholders (19 October, 2009) had the right to participate in the distribution of the new emission. The 3,183,069 (25.5%) shares have been distributed to the minor shareholders for the amount of LTL 16,106,329.14. The main shareholder of the Company had acquired 9,316,931 (74.5%) shares of the new emission.

On 15 January 2010, new Articles of Association of the Company were registered as the share capital was increased up to 31,610,000 LTL. The authorised share capital of the Company was divided into 31,610 thousand ordinary registered shares with the nominal value of 1 LTL each.

There are no any restrictions of share rights or special control rights for the shareholders settled in the Articles of Association of the Company.

No shares of the Company are held by itself or its subsidiaries. No convertible securities, exchangeable securities or securities with changeable value or with the warrants or any other securities are issued by the Company.

There are no outstanding acquisition rights or undertakings to increase share capital.

All shares of the Company are paid up. All shares of the Company give equal rights to the shareholders of the Company. The Company has not issued any other class of shares than ordinary shares mentioned above.

Shares of the Company give the following rights to the shareholders:



The property rights of the shareholders:

- to receive a part of the Company's profit (dividend);
- to receive a share of the assets of the Company in liquidation;
- to receive funds from the Company, if the authorised capital of the Company is decreased in order to pay off funds of the Company to the shareholders;
- to receive shares without payment if the authorized capital is being increased out of the Company's funds, except in cases provided for by the laws;
- to have the pre-emption right, except in cases when the General Meeting decides to withdraw for all shareholders the pre-emption right, in acquiring the Company's newly issued shares;
- to lend funds to the Company in ways prescribed by laws, but when borrowing from its shareholders, the Company may not offer its assets to the shareholders as collateral. When the Company borrows from a shareholder, the interest may not be higher than the average interest rate offered by commercial banks in the place of residence or business of the lender, which was in effect on the day of conclusion of the loan agreement. In such a case the Company and shareholders shall be prohibited from settlement of a higher interest rate;
- other property rights prescribed by the Laws.

The non-property rights of the shareholders:

- to attend the General Meetings;
- to vote at the General Meetings according to voting rights carried by their shares;
- to receive information about the Company as provided for in the Law on Companies of the Republic of Lithuania;
- to address the court claiming compensation for damage caused as a result of nonfeasance or malfeasance by the Manager of the Company of his duties prescribed by the Law on Companies of the Republic of Lithuania and by other laws and these Articles of Association as well as in other cases provided for by laws;
- to give any questions to the Company, relating to the agenda of general meetings of shareholders in advance;
- other non-property rights prescribed by the laws of the Republic of Lithuania.

A right to vote at General Meetings may be prohibited or restricted in cases provided for in the Law on Companies of the Republic of Lithuania and other laws and in case of a dispute regarding the ownership right to the share.

Each share of the Company shall grant one vote at the General Meeting. The right to vote at the General Meetings convened after the expiry of the time limit for payment for the first issue of shares shall be granted only by fully paid shares.

The General Meeting shall have the exclusive right to:

- to amend the Articles of Association of the Company except where otherwise provided by the Law on Companies;
- to select and recall the firm of auditors to perform the Company's annual set of financial statements audit, to set the conditions for auditor remuneration;
- to elect and recall the members of the Board;
- to set the conditions for payment for audit services;
- to determine the class, number, nominal value and the minimum issue price of the shares issued by the Company;
- to take the decision regarding conversion of shares of one class into shares of another class, to approve share conversion procedure;
- to approve annual set of financial statements;
- to take the decision on appropriation of the profit (loss);
- to take the decision on building up, drawing on, reduction or liquidation of the reserves;
- to take the decision to issue convertible debentures;
- to take the decision to withdraw for all shareholders the right of pre-emption in acquiring the shares or convertible debentures of a specific issue of the Company;
- to take the decision to increase the authorised capital;
- to take the decision to reduce the authorised capital except where otherwise provided for by the Law on Companies;
- to take the decision for the Company to purchase its own shares;
- to take the decision on reorganisation or division of the Company and approve the conditions of reorganisation



- or division;
- to take the decision to transform the Company;
 - to take the decision to restructure of the Company;
 - to take the decision to liquidate the Company, cancel the liquidation of the Company except where otherwise provided for by the Law on Companies;
 - to elect and remove the liquidator of the Company except where otherwise provided for by the Law on Companies.

The shareholders shall have no other obligations to the Company except for the obligation to pay up, in the prescribed manner, all the shares subscribed for at their issue price.

13. Shareholders of the Company

On 31 December 2009 the total number of shareholders of the Company was 1,419.

On 31 December 2009 directly or together with the associated persons more than 5 percent of Company's share capital was owned by UAB Rubicon group (at the date of issue of this report named UAB ICOR), company code 300021944, address Konstitucijos av. 7, Vilnius, and below in the table listed individuals, who control UAB Rubicon group.

The distribution of the Company's shares among the shareholders on 31 December 2009:

	Number of shares held	Owned percentage of the share capital and votes, %
UAB Rubicon group (currently UAB ICOR)	13,303,544	69.62%
UAB Rubicon group (currently UAB ICOR) shareholders:		
Andrius Janukonis	146,434	0.766%
Arūnas Mačiuitis	146,432	0.766%
Rimantas Bukauskas	115,403	0.603%
Gintautas Jaugielavičius	146,432	0.766%
Linas Samuolis	146,432	0.766%
Remigijus Lapinskas	50,000	0.260%
Other private and institutional shareholders	5,055,323	26.45%
Total	19,110,000	100%

On 18 January 2010, the name of the controlling shareholder of the Company UAB Rubicon Group was changed into a new one – UAB ICOR. The replacement of the name is related to changes in the structure of the shareholders: three former shareholders of the group Rimantas Bukauskas, Arunas Maciuitis and Remigijus Lapinskas sold to the remaining four shareholders their holdings.



After a new share emission and changed structure of the owners of the Company, the shareholders' ownership structure as of the date of release of this annual report is the following:

	Number of shares held	Owned percentage of the share capital and votes, %
UAB ICOR	19,312,249	61.09%
Shareholders of UAB ICOR:		
Andrius Janukonis	242,218	0.77%
Gintautas Jaugielavičius	242,214	0.77%
Linas Samuolis	242,214	0.77%
AB East Capital Asset Management	3,035,009	9.60%
Other private and institutional shareholders	8,536,096	27%
Total	31,610,000	100%

14. Shareholders with special control rights and agreements between the shareholders

14.1. Shareholders with special control rights

There are no shareholders with special control rights in the Company; the ordinary book-entry shares grant equal rights to all the shareholders of the Company.

14.2. Agreements between the shareholders

At the General Meeting the shareholders have taken the decision to allocate at least 25 percent (twenty-five percent) of the net profit of the financial year after (i) deduction of unappropriated loss of previous financial year (if any), and (ii) compulsory deductions to the reserve for payment of dividends each year during appropriation of the profit of the last reporting period (starting from appropriation of profit for 2007).

Except for the abovementioned agreements between the shareholders and in part "15. Restrictions on the transfer of securities and restrictions on voting rights" presented pledge, to the best knowledge of the Company and its management, there were no any other agreements between the shareholders, including the agreements which may impose restrictions on the transfer of securities and/or restrictions on voting rights within the year 2009.

15. Restrictions on the transfer of securities and restrictions on voting rights

The major shareholder of the Company, UAB ICOR (formerly UAB Rubicon group), has pledged the part of its shares, i.e. 10,486,275 pieces, which constitutes 54.87 percent of the authorized capital of the Company to the bank. The right to transfer, pledge or dispose of the abovementioned shares otherwise has been restricted. All other property and non-property rights of UAB ICOR, as the shareholder, are free from any encumbrances or restrictions.



To the best knowledge of the Company and its management, the transfer of the shares was free from any restrictions, except for the abovementioned restriction on the transfer of the Company's shares, in 2009.

To the best knowledge of the Company and its management, the voting rights were free from any other restrictions on the shares issued by the Company, except for those specified above, in 2009. To the best knowledge of the Company, all shareholders of the Company have the voting right in the General Meeting.

