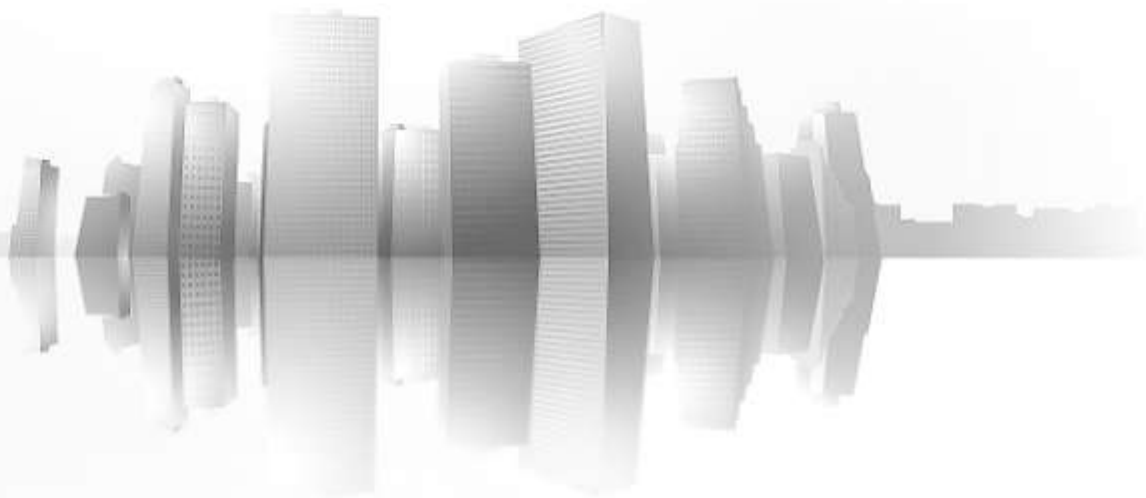


***CITY*service**



AB City Service

Consolidated annual report for 2011
(reviewed by auditors)

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1. About the Company

1.1. City Service group



The City Service group is the market leader in facility management and integrated utility services in the Baltic States. The Group operates in Lithuania, Latvia and Russian federation.

The Company specializes in managing the efficiency of buildings; maintenance and repair of engineering systems; management and renovation of energy resources; technical and energy audits of buildings; waste management and eco-business; maintenance and installation of lifts; maintenance and cleaning of territories.

The most important buildings segment administered by the City Service group: are residential apartment buildings; commercial buildings; public buildings; industrial buildings. The total area of buildings under the management of the Group is 18.8 million sq. m. at present.

1.2. Strategy and objectives

The long and short-term corporate objectives described in the Annual Report 2010 remain unchanged.

A long-term objective of City Service is development in Eastern Europe markets focusing on integrated utility services. Expansion is implemented by acquiring perspective private and state controlled companies. Acquired companies are reorganized by adapting our business model and standards and thus gradually service quality and profitability is increasing.

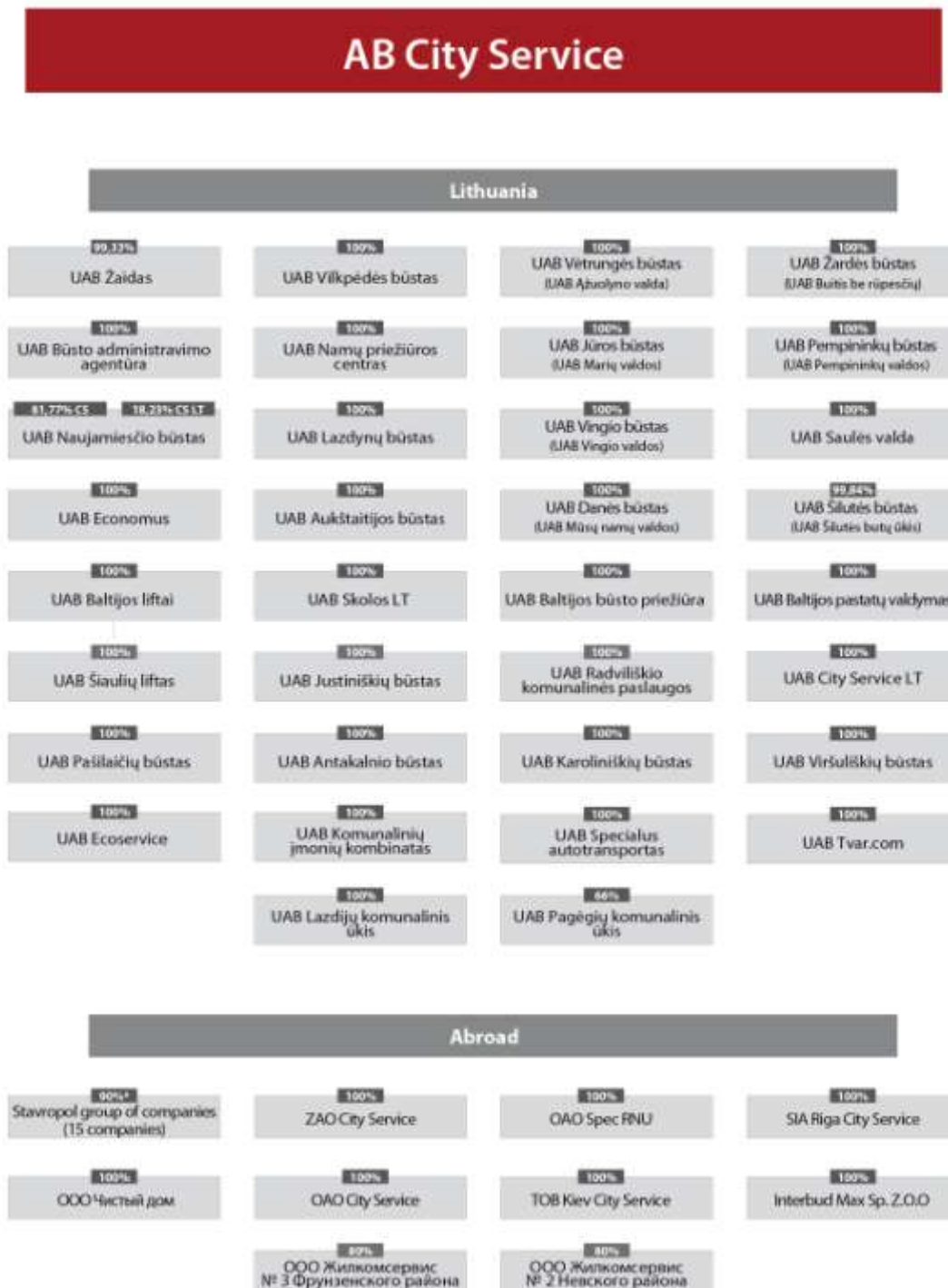
1.3. Mission and vision

Our vision is to have a leading position in the Eastern Europe market, to be the most innovative, effective partner, a friend to clients, and an attractive employer.

Our mission is to create a harmonious living and working environment by providing integrated and innovative services.



1.4. Structure of the Group



*More detailed information on stock share held by the Group is disclosed in Note 1 financial statements

Group structure is presented as of 31 December 2011.