16. Procedure for amendment of the Articles of Association of the Company

- The Articles of Association shall be amended in accordance with the procedure provided for by the Law on Companies of the Republic of Lithuania and the Articles of Association of the Company. The Articles of Association of the Company may be amended only by the decision of the General Meeting, except for the cases when there is an effective court order to reduce the Company's authorised capital or when the right to take the decisions regarding amendment of the Company's Articles of Association has been granted to other subjects under the Law on Companies of the Republic of Lithuania and other laws. The decision regarding amendment of the Articles of Association of the Company shall be taken in the General Meeting by at least 2/3 of all votes conferred by the shares of the shareholders present at the General Meeting.
- Following the decision taken by the General Meeting to amend the Articles of Association of the Company, the full text of the amended Articles of Association shall be drawn up and signed by the person authorised by the General Meeting. In case of the court order to reduce the authorised capital of the Company and provided that such court order has become effective the amended Articles of Association shall be signed by the Manager of the Company.
- The amended Articles of Association shall become effective and may be used as the basis following registration of the amended Articles of Association with the Register of Legal Entities of the Republic of Lithuania.

The amendments of Company's Articles of Association

On 5 October 2009 the Extraordinary General Shareholders Meeting of the Company had adopted the decision to amend Company's Articles of Association after the amendments of Law on Companies and to expand the list of activities forming the Company's corporate purpose. New version of the Company's Articles of Association was registered in Lithuanian register of enterprises on 22 October 2009.

Due to the increased share capital of the Company the Company's Articles of Association was registered in Lithuanian register of enterprises on 15 January 2010. This is the actual version of the Company's Articles of Association at the date of issue of this report; to get familiarized with it is possible on the Company's website www.cityservice.lt.

17. Bodies of the Company and their authority

The Company has the two-level management system: the Board and the Administration directed by the single-person management body – the General Director. The Supervisory Board is not formed in the Company. It should be noted that the Law on Companies of the Republic of Lithuania does not require companies to have both the Board and the Supervisory Board.

The Board is responsible for strategic planning of the activities and expansion of the Group as well as supervision of the activities and implementation of the decisions of the Company's management, while the management of the Company is responsible for implementation of strategic decisions, direction of the daily activities of the Company and has the right to represent the Company on all issues related with the activities pursuant to the laws, the Articles of Association and on the basis of individual powers of attorney.



17.1. Board of the Company

The Board is a collegial management body of the Company. The Board shall consist of 4 (four) members elected for a term of 4 (four) years by the General meeting in accordance with the procedure provided for by the Law on Companies of the Republic of Lithuania. Only a natural person may be elected to serve on the Board. There is no limitation on the number of terms of offices a member of the Board may serve. The Board shall elect its chairman from among its members.

The General Meeting may remove from office the entire Board or its individual members before the expiry of their term of office. A member of the Board may resign from office prior to the expiry of his term of office by giving a written notice thereof to the Company at least 14 (fourteen) days in advance.

The powers of the Board shall cover consideration of the following issues and taking of the following decisions:

- the operating strategy of the Company;
- the annual report of the Company;
- the management structure of the Company and the positions of the employees;
- the positions to which employees are recruited by holding competitions;
- regulations of branches and representative offices of the company;
- The Board shall elect and remove from office the Manager of the Company, fix his salary and set other terms of the employment contract, his job description, provide incentives for him and impose penalties.
- The Board shall determine which information shall be considered to be the Company's commercial (industrial) secret and confidential information;
- for the Company to become an incorporator or a member of other legal entities;
- to open branches and representative offices of the company; to approve regulations of branches and representative offices of the company;
- to invest, dispose of or lease the fixed assets the book value whereof exceeds 1/20 of the authorised capital of the Company (calculated individually for every type of transaction);
- to pledge or mortgage the fixed assets the book value whereof exceeds 1/20 of the authorised capital of the Company (calculated for the total amount of transactions);
- to offer surety or guarantee for the discharge of obligations of third persons the amount whereof exceeds 1/20 of the authorised capital of the Company;
- to acquire the fixed assets the price whereof exceeds 1/20 of the Company's authorised capital;
- the decision to restructure the Company in the cases laid down in the Law on Restructuring of Enterprises;
- other decisions within the powers of the Board as prescribed by the Articles of Association or the decisions of the General Meeting.

The Board shall analyse and evaluate the documents submitted by the Manager of the Company on:

- implementation of the operating strategy of the Company;
- organisation of the activities of the company;
- the financial status of the Company;
- the results of business activities, income and expenditure estimates, the stocktaking data and other accounting data of changes in the assets.

The Board shall analyse and assess the Company's draft of its annual set of financial statements and draft of profit/loss appropriation and shall submit them to the General Meeting. The Board shall determine the methods used by the Company to calculate the depreciation of tangible assets and the amortisation of intangible assets. The Board shall be responsible for convocation of the General Meeting and its arrangement on time.

17.2. General Manager of the Company

The Manager of the Company is a single-person management body of the Company. In his activities, the Manager of the Company shall comply with laws and other legal acts, the Articles of Association of the Company, decisions of the General Meeting and his job description.



The Manager of the Company shall be elected and removed from office by the Board of the Company which shall also fix his salary, approve his job description, provide incentives and impose penalties. The Manager of the Company shall commence in his office after his election. The employment contract with the Manager of the Company shall be concluded and signed by the chairman of the Board or other person authorized by the General Meeting on behalf of the Company. If the body which elected the Manager of the Company takes the decision to remove him from office, his employment contract shall be terminated.

The Manager of the Company is responsible for:

- organisation of activities and the implementation of objects of the Company;
- drawing up of the annual set of financial statements and the drafting of the annual report of the Company;
- conclusion of the contract with the firm of auditors;
- submission of information and documents to the General Meeting and the Board in cases laid down in the Law on Companies or at their request;
- submission of documents and particulars of the Company to the manager of the Register of Legal Entities;
- submission of the documents of a public limited liability company to the Securities Commission and the Central Securities Depository of Lithuania;
- public announcement of the information specified in the Law on Companies in the daily newspaper "Lietuvos rytas";
- submission of information to the shareholders;
- the fulfilment of other duties laid down in the Law on Companies and other legal acts as well as in the Articles of Association of the Company and the job description of the Manager of the Company.
- In his activities, the Manager of the Company shall comply with laws and other legal acts, the Articles of Association of the Company, decisions of the General Meeting and his job description.
- The Manager of the Company shall be entitled, within his authority limits, to issue procuracies by executing them in accordance with the procedure prescribed by the legal acts of the Republic of Lithuania.

18. Material agreements concluded by the Company which may be important after change of control of the Company

There were no material agreements concluded by the Company which came into effect, were amended or terminated following a change of control of the Company during the reporting period.

19. Related party transactions

Related party transactions are provided in the Explanatory Note No. 31 to the Consolidated Annual Financial Statements for the year 2009.





20. Information on compliance with the Corporate Governance Code

The Company is in compliance with the procedure for management of companies provided for by the Law on Companies of the Republic of Lithuania. The Company follows the essential principles of governance specified in the Governance Code for Companies Listed on NASDAQ OMX Vilnius, however it complies with the code in part. Compliance with the Governance Code for Companies Listed on Vilnius Stock Exchange has been disclosed in the form approved by the stock exchange enclosed to the Annual Report as Annex No. 1.



21. Data on publicly disclosed information


Since 1 January 2009 till 31 December 2009 the Company publicly disclosed in NASDAQ OMX GlobeNewswire system the following information:

On the approval of City Service AB share issue prospectus and planned acquisition of Ecoservice shares	Notification on material event	En, Lt	Published		2009-12-24 09:43:30 EET
CTS: On City Service AB board decisions	Notification on material event	En, Lt	Published		2009-12-22 09:30:30 EET
City Service group consolidated results for the nine months of 2009	Interim information	En, Lt	Published		2009-11-27 09:01:30 EET
City Service AB presentation for investors	Other information	En	Published		2009-10-06 17:42:30 EEST
Decisions of the Extraordinary General Shareholders Meeting of City Service AB	Kita Notification on material event	En, Lt	Published		2009-10-05 20:52:30 EEST
Supplemented Agenda for the Extraordinary General Shareholders Meeting of City Service AB	Notification on material event	Lt	Published		2009-09-20 21:08:30 EEST
Notice on Extraordinary General Shareholders Meeting of City Service AB	Notification on material event	En, Lt	Published		2009-09-14 00:24:30 EEST
City Service AB interim information for the six months and financial forecast for 2009	Interim information	En, Lt	Published		2009-08-31 19:40:30 EEST
Notifications on transactions concluded by manager of the company	Interim information	En, Lt	Published		2009-06-09 16:50:30 EEST
Notifications on transactions concluded by manager of the company	Interim information	En, Lt	Published		2009-06-04 16:50:30 EEST
Notifications on transactions concluded by manager of the company	Interim information	En, Lt	Published		2009-06-01 16:35:30 EEST
City Service group consolidated results for first quarter of 2009	Interim information	En, Lt	Published		2009-05-31 16:45:30 EEST
Notifications on transactions concluded	Interim information	En, Lt	Published		2009-05-27 17:40:30