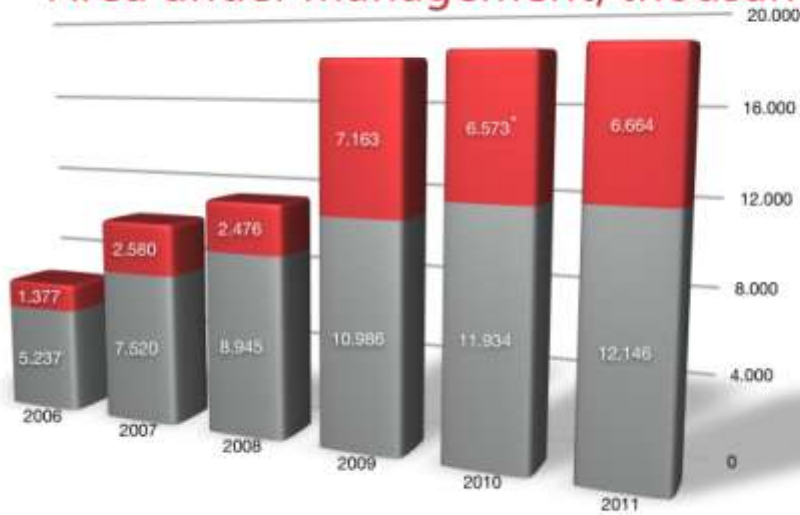
1.5. Key indicators of the Group

Key financial indicators	2006	2007	2008	2009	2010	2011
Sales	113,607	199,346	263,850	374,495	541,846	547,843
Sales in the Lithuanian market	108,837	160,532	179,210	182,496	194,305	200,647
Sales in foreign markets (Baltic States and CIS)	4,770	38,814	84,640	191,999	347,541	347,196
Area under management in Lithuania (thousand sq. m)	5,237	7,520	8,945	10,986	11,934	12,146
Area under management in foreign markets (Baltic States and CIS)	1,377	2,580	2,476	7,163	6,573	6,664
Gross profit	18,812	34,189	46,551	65,742	91,289	113,248
EBITDA	10,390	11,896	14,464	25,168	35,703	47,068
EBITDA margin	9.10%	5.97%	5.48%	6.70%	6.59%	8.59%
Operating profit (EBIT)	7,544	10,472	12,440	20,588	24,724	34,370
EBIT margin	6.60%	5.25%	4.71%	5.50%	4.56%	6.27%
Earnings before tax (EBT)	9,650	10,813	11,034	17,025	25,275	33,940
EBT margin	8.49%	5.42%	4.18%	4.55%	4.66%	6.20%
Net profit	7,528	9,361	8,686	15,293	25,470	29,487
Net profit in foreign markets (Baltic States and CIS)	(1,007)	(223)	(1,866)	4,534	(480)*	8,508
Net profit margin	6.60%	4.70%	3.29%	4.08%	4.70%	5.38%
Profit per share (LTL)	0.44	0.52	0.45	0.80	0.80	0.91
Return on equity (ROE)	24%	17%	15%	21%	16%	17%
Return on assets (ROA)	10%	8%	6%	6%	7%	9%

* Including consolidated loss of LTL 1,402 thousand for the year from disposed investment of ООО Жилкомсервис г. Ломоносов.



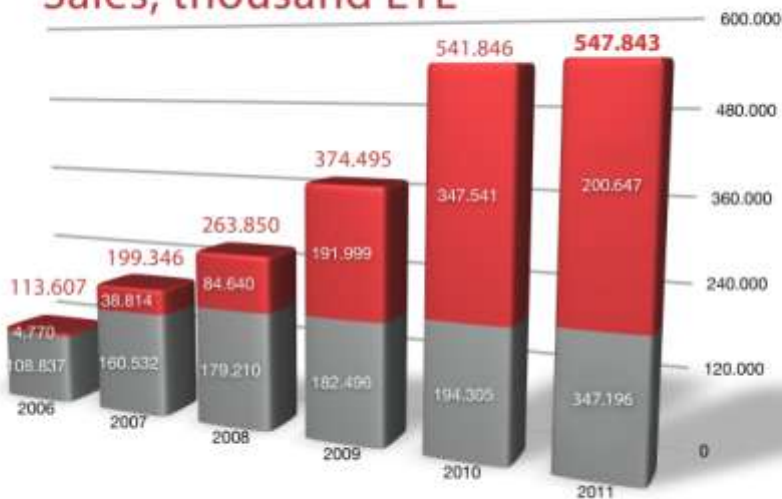
Area under management, thousand m²



- Area under management in foreign markets (Baltic States and CIS)
- Area under management in Lithuania

* Area under management in foreign markets decreased due to disposal of a company ООО „Жилкомсервис г. Ломоносов“ in Russia

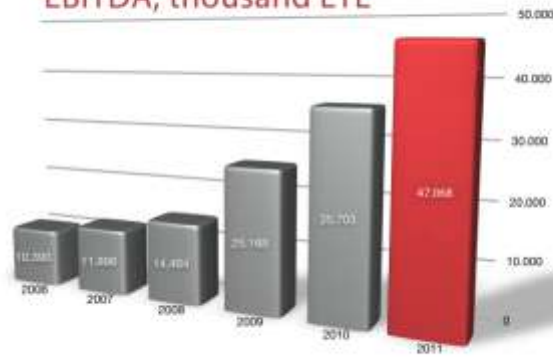
Sales, thousand LTL



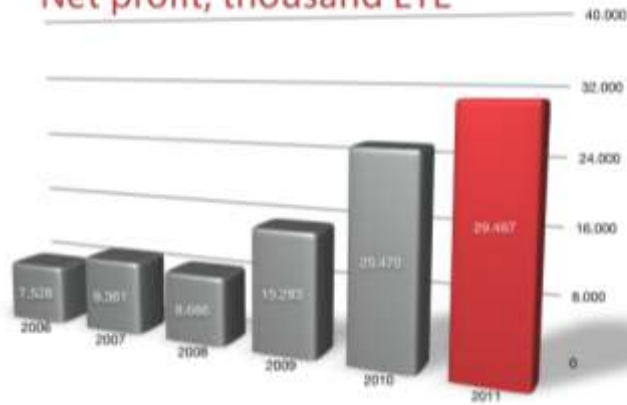
- Sales in foreign markets (Baltic States and CIS)
- Sales in Lithuanian market



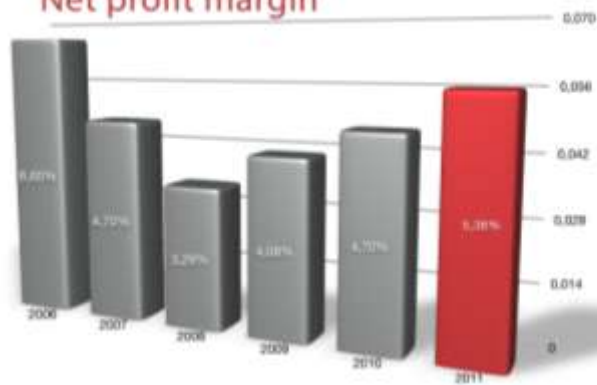
EBITDA, thousand LTL



Net profit, thousand LTL



Net profit margin



1.6. Key events

January

During January – February the Company has acquired a group of private companies in the city of Stavropol, Russia. The group consists of 15 separate companies. The value of the contract is RUB 68.5 million. The acquired companies manage approximately 2 million square meters of residential buildings.

February

On 1 February the Company's subsidiary Eco Holding UAB has acquired 100 % shares of .A.S.A. Vilnius UAB (now UAB „Tvar.com“), which provides services of collection and removal of waste in Vilnius.

On 1 February the Company signed a contract with Palink concerning the provision of effectiveness services for electricity resources to 155 IKI supermarkets.

April

On 29 April the Company signed a non-fixed contract on the provision of maintenance services for 3 manufacturing objects with the Umega group of manufacturing companies. Umega manages objects with an overall area of 65,000 sq. m.

May

On 16 May the 34% of Marijampolės butų ūkis UAB shares were acquired. Marijampolės butų ūkis UAB maintains services of administration of dwelling-houses in Marijampolė district.

June

On 17 June City Service Group subsidiary Riga City Service has signed a contract with the state energy company Latvenergo and started providing integrated facility management services – building structure and engineering systems maintenance, interior and territory cleaning.

July

On 1 July 100% of the shares of ООО Чистый дом which provides territory cleaning and maintenance services in Saint Petersburg (Russia) were acquired.

September

On 19 September AB City Service started managing 100 % of the shares of UAB Būsto Administravimo Agentūra. The company administers apartment buildings in Kaunas, the area of maintained buildings amounts to about 220,000 sq. m.

November

On 2 November, one of the Groups companies acquired 100 % of the shares of UAB Lazdijų Komunalinis Ūkis. The company provides municipal waste management services in Lazdijai town and district.