by manager of the company				EEST
On the financial forecast of newly acquired companies in St. Petersburg	Notification on material event	En, Lt	Published	2009-05-26 17:08:30 EEST
City Service group finalized take over agreement of 6 companies in St. Petersburg	Notification on material event	En, Lt	Published	2009-05-21 23:00:30 EEST
City Service grows twice its size	Notification on material event	En, Lt	Published	2009-05-19 09:00:30 EEST
City Service group obtained environmental defence certificate	Other information	En, Lt	Published	2009-05-11 16:10:30 EEST
Decisions of the Ordinary General Shareholders Meeting of City Service AB	Notification on material event	En, Lt	Published	2009-04-30 16:21:30 EEST
Draft decisions for the Ordinary General Shareholders Meeting of City Service AB	Notification on material event	En, Lt	Published	2009-04-21 23:40:30 EEST
City Service group annual information and consolidated audited results for the year 2008	Annual information	En, Lt	Published	2009-04-21 23:40:30 EEST
CORRECTION: Amended Agenda for the Ordinary General Shareholders Meeting of City Service AB	Notification on material event	En, Lt	Published	2009-04-10 17:00:30 EEST
Notice on Ordinary General Shareholders Meeting of City Service AB	Notification on material event	En, Lt	Published	2009-03-25 17:00:30 EET
City Service group consolidated results for the year 2008	Interim information	En, Lt	Published	2009-03-02 09:48:30 EET
On election of the Chairman of the Board	Notification on material event	En, Lt	Published	2009-02-24 16:22:30 EET
Decisions of the Extraordinary General Shareholders Meeting of City Service AB	Notification on material event	En, Lt	Published	2009-02-23 16:06:30 EET
City Service AB finalized Ferveja UAB takeover agreement	Notification on material event	En, Lt	Published	2009-02-13 16:15:30 EET



Draft Decisions of the Extraordinary General Shareholders Meeting of City Service AB	Notification on material event	En, Lt	Published		2009-02-13 09:14:30 EET
City Service AB has been authorized to execute concentration	Notification on material event	En, Lt	Published		2009-01-30 09:54:30 EET
CORRECTION: Notice on Extraordinary General Shareholders Meeting of City Service AB	Notification on material event	En, Lt	Published		2009-01-21 15:01:30 EET
Notice on Extraordinary General Shareholders Meeting of City Service AB	Notification on material event	En, Lt	Published		2009-01-20 19:48:30 EET

22. General information on AB City Service and City Service group

22.1. Reporting period of the consolidated annual report

This consolidated annual report is prepared for the period of the year 2009, ended on 31 December 2009.

22.2. Issuer AB City Service, data and contacts

Name	AB City Service (hereinafter – “the Company”)
Legal form:	public company (limited liability legal person)
Date and place of registration:	28 January 1997, Board of Vilnius City
Company code:	123905633
The registered address of the Company:	Konstitucijos av. 7, LT-09308 Vilnius, Lithuania
The principal place of business:	Smolenskas st. 12, LT-03201 Vilnius, Lithuania
Information on bank account:	LT 070075800041467170, AB bankas „Snoras“
Contacts of the Company:	phone (+370 5) 2394900, fax (+370 5) 2394848, e-mail – info@cityservice.lt
Website:	www.cityservice.lt
Registration data about the Company stored:	Register of Enterprises of Republic of Lithuania, VI “Registru centras”

The certificate which grants the right to supervise administration of the objects of common use expires till 4 July 2012.

Addresses and contacts of the structural subdivisions:

Kaunas subdivision:

Taikos av. 54, Kaunas, phone (+370 37) 736071, fax (+370 37) 736078, e-mail – info@cityservice.lt;

Klaipėda subdivision:

Šilutės rd. 56, Klaipėda, phone (+370 46) 340778, fax (+370 46) 340778, e-mail – info@cityservice.lt;

Šiauliai subdivision:

Žemaitės st. 20, Šiauliai, phone/fax (+370 41) 433636, e-mail – info@cityservice.lt;



Panevėžys subdivision:

Nemuno st. 79, Panevėžys, phone/fax (+8 45) 596147, e-mail – info@cityservice.lt;

Utena subdivision:

Ažubalių st. 4, Molėtai, phone/fax (+8 383) 51020, e-mail – info@cityservice.lt;

Marijampolė subdivision:

Laisvės st. 4, Marijampolė, phone (+8 343) 56232, fax (+8 343) 51421, e-mail – info@cityservice.lt;

Alytus subdivision:

Žiburio st. 10, Alytus, fax (+8 315) 23710, e-mail – info@cityservice.lt.

22.3 City Service group, data and contacts

On 31 December 2009 City Service group consists of AB City Service and the following subsidiaries (hereinafter referred to as „the Group“):

Company	Country	Share of the stock held by the Group as of 31 December 2009	Share of the stock held by the Group as of 31 December 2008	Main activities
UAB Žaidas	Lithuania	99%	99%	Administration of dwelling-houses
UAB Vingio valdos	Lithuania	100%	100%	Administration of dwelling-houses
UAB Buitis be rūpesčių	Lithuania	100%	100%	Administration of dwelling-houses
UAB Sostinės Naujienos	Lithuania	100%	100%	Dormant
UAB Ažuolyno valda	Lithuania	100%	100%	Administration of dwelling-houses
UAB Marių valdos	Lithuania	100%	100%	Administration of dwelling-houses
UAB Pempininkų valdos	Lithuania	100%	87.3%	Administration of dwelling-houses
UAB Namų priežiūros centras	Lithuania	100%	100%	Administration of dwelling-houses
UAB Mūsų namų valdos	Lithuania	100%	100%	Administration of dwelling-houses
ОАО Сити Сервис	Russia	100%	100%	Administration of dwelling-houses
ЗАО Сити Сервис	Russia	100%	100%	Administration of dwelling-houses
UAB Pašilaita	Lithuania	100%	100%	Administration of dwelling-houses
ОАО Специализированное ремонтно-наладочное управление	Russia	100%	100%	Construction and engineering
SIA Riga City Service	Latvia	100%	100%	Administration of dwelling-houses
ZAT Kiev City Service	Ukraine	100%	100%	Administration of dwelling-houses
UAB Sinsta	Lithuania	100%	100%	Dormant
UAB Atidumas	Lithuania	100%	100%	Administration of dwelling-houses
UAB Ūkvedys	Lithuania	100%	100%	Administration of dwelling-houses
UAB Lazdynų būstas	Lithuania	100%	100%	Administration of dwelling-houses
UAB Vilko pėda	Lithuania	100%	100%	Administration of dwelling-houses
UAB Šilutės butų ūkis	Lithuania	99.84%	99.84%	Administration of dwelling-houses
UAB Šiaulių butų remonto tarnyba	Lithuania	100%	100%	Construction
UAB Fervėja	Lithuania	100%	-	Dormant
UAB Antakalnio ūkis	Lithuania	100%	-	Administration of dwelling-houses
UAB Naujamiesčio būstas	Lithuania	100%	-	Administration of dwelling-houses
UAB Karoliniškių būstas	Lithuania	100%	-	Administration of dwelling-houses
UAB Viršuliškių būstas	Lithuania	100%	-	Administration of dwelling-houses
ООО Жилкомсервис г. Ломоносов	Russia	80%	-	Administration of dwelling-houses
ООО Жилкомсервис № 3 Фрунзенского района	Russia	80%	-	Administration of dwelling-houses
ООО Жилкомсервис № 2 Невского района	Russia	80%	-	Administration of dwelling-houses



Acquisitions after the reporting period:

On 5 January 2010, the Company via a 100% owned subsidiary acquired the title to 100% shareholding interest in UAB Ecoservice, legal entity code 123044722, transferred to it by UAB Bionovus under the Share Purchase Agreement dated 5 January 2010. The price of the share purchase transaction is LTL 55 million.

UAB Ecoservice in its turn holds UAB Specialus Autotransportas, legal entity code 140026178, and UAB Trakų Rajono Komunalinių Įmonių Kombinas, legal entity code 181212948, which perform their operations in Vilnius, Klaipėda and Trakai regions.

On 23 March 2010 the Company acquired the title to 49 % shareholding interest in UAB Economus, legal entity code 300582646, and signed the shareholders contract for the management of UAB Economus. This undertaking provides the private house maintenance and environmental care.

Subsidiaries operating in Vilnius, Kaunas, Lithuania:

Name	UAB Namų Priežiūros Centras
Legal form:	Limited liability company
Date and place of registration:	2 May 2001, Ministry of Economy of Lithuania
Company code:	125596783
The registered address of the company:	Medeinos st. 8A, LT-06112 Vilnius, Lithuania
The principal place of business:	Medeinos st. 8A, LT-06112 Vilnius, Lithuania
Information on bank account:	LT63704406000369407, Swedbank AB
Contacts of the company:	phone (+370 5) 2474755, fax (+370 5) 2480444, e-mail – centras@npc.lt
Website:	www.npc.lt
Registration data about the company stored:	Register of Enterprises of Republic of Lithuania, VĮ "Registru centras"

The certificate which grants the right to supervise administration of the objects of common use expires till 28 February 2013.

Name	UAB Pašilaita
Legal form:	Limited liability company
Date and place of registration:	9 July 1992, Board of Vilnius City
Company code:	121474935
The registered address of the company:	Medeinos st. 8A; LT-06112 Vilnius, Lithuania
The principal place of business:	Medeinos st. 8A; LT-06112 Vilnius, Lithuania
Information on bank account:	LT627044060001677664, Swedbank AB
Contacts of the company:	phone (+370 5) 2474755, fax (+370 5) 2480444, e-mail – centras@npc.lt
Website:	
Registration data about the company stored:	Register of Enterprises of Republic of Lithuania, VĮ "Registru centras"

The certificate which grants the right to supervise administration of the objects of common use expires till 12 September 2012.

Name	UAB Vilko Pėda
Legal form:	Limited liability company
Date and place of registration:	9 July 1992., Board of Vilnius City
Company code:	121480265
The registered address of the company:	Architektų st. 13, LT-04118 Vilnius, Lithuania
The principal place of business:	Architektų st. 13, LT-04118 Vilnius, Lithuania
Information on bank account:	LT907300010000558902, Swedbank AB
Contacts of the company:	phone (+370 5) 213 41 10, fax (+370 5) 213 82 12, e-mail – info@vilkopeda.lt
Website:	
Registration data about the company stored:	Register of Enterprises of Republic of Lithuania, VĮ "Registru centras"



Name

Legal form:
Date and place of registration:
Company code:
The registered address of the company:
The principal place of business:
Information on bank account:
Contacts of the company:

UAB Lazdynų Būstas

Limited liability company
9 July 1992., Board of Vilnius City
121449348
Architektų st. 13; LT-04118 Vilnius, Lietuva
Architektų st. 13; LT-04118 Vilnius, Lietuva
LT257300010000557453, Swedbank AB
phone (+370 5) 2457447,
fax (+370 5) 2447901,
e-mail - darius.zabarskas@cityservice.lt
Register of Enterprises of Republic of Lithuania, VĮ "Registru centras"

Registration data about the company stored:

Name

Legal form:
Date and place of registration:
Company code:
The registered address of the company:
The principal place of business:
Information on bank account:
Contacts of the company:

UAB Sinsta

Limited liability company
19 June 2007., Board of Vilnius City
300883852
Konstitucijos av. 7, Vilnius, Lietuva
Konstitucijos av. 7, Vilnius, Lietuva
LT407300010111695709, Swedbank AB
phone (+370 5) 239 49 00,
fax (+370 5) 239 48 48,
e-mail – edvinas.paulauskas@cityservice.lt
Register of Enterprises of Republic of Lithuania, VĮ "Registru centras"

Registration data about the company stored:

Subsidiaries operating in Klaipėda, Lithuania:**Name**

Legal form:
Date and place of registration:
Company code:
The registered address of the company:
The principal place of business:
Information on bank account:
Contacts of the company:

UAB Buitis Be Rūpesčių

Limited liability company
12 June 1992, Board of Klaipėda City
140524848
Taikos av. 117, LT-94231, Klaipėda, Lithuania
Taikos av. 117, LT-94231, Klaipėda, Lithuania
LT 81730001000230293, Swedbank AB
phone (+370 46) 363571, fax (+370 46)363571
e-mail – birute.jevdokimenko@cityservice.lt
Register of Enterprises of Republic of Lithuania, VĮ "Registru centras"

Registration data about the company stored:

The certificate which grants the right to supervise administration of the objects of common use expires till 8 November 2012.

Name

Legal form:
Date and place of registration:
Company code:
The registered address of the company:
The principal place of business:
Information on bank account:
Contacts of the company:

UAB Vingio Valdos

Limited liability company
12 June 1992, Board of Klaipėda City
140524990
I.Simonaitytės st. 29, LT-95131, Klaipėda, Lithuania
Taikos av. 117, LT-94231, Klaipėda, Lithuania
LT 35730001000230248, Swedbank AB
phone (+370 46) 363571, fax (+370 46) 363571
e-mail – birute.jevdokimenko@cityservice.lt
Register of Enterprises of Republic of Lithuania, VĮ "Registru centras"

Registration data about the company stored:

The certificate which grants the right to supervise administration of the objects of common use expires till 8 November 2012.



Name

Legal form:

Date and place of registration:

Company code:

The registered address of the company:

The principal place of business:

Information on bank account:

Contacts of the company:

Registration data about the company stored:

The certificate which grants the right to supervise administration of the objects of common use expires till 8 November 2012.

UAB Marių Valdos

Limited liability company

2 June 1992, Board of Klaipėda City

140514359

Minijos st. 130, LT-93244, Klaipėda, Lithuania

Minijos st. 130, LT-93244, Klaipėda, Lithuania

LT 25718050000467253, AB „Šiaulių bankas“

phone (+370 46) 343103, fax (+370 46) 342702,

e-mail – mariuvalda@takas.lt

Register of Enterprises of Republic of Lithuania, VĮ “Registru centras”

Name

Legal form:

Date and place of registration:

Company code:

The registered address of the company:

The principal place of business:

Information on bank account:

Contacts of the company:

Registration data about the company stored:

The certificate which grants the right to supervise administration of the objects of common use expires till 8 November 2012.

UAB Pempininkų Valdos

Limited liability company

12 June 1992, Board of Klaipėda City

140514544

Šilutės rd. 40, LT-94137, Klaipėda, Lithuania

Šilutės rd. 40, LT-94137, Klaipėda, Lithuania

LT 627300010002300653, Swedbank AB

phone/fax (+370 46) 341 811, e-mail – pemvaldos@takas.lt

Register of Enterprises of Republic of Lithuania, VĮ “Registru centras”

Name

Legal form:

Date and place of registration:

Company code:

The registered address of the company:

The principal place of business:

Information on bank account:

Contacts of the company:

Registration data about the company stored:

The certificate which grants the right to supervise administration of the objects of common use expires till 8 November 2012.

UAB Ažuolyno Valda

Limited liability company

16 August 1991, Board of Klaipėda City

140337065

Kauno st. 5, LT-91156 Klaipėda, Lithuania

Kauno st. 5, LT-91156 Klaipėda, Lithuania

LT 864010042300585664, AB DnB NORD bankas

phone/fax (+370 46) 383935,

e-mail – dobrovolkskis.av@lans.lt

Register of Enterprises of Republic of Lithuania, VĮ “Registru centras”

Name

Legal form:

Date and place of registration:

Company code:

The registered address of the company:

The principal place of business:

Information on bank account:

Contacts of the company:

Registration data about the company stored:

The certificate which grants the right to supervise administration of the objects of common use expires till 8 November 2012.

UAB Mūsų Namų Valdos

Limited liability company

16 August 1991, Board of Klaipėda City

140336725

S. Daukanto st. 37, Klaipėda, Lithuania

S. Daukanto st. 37, Klaipėda, Lithuania

LT197300010002320730, AB "Swedbank"

phone (+8 46) 412229, fax (+8 46) 412229

e-mail – musuvaldos@specauto.lt

Register of Enterprises of Republic of Lithuania, VĮ “Registru centras”



Name	UAB Šilutės Butų Ūkis
Legal form:	Limited liability company
Date and place of registration:	13 November 1990.,
Company code:	177000697
The registered address of the company:	Cintjoniškių st. 13; LT-99116 Šilutė, Lithuania
The principal place of business:	Cintjoniškių st. 13; LT-99116 Šilutė, Lithuania
Information on bank account:	LT517300010002585546, AB "Swedbank"
Contacts of the company:	Phone/fax (8 441) 62 050, e-mail - butuukis@takas.lt
Registration data about the company stored:	LR juridinių asmenų registras, VĮ „Registrų centras“. Klaipėdos filialas.
The certificate which grants the right to supervise administration of the objects of common use expires till 8 November 2012.	

Subsidiaries operating in Šiauliai, Lithuania:

Name	UAB Atidumas
Legal form:	Limited liability company
Date and place of registration:	1 June 1992, 13 March 1995 re-registered as UAB "Atidumas",
Company code:	Board of Šiauliai City
The registered address of the company:	144619514
The principal place of business:	Žemaitės st. 20, LT-77167 Šiauliai, Lithuania
Information on bank account:	Žemaitės st. 20, LT-77167 Šiauliai, Lithuania
Contacts of the company:	LT 837300010002397954, AB "Swedbank" phone (+370 41) 525040, fax (+370 41) 526480 e-mail – atidumas2@splius.lt
Registration data about the company stored:	Register of Enterprises of Republic of Lithuania, VĮ "Registrų centras"
The certificate which grants the right to supervise administration of the objects of common use expires till 12 September 2012.	
Name	UAB Ūkvedys
Legal form:	Limited liability company
Date and place of registration:	1 June 1992, 13 March 1995 re-registered as UAB "Ūkvedys",
Company code:	Board of Šiauliai City
The registered address of the company:	144619471
The principal place of business:	Žemaitės st. 20, LT-77167 Šiauliai, Lithuania
Information on bank account:	Žemaitės st. 20, LT-77167 Šiauliai, Lithuania
Contacts of the company:	LT 65718000005467005, AB "Šiaulių bankas" phone (+370 41) 525040, fax (+370 41) 526480 e-mail – ukvedys@splius.lt
Registration data about the company stored:	Register of Enterprises of Republic of Lithuania, VĮ "Registrų centras"
The certificate which grants the right to supervise administration of the objects of common use expires till 4 July 2012.	

Name	UAB Šiaulių Butų Remonto Tarnyba
Legal form:	Limited liability company
Date and place of registration:	29 December 2001, Municipality of Šiauliai City
Company code:	145823772
The registered address of the company:	Žemaitės st. 20, LT-77167 Šiauliai, Lithuania
The principal place of business:	Žemaitės st. 20, LT-77167 Šiauliai, Lithuania
Information on bank account:	LT 197300010040236284, AB "Swedbank"
Contacts of the company:	phone (+370 41) 525042, fax (+370 41) 526480 e-mail – tarnyba@splius.lt
Registration data about the company stored:	Register of Enterprises of Republic of Lithuania, VĮ "Registrų centras"



Subsidiary operating in Alytus and Kaunas, Lithuania:

Name	UAB Žaidas
Legal form:	Limited liability company
Date and place of registration:	30 July 1992, Board of Alytus town
Company code:	149650823
The registered address of the company:	Žiburio st. 10-2, LT-63235, Alytus, Lithuania
The principal place of business:	Žiburio st. 10-2, LT-63235, Alytus, Lithuania
Information on bank account:	LT690075800200462440, AB bankas „Snoras“
Contacts of the company:	phone (+370 315) 25651, fax (+370 315) 23710 e-mail – zaidas@zaidas.lt
Registration data about the company stored:	Register of Enterprises of Republic of Lithuania, VĮ “Registru centras”

Subsidiaries operating in Latvia, Russia Federation, Ukraine:

Name	SIA Riga City Service
Legal form:	Limited liability company
Date and place of registration:	19 April 2006, Register of Enterprises of Republic of Latvia Riga division
Company code:	40003819844
The registered address of the company:	G. Astras iela 8b, Riga
The principal place of business:	G. Astras iela 8b, Riga
Contacts of the company:	Phone (+371) 67 511 222, fax (+371) 67 511 223, e-mail – office@rigacs.lv
Website:	www.rigacs.lv
Registration data about the company stored:	Register of Enterprises of Republic of Latvia

Name	ОАО Сити Сервис
Legal form:	public company with the limited liability (открытое акционерное общество)
Date and place of registration:	3 November 2003, St. Petersburg, Russia
Company code:	780701001
The registered address of the company:	198330, St. Petersburg, Петергофское шоссе д. 3 к. 2
The principal place of business:	195197, St. Petersburg, Кондратьевский пр., д.15, к. 3
Contacts of the company:	Phone (+7 812) 6111004, fax (+7 812) 6111004, e-mail – cityservice@spcs.spb.ru
Registration data about the company stored:	St. Petersburg Federal Office, Inter regional inspection No.15 (Межрайонная инспекция Федеральной службы №15 по Санкт-Петербургу)

Name	ЗАО Сити Сервис
Legal form:	Limited liability company (закрытое акционерное общество)
Date and place of registration:	12 February 2007, St. Petersburg, Russia
Company code:	780101001
The registered address of the company:	199397, St. Petersburg, ул. Кораблестроителей, д. 31, корп. 2
The principal place of business:	2
Contacts of the company:	199397, St. Petersburg, ул. Кораблестроителей, д. 31, корп. 2
Registration data about the company stored:	phone (+7 812) 3525066, fax (+7 812) 3525742, e-mail – cityservice@bk.ru St. Petersburg Federal Office, Inter regional inspection No.15 (Межрайонная инспекция Федеральной службы №15 по Санкт-Петербургу)



Name	ООО Жилкомсервис № 2 Невского района
Legal form:	company with the limited liability (общество с ограниченной ответственностью)
Company code:	1089847179960
The principal place of business:	St. Petersburg, ул. Шелгунова, д. 16
Contacts of the company:	192174, Санкт-Петербург, ул. Шелгунова, д. 16
Registration data about the company stored:	phone (+7 812) 362-04-60
Name	ООО Жилкомсервис г. Ломоносов
Legal form:	company with the limited liability (общество с ограниченной ответственностью)
Company code:	7819309098
The principal place of business:	Ломоносов, ул. Александровская, д. 21 А192174,
Contacts of the company:	198412, г. Ломоносов, ул. Александровская, д. 21 А
Registration data about the company stored:	phone (+7 812) 422-76-54,
Name	ООО Жилкомсервис № 3 Фрунзенского района
Legal form:	company with the limited liability (общество с ограниченной ответственностью)
Company code:	7816451699
The principal place of business:	Санкт-Петербург, ул. Купчинская, д. 30, корп.
Contacts of the company:	192283, Санкт-Петербург, ул. Купчинская, д. 30 корп. 2
Registration data about the company stored:	phone (+7 812) 771-75-52
Name	ЗАТ Київ Сіті Сервіс
Legal form:	Limited liability company
Company code:	16 August 2006, Municipality of Kiev City, Ukraine
The principal place of business:	34576553
Contacts of the company:	Кієв, вул. Патріса Лумумбі, 15-А
Registration data about the company stored:	Кієв, вул. Патріса Лумумбі, 15-А Municipality of Kiev City



Annex 1

To AB City Service Consolidated annual report for year 2009

AB City Service disclosure on compliance with the Governance Code for the Companies listed on NASDAQ OMX Vilnius in 2009

AB City Service, following Article 21 paragraph 3 of the Law on Securities of the Republic of Lithuania and item 24.5 of the Listing Rules of AB NASDAQ OMX Vilnius, discloses its compliance with the Corporate Governance Code, for the Companies Listed on NASDAQ OMX Vilnius, 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>Yes</p>	<p>Main trends and objectives of development and of the Company were publicly announced and emphasized in 2008 and 2009 annual reports. The trends of development of the Company are also disclosed by the essential events and reports to investors about the activities of the Company announced by the Company, periodical reports, communications presented in the statements of the managers of the Company in the press.</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>The Board of the Company has formed the long-term and short-term strategic objectives of the development of the activities of the Company. The Management of the Company, managers of respective fields make every effort for the implementation of these objectives – the structure of Company and divisions of the companies of the group is optimized, the qualification of responsible persons and specialists is raised.</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 Board is formed in the Company, which represents the interests of shareholders of the Company. The Board of the Company takes the strategic decisions, adopts the strategy of activities of the Company, annual budget, etc. The decisions adopted by the Board shall be implemented by the General Manager of the Company, who is directly responsible to the Board as well as the responsible managers of respective fields, who are subordinate to him. The Board of the Company also performs the maintenance of the implementation of the above-mentioned strategic decisions. The Board representing the shareholders' interests holds sessions according to the need and continuously maintains the direct contact with the General Manager of the Company as well as the Manager of Finance and Administration.</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>	Yes	<p>The managing bodies of the Company seek, in their activities, to ensure the interests of all persons related to the activities of the Company. The Management of the Company as well as the managers of separate fields give much time to communication with clients, suppliers, separate owners (residents) of the blocks of flats, in order to find the most optimum solutions. The particularity of activities of the Company determines that the clients, local community are periodically informed about the activities of the Company, the issues important to the community, being dealt with.</p> <p>The Company follows the obligations undertaken and set out in the legal acts and it helps to maintain the long-term relationships with its business partners, ensure the long-term development of activities of the Company.</p> <p>The employees of the Company are continuously informed by the Management and managers of separate fields about the news in the activities of the Company, internal changes. The events are organized for the employees, the employees' opinion surveys are conducted, the motivational system is continuously improved.</p>
<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>		
<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.</p>	No	<p>There is one collegiate managing body in the Company – Board of 4 (four) members. The Supervisory Board is not formed. The functions of the Supervisory Board are performed by the Board of the Company as long as this complies with the regulations of Law on Companies and is related to the supervision of the General manager.</p> <p>The General Manager of the Company is responsible to the Board and periodically informs as well as accounts to the Board regarding the activities of the Company, course of implementation of strategic decisions.</p>
<p>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.</p>	Not applicable	<p>The Board performs these functions in the Company, as specified in Clause 2.1.</p>
<p>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.</p>	Not applicable	<p>The Board performs these functions in the Company, as specified in Clause 2.1..In this period of activities of the Company, the Board is, beside its functions of strategic management, able to properly perform the supervision of implementation of adopted strategic decisions as well as the control of management of the Company; therefore, there is no objective need for forming the Supervisory Board. The Supervisory Board may be formed in the future, if needed.</p>



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	Yes	The order stipulated in III and IV principles is currently followed as described in Clauses 2.1 and 2.3. The essential requirements provided for in the principles are not violated.
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	No	The Board of the Company is formed from 4 (four) members. The Board adopts the decisions with a majority vote; therefore, the votes of two members of the Board import on, whether the certain decisions will be adopted, or not.
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.	Not applicable	The Supervisory Board is not formed in the Company.

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.

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>	Yes	<p>The Chairman of the Board of the Company and the head of the Company – General Manager are different persons. The Chairman of the Board of the Company has not been the head of the Company. The Chairman of the Board of the Company is not related to the daily activities of the Company.</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>	Yes	<p>The mechanism of formation of the Board, that meets the requirements of the Law on Companies of the Republic of Lithuania, ensures the objective supervision of managing bodies.</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>	Not applicable	<p>The main shareholder of the Company, who delegated his members to the Board, ensures that the members have the competence and experience necessary for their work.</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>	Not applicable	The main shareholder of the Company, who delegated his members to the Board, ensures that the members have the competence and experience necessary for their work.
<p>3.4. In order to maintain a proper balance in terms of the current qualifications possessed by its members, the desired composition of the collegial body shall be determined 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. At least one of the members of the remuneration committee should have knowledge of and experience in the field of remuneration policy.</p>	Yes	<p>The composition of the Board of the Company and the number of members meets the scopes of activities of the Company and the size of the existing structure.</p> <p>The members of the Board of the Company have sufficient experience in the fields, where the Company performs its main activities; also, all members have versatile knowledge in the fields of finance, economy, investment management, management, maintenance of technologies and engineering systems, keep trace of innovations in these fields.</p> <p>The Company has not drawn the Remuneration Committee yet.</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>	Not applicable	<p>No event occurred in the Company, with the member of the Board becoming the person not familiar with the activities, structure as well as strategic objectives of the Company.</p> <p>Skills as well as knowledge of the members of the Board are continuously updated and enhanced, with the members performing their functions in the Board.</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>	No	The issue on the independent members and their sufficient number in the collegiate managing body maybe discussed in the future.

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 	<p>Not applicable</p>	<p>According to the comment of Clause 3.6., it is still not relevant.</p>
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<p>financial, legal, counseling and consulting services), major client or organization receiving significant payments from the company or its group;</p> <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>	Not applicable	According to the comment of Clause 3.6., it is still not relevant.
<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>	Not applicable	According to the comment of Clause 3.6., it is still not relevant.



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.	Not applicable	According to the comment of Clause 3.6., it is still not relevant.
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	According to the comment of Clause 3.6., it is still not relevant.
<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	<p>The member of the Board of the Company, who is responsible for the finance supervision of the Company, continuously maintains the contact and regularly meets with the Chief Accountant of the Company to discuss the financial state of the Company as well as the last occurred essential financial changes, if any.</p> <p>The Chairman of the Board of the Company continuously maintains the contact and regularly meets with the General Director of the Company to discuss the changes occurred or occurring in the activities of the Company, essential issues of organization of activities, development of activities of the Company.</p> <p>The Board of the Company analyzes and assesses the material about the activities and finance of the Company, received from the General Manager as well as Chief Accountant of the Company, if necessary, gives recommendations and suggestions.</p>

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>	Yes	<p>The Members of the Board of the Company act responsibly as well in goodwill in favour of the Company as well as shareholders, seek to retain their independence in adopting the decisions and taking into account the interests of the third persons.</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>	Yes	<p>The members of the Board of the Company, each individually and all collectively, pay sufficient time and attention to have the function attributed to the competence of the Board duly performed. The members of the Board take part in the sessions, the time of which is agreed among the members so that all members of the Board could take part in the session.</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>	Yes	<p>The Board of the Company seeks, in its work, to conduct in good faith and impartially with all shareholders of the Company, and according to the data available in the Company, there has been no case, so far, that it were vice versa. The Chairman of the Board of the Company is, by adjusting as well as coordinating the interactions with the General Manager of the Company, obliged and authorized to, in the name of the Board, communicate with the shareholders, inform the shareholders about the activities, strategy, other essential matters of the Company; also to give official binding clarifications.</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>Yes</p>	<p>All transactions specified in this recommendation, if they are not insignificant due to the low value, are concluded upon the decisions of the Board which may be adopted only in case of the required quorum and majority and following the provisions of the Company's Articles of Association that complies with the Law on Companies of the Republic of Lithuania.</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. When using the services of a consultant with a view to obtaining information on market standards for remuneration systems, the remuneration committee should ensure that the consultant concerned does not at the same time advise the human resources department, executive directors or collegial management organs of the company concerned.</p>	<p>Yes</p>	<p>The Board of the Company adopts the decisions, following only the interests of the Company; therefore, the independence of the members in adopting the decisions significant to the activities and strategy of the Company, shall be assessed according to the interests of the Company and its shareholders.</p> <p>The members of the Board are provided with all possibilities and they have the right to all resources necessary to duly perform the obligations, including the possibilities to apply to the independent external legal, accounting or other specialists. The General Manager of the Company ensured that the managers or employees of the separate fields of the Company provide directly the Board or through the General Manager with the required information to the members of the Board, so that they could duly perform their functions and deal with the issues attributed to their competence.</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 committees¹¹. 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>	Yes	<p>The recommendation is implemented partly. The Audit Committee was established by implementing the decision adopted in the General Meeting of Shareholders on 30 April 2009. The Audit Committee was established in order to comply with the requirements of the Law on Audit and to this Code.</p> <p>According to the existing scopes of the activities of the Company, results as well as objective needs, and to the fact that the Board of the Company consists of 4 (four) members, the Company is not in need of the establishment other committees, but the establishment of nomination and remuneration committees shall be considered in the future.</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 exercise independent judgement and integrity when exercising its functions as well as 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>	Yes	<p>The Audit Committee operates in accordance with the Regulations approved by the General Meeting of Shareholders of the Company. The Audit Committee in accordance with the need provides the Company's Board with recommendations.</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</p>	Yes	<p>The Audit Committee consists of three members elected for the term of office of four years. One of the members is independent. The composition and the term of office of the Audit Committee is approved by the General Meeting of Shareholders. Audit Committee composition and their terms ensure the nature of aims and objectives of the</p>

¹¹-The Law of the Republic of Lithuania on Audit (Official Gazette, 2008, No 82-53233) determines that an Audit Committee shall be formed in each public interest entity (including, but not limited to public companies whose securities are traded in the regulated market of the Republic of Lithuania and/or any other member state).



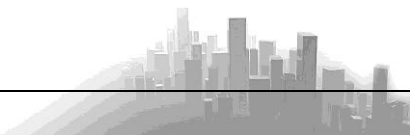
<p>constituted from independent members of the collegial body. In cases when the company chooses not to set up a supervisory board, remuneration and audit committees should be entirely comprised of non-executive directors. Chairmanship and membership of the committees should be decided with due regard to the need to ensure that committee membership is refreshed and that undue reliance is not placed on particular individuals.</p>		<p>Company and its shareholders.</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>	<p>Yes</p>	<p>Under the regulations of the Audit Committee of the Company the Audit Committee presents the report about its activity to the Board of the Company no less than one time per year.</p>
<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>	<p>Yes</p>	<p>The regulations of the Company's Audit Committee shall grant the right for the Audit Committee members to convene to the Audit Committee meetings the Board members and the other employees of the Company.</p>



<p>4.12. Nomination Committee.</p> <p>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 be consulted by, and entitled to submit proposals to the nomination committee.</p>	<p>Not applicable</p>	<p>The appointment committee was not formed according to the circumstances set out in Clause 4.7.</p>
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<p>4.13. Remuneration Committee.</p> <p>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; • Ensure that remuneration of individual executive directors or members of management body is proportionate to the remuneration of other executive directors or members of management body and other staff members of the company; • Periodically review the remuneration policy for executive directors or members of management body, including the policy regarding share-based remuneration, and its implementation; • 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 remuneration-related information disclosure (in particular the remuneration policy applied and individual remuneration of directors); • 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; <p>• 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>	<p>Not applicable</p>	<p>The salary committee was not formed according to the circumstances set out in Clause 4.7.</p>
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<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>4.13.4. The remuneration committee should report on the exercise of its functions to the shareholders and be present at the annual general meeting for this purpose.</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; • 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; 	Yes	<p>The Company has the Audit Committee in place. The composition and Regulations of the Audit Committee were approved in the General Meeting of Shareholders on 30 April 2009. The Audit Committee consists of three members elected for the term of office of four years. One of the members is independent.</p> <p>The Audit Committee was established under the requirements for Audit Committees approved on 13 August, 2008 by the Securities Commission of Lithuanian Republic.</p> <p>In accordance with Article 52(3) of the Law on Audit, the functions of the Company's Audit Committee are as follows:</p> <ol style="list-style-type: none"> 1) to monitor the process of drawing up financial statement; 2) to monitor the effectiveness of the systems of corporate internal control, risk management and internal audit, if any; 3) to monitor the process of carrying out audit; 4) to monitor how the auditor and the audit firm adhere to the principles of independence and objectivity. <p>The principal objective of the Audit Committee is to generate higher added value to the Company. With a view to achieving the set objective, the Audit Committee operates in accordance with the Regulations approved by the General Meeting of Shareholders of the Company. The Audit Committee follows in its activities the requirements of effective legal acts and seeks overall implementation of the recommendations of this Code.</p>



- 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 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.

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.		
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.	No	The practice has not so far being formed in the Company for the Board of the Company to perform the assessment of its activities as well as to separately inform the shareholders about it, as the controlling shareholder, by appointing the members of the Board, already knows the experience, competence and determination of each member to act only for the interests of the Company.
<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>		
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.	Yes	The Company implements this recommendation in a full scope. The Board of the Company is both <i>de jure</i> and <i>de facto</i> managed by the Chairman of the Board. Following the work procedure of the Board, the Chairman convenes the sessions of the Board, organized the work of the Board, has, without the separate decision of the members, the right to chair in the sessions of the Board; also, have other authorities set out in the Company's Articles of Association, work regulation of the Board and/or separately mentioned in the separate clauses of this report.



<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 month¹².</p>	Yes	<p>The sessions of the Board of the Company are arranged in a respective periodicity, although no schedule confirmed in advance, with a provision of specific dates. It is actually held not rarer than twice per calendar month.</p> <p>The continuous dealing with the essential issues on the management of the Company is ensured not only by the regular sessions of the Board; but, also by the work of the separate members of the Board in the field attributed to them, in receiving and analyzing the information important for the activities of the Company, preparing for the sessions of the Board.</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>	Yes	<p>The work procedure of the Board of the Company ensures the compliance with this recommendation. All members of the Board take part in most sessions.</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-coordinating 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>	Not applicable	<p>Only one collegiate managing body – the Board is formed in the Company.</p>

Principle VI: The equitable treatment of shareholders and shareholder rights

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.

¹² 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 authorized capital of the Company consists only of the ordinary nominal intangible shares which grant the equal property and non-property rights to the 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's Articles of Association which complies with an actual redaction of Law on Companies guarantees the rights to the investors by the shares already issued by the Company. Company's Articles of Association are publicly accessed and the rights set out in them meet the rights, which are set out in the Law on Companies of the Republic of Lithuania. Company is also preparing the prospectuses for the new emissions of shares which are attached to the regulation of the Securities Commission of Lithuania.
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. ¹³ 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 shareholders of the Company approve only those transactions of the Company, for the approval of which, the exclusive rights for the General Meeting of Shareholders are provided for according to the Law on Companies of the Republic of Lithuania, as well as the Company's Articles of Association. With a full-scope implementation of this recommendation, the risk would arise due to the effective management and decision-making of the Company.
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 information about the General Meetings of Shareholders is announced through the information system of NASDAQ OMX Globe Newswire in Lithuanian and English languages; web site of the Company. The sessions are held in Vilnius, at the building where the Company is registered. The sessions are convened on the working day and at the premises where the shareholders would be provided with the conditions to duly take part in the meeting. One may become familiar with the material of the meeting not later than 10 days before the day of the meeting at the premises of the Company, the draft decisions are also presented through the information system of NASDAQ OMX Globe Newswire in Lithuanian and English.

¹³ 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-terms assets accounting for more than 1/20 of the company's authorised 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. If is possible, in order to ensure shareholders living abroad the right to access to the information, it is recommended that documents on the course of the general shareholders' meeting should be placed on the publicly accessible website of the company not only in Lithuanian language, but in English and /or other foreign languages in advance. 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 Lithuanian, 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>	Yes	<p>The Company announces to the General Meeting of Shareholders the prepared draft decisions not later 10 days before the day of the meeting through the information system of NASDAQ OMX Globe Newswire and Company's website in Lithuanian and English. The decisions adopted by the General Meeting of Shareholders are announced not later than within one day from the day of their adoption through the information system of NASDAQ OMX Globe Newswire in Lithuanian and English. The decisions adopted by the General Meeting of Shareholders are provided also in the web site of the Company.</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>	Yes	<p>The shareholders of the Company may implement the right to take part in the General Meeting of Shareholders both in person and through the representative, if the person has the due authority or the contract on transfer of the voting right was concluded with him according to the order established by the legal acts. Upon shareholders' request, the Company provides the shareholders with the conditions to vote by fulfilling the general voting-paper, as set out in 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 by allowing the shareholders to participate and vote in general meetings via electronic means of communication. In such cases security of transmitted information and a possibility to identify the identity of the participating and voting person should be guaranteed. Moreover, companies could furnish its shareholders, especially shareholders living abroad, with the opportunity to watch shareholder meetings by means of modern technologies.</p>	No	<p>So far, there has not been any objective need and possibilities to execute the recommendation of this Clause. In the future, the issue on provision of such possibility will be discussed in the Company, by taking into account the necessary financial resources, existing legal regulation as well as objective distribution of the shareholders of the Company and their wishes.</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.



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	The members of the Board avoid situations where their personal interest could conflict with the interest of Company. The members of The Company Board abstain from voting or refuse to vote when the matter is related to the person.
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	The members of the Board act for the interests of the Company and their own competence as well as personal traits allow to claim that they conduct so that the conflicts of interest would not arise and they did not occur in their practice, so far.
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	The members of the Board of the Company have not concluded the transactions with the Company, including those of low value or concluded under non-standard conditions.
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	The Law on Companies of the Republic of Lithuania requires that the member of the Board has no right to vote, when the session of the Board deals with the question related with its activity in the Board or that of its liability. The members of the Board of the Company know this provision and apply it broader than required by the Law, i.e. abstain from voting or refuse voting, when it is related to his person and the Company, or another conflict of interests may arise.

Principle VIII: Company's remuneration policy

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) which should be clear and easily understandable. This remuneration statement should be published as a part of the company's annual statement as well as posted on the company's website.</p>	<p>No</p>	<p>The Company has not prepared the salary policy report; therefore, it cannot execute this recommendation. Brief information about the past period, payments of the Company to the members of members of the issuer's managing bodies; Senior Management is announced according to the order established by the legal acts.</p> <p>To the opinion of the Company and the Board of the Company, according to the competitive environment and economic conditions of activities in the Lithuanian market and other markets where the Company operates, such information is off-the-record (confidential); currently, to be considered as the trade secret of the Company.</p> <p>The issue on the need for and preparation of the salary policy report recommended by the Code is expected to start dealing with in the future, with the change of market conditions.</p>
<p>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.</p>	<p>Not applicable</p>	<p>The Company has no salary policy report due to the reasons specified in Clause 8.1.</p>



<p>8.3. Remuneration statement should leastwise include the following information:</p> <ol style="list-style-type: none"> 1) Explanation of the relative importance of the variable and non-variable components of directors' remuneration; 2) Sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration; 3) An explanation how the choice of performance criteria contributes to the long-term interests of the company; 4) An explanation of the methods, applied in order to determine whether performance criteria have been fulfilled; 5) Sufficient information on deferment periods with regard to variable components of remuneration; 6) Sufficient information on the linkage between the remuneration and performance; 7) The main parameters and rationale for any annual bonus scheme and any other non-cash benefits; 8) Sufficient information on the policy regarding termination payments; 9) Sufficient information with regard to vesting periods for share-based remuneration, as referred to in point 8.13 of this Code; 10) Sufficient information on the policy regarding retention of shares after vesting, as referred to in point 8.15 of this Code; 11) Sufficient information on the composition of peer groups of companies the remuneration policy of which has been examined in relation to the establishment of the remuneration policy of the company concerned; 12) A description of the main characteristics of supplementary pension or early retirement schemes for directors; 13) Remuneration statement should not include commercially sensitive information. 	Not applicable	The Company has no salary policy report due to the reasons specified in Clause 8.1.
<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>	Not applicable	The Company has no salary policy report due to the reasons specified in Clause 8.1.



<p>8.5. 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 8.5.1 to 8.5.4 for each person who has served as a director of the company at any time during the relevant financial year.</p> <p>8.5.1. The following remuneration and/or emoluments-related information should be disclosed:</p> <ol style="list-style-type: none"> 1) 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; 2) The remuneration and advantages received from any undertaking belonging to the same group; 3) 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; 4) 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; 5) 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; 6) Total estimated value of non-cash benefits considered as remuneration, other than the items covered in the above points. <p>8.5.2. As regards shares and/or rights to acquire share options and/or all other share-incentive schemes, the following information should be disclosed:</p> <ol style="list-style-type: none"> 1) The number of share options offered or shares granted by the company during the relevant financial year and their conditions of application; 2) 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; 3) 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; 4) All changes in the terms and conditions of existing share options occurring during the financial year. <p>8.5.3. The following supplementary pension schemes-related information should be disclosed:</p> <ol style="list-style-type: none"> 1) When the pension scheme is a defined-benefit scheme, changes in the directors' accrued benefits under that scheme during the relevant financial year; 2) 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>Not applicable</p>	<p>The Company has no salary policy report due to the reasons specified in Clause 8.1.</p>
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8.5.4. The statement should also state amounts that the company or any subsidiary company or entity included in the consolidated annual financial report 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.		
8.6. Where the remuneration policy includes variable components of remuneration, companies should set limits on the variable component(s). The non-variable component of remuneration should be sufficient to allow the company to withhold variable components of remuneration when performance criteria are not met.	Not applicable	The Company has no salary policy report due to the reasons specified in Clause 8.1.
8.7. Award of variable components of remuneration should be subject to predetermined and measurable performance criteria.	Not applicable	The Company has no salary policy report due to the reasons specified in Clause 8.1.
8.8. Where a variable component of remuneration is awarded, a major part of the variable component should be deferred for a minimum period of time. The part of the variable component subject to deferment should be determined in relation to the relative weight of the variable component compared to the non-variable component of remuneration.	Not applicable	The Company has no salary policy report due to the reasons specified in Clause 8.1.
8.9. Contractual arrangements with executive or managing directors should include provisions that permit the company to reclaim variable components of remuneration that were awarded on the basis of data which subsequently proved to be manifestly misstated.	Not applicable	The Company has no salary policy report due to the reasons specified in Clause 8.1.
8.10. Termination payments should not exceed a fixed amount or fixed number of years of annual remuneration, which should, in general, not be higher than two years of the non-variable component of remuneration or the equivalent thereof.	Not applicable	The Company has no salary policy report due to the reasons specified in Clause 8.1.
8.11. Termination payments should not be paid if the termination is due to inadequate performance.	Not applicable	The Company has no salary policy report due to the reasons specified in Clause 8.1.
8.12. 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.	Not applicable	The Company has no salary policy report due to the reasons specified in Clause 8.1.



8.13. Shares should not vest for at least three years after their award	Not applicable	The Company has no salary policy report due to the reasons specified in Clause 8.1.
8.14. Share options or any other right to acquire shares or to be remunerated on the basis of share price movements should not be exercisable for at least three years after their award. Vesting of shares and the right to exercise share options or any other right to acquire shares or to be remunerated on the basis of share price movements, should be subject to predetermined and measurable performance criteria.	Not applicable	The Company has no salary policy report due to the reasons specified in Clause 8.1.
8.15. After vesting, directors should retain a number of shares, until the end of their mandate, subject to the need to finance any costs related to acquisition of the shares. The number of shares to be retained should be fixed, for example, twice the value of total annual remuneration (the non-variable plus the variable components).	Not applicable	The Company has no salary policy report due to the reasons specified in Clause 8.1.
8.16. Remuneration of non-executive or supervisory directors should not include share options.	Not applicable	The Company has no salary policy report due to the reasons specified in Clause 8.1.
8.17. Shareholders, in particular institutional shareholders, should be encouraged to attend general meetings where appropriate and make considered use of their votes regarding directors' remuneration.	Not applicable	The Company has no salary policy report due to the reasons specified in Clause 8.1.
8.18. 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.	Not applicable	The Company has no salary policy report due to the reasons specified in Clause 8.1.



<p>8.19. 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>	Not applicable	The Company has no salary policy report due to the reasons specified in Clause 8.1.
<p>8.20. The following issues should be subject to approval by the shareholders' annual general meeting:</p> <ol style="list-style-type: none"> 1) Grant of share-based schemes, including share options, to directors; 2) Determination of maximum number of shares and main conditions of share granting; 3) The term within which options can be exercised; 4) The conditions for any subsequent change in the exercise of the options, if permissible by law; 5) 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. <p>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>	Not applicable	The Company has no salary policy report due to the reasons specified in Clause 8.1.
<p>8.21. 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>	Not applicable	The Company has no salary policy report due to the reasons specified in Clause 8.1.
<p>8.22. Provisions of Articles 8.19 and 8.20 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>	Not applicable	The Company has no salary policy report due to the reasons specified in Clause 8.1.



<p>8.23. Prior to the annual general meeting that is intended to consider decision stipulated in Article 8.19, 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>	Not applicable	The Company has no salary policy report due to the reasons specified in Clause 8.1.
<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>		
<p>9.1. The corporate governance framework should assure that the rights of stakeholders that are protected by law are respected.</p>	Yes	The Company performs its activities and is managed, following the legal acts of the Republic of Lithuania, legal normative acts of municipal institutions, according to the reasonable and lawful interests of the community and the third persons, which do not contradict with and do not cause the threat to violate the reasonable and lawful interests of the Company.
<p>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.</p>	Yes	All persons concerned or the third persons may become familiar with the announceable public information about the activities of the Company publicly at the web site of NASDAQ OMX Vilnius Stock Exchange, web site of the Company, to apply in oral or written form to the public relations agent of the Company or the management of the Company.
<p>9.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.</p>	Yes	The employees of the Company have the possibility to take part in purchasing the shares in the share capital of the Company through NASDAQ OMX Vilnius Stock Exchange.



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.

10.1. The company should disclose information on:

- 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.

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.

10.2. It is recommended to the company, which is the parent of other companies, 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.

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.

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.

Yes

The information about the Company specified in this Clause is announced through the information system of NASDAQ OMX Vilnius Stock Exchange; the reports (periodical information) of the Company, prepared according to the order established by the legal acts of the Republic of Lithuania; also, at the web site of the Company.

By presenting the information specified in this Clause, the Company presents the consolidated information of both the Company and the whole group of companies.



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 NASDAQ OMX Vilnius, so that all the company's shareholders and investors should have equal access to the information and make informed investing decisions.	Yes	The information specified in this Clause is announced through the information system of NASDAQ OMX Vilnius Stock Exchange and in Company's website in Lithuanian and English. All essential events and information to investors are presented not during the trade session, except few cases, when it was necessary to perform already at the beginning of the trade.
10.6. Channels for disseminating information should provide for fair, timely and cost-efficient or in cases provided by the legal acts free of charge 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.	Yes	The Company ensures the impartial, timely and inexpensive access to the information, by announcing it in Lithuanian and English at its web site as well as through the information system of NASDAQ OMX Vilnius Stock Exchange.
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..	Yes	This recommendation is implemented with a full scope.
<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>		
11.1. An annual audit of the company's financial reports and interim reports should be conducted by an independent firm of auditors in order to provide an external and objective opinion on the company's financial statements.	Yes	This recommendation is implemented in part, the independent audit company assesses the annual report as well as annual financial statements. In the meantime, the legal acts of the Republic of Lithuania do not require auditing the interim financial statements; also, it would cause the additional costs as well as time costs.
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.	Yes	This recommendation is implemented with a full scope.



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.	Yes	The audit company provided the Company with the consultations on tax issues in the year 2009.
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