December

On 29 December the Board of AB City Service adopted the decision that the Company activity shall be holding enterprise – investment public company which controls facility management, maintenance, waste management companies in Lithuania and in other countries.

Latest events

February

In February 2012 the Company began the process of brand unification in secondary companies. The names of the companies operating in Klaipėda and Šilutė were changed. UAB Ažuolyno Valda, UAB Buitis be Rūpesčių, UAB Marių Valdos, UAB Mūsų Namų Valdos, UAB Pempininkų Valdos, UAB Vingio Valdos and UAB Šilutės Butų Ūkis were changed to UAB Vėtrungės Būstas, UAB Žardės Būstas, UAB Jūros Būstas, UAB Danės Būstas, UAB Pempininkų Būstas, UAB Vingio Būstas and UAB Šilutės Būstas respectively.



1.7. A word from the General Manager

Žilvinas Lapinskas
AB City Service General Manager

Since 2006, the City Service developed rapidly by acquiring individual companies and groups of companies both in Lithuania and in Russia. More the Group structure and operation area expanded and the number of activity fields increased more the attention to the efficient use of resources was paid.

In 2011, Lean 6 Sigma management concept became very popular in the Company. By following the Lean 6 Sigma philosophy, we pursue to improve all work processes of the Company and separate departments. During the last year, we organized pilot project groups where optimization solutions were created and tested. Wide range of employees was involved into this process from technical staff to the executive management.

Teams working according to the Lean 6 Sigma philosophy reached impressive results during the last year. We estimated that works are performed two times faster and the number of staff decreased by 25% and the quality of works increased by 20% in the team where the position of versatile technicians was created. Thanks to the new motivational system, we encouraged Company workers to offer additional services necessary for the improvement of apartment buildings more actively, e.g. various additional repair works. During this year, the sales of the company participating in the project increased two times. Teams which worked in other fields were successful too. You can read about them in the section 4 of this report.

Last year, companies supplying maintenance services to the apartment buildings in Lithuania created and implemented the initiative on efficient heating energy consumption "Let's Save Heat". Since centrally supplied heating prices are increasing in Lithuania further, this project became very important for the residents of apartment buildings serviced by our Company and attained a lot of their interest. To this day, we can state that average improvement of heating energy consumption rates in buildings which participated in the heating saving programme reached 17% through efforts of City Service specialists and public relations.

The initiative "Let's Save Heat" became one of the most important social responsibility projects developed by our Group. Moreover, during the last year we continued helping actively to create cozy, clean and safe living environment and strengthen the communities by supporting the initiatives "Our Yard", "Police Supporters" and "A Friend of the Food Bank".

Successful results were also demonstrated by other departments of the Company. The companies providing lift maintenance and renovation services increased the number of serviced lifts from 250 to 986 and are planning further development. In 2011, specialists of the Group installed 15 new lifts. We strengthened our positions in the fields of industrial object maintenance and the extent of our services increased by 142% during the year. High-value-added-services offered by our specialists working in our Department on Innovation and Energy Efficiency attain more and more interest; in 2011, services were provided to 145 commercial buildings and to 4 real estate funds. Also we expanded the segments of our serviced buildings; we won a tender and started providing student accommodation, dormitory administration and management, technical maintenance, cleaning and security services for the Vilnius Gediminas Technical University.

With regard to commercial buildings maintenance, we commemorated an important anniversary – we have been cooperating with Swedbank, one of the most important clients, already for 10 years. Many of our commercial buildings serviced by us were entrusted to us in 2002 – 2004. Long-term cooperation is an important evaluation of our services.

We are actively exploring and monitoring the market in Russia and considering the possibilities to acquire operating private and public apartment building maintenance companies located in Central, Western and Southern regions of the Russia Federation orienting around cities with more than 500 thousand residents.



We started using activity optimization experience gained in Lithuania for the companies of the Group operating in Russia. Last year four pilot projects based on the Lean philosophy were started there.

The success of efficiency improvement reflects in the last year financial results of the Group – income reached LTL 547.8 million and increased by 1.1% in comparison with the year 2010. While profitability rate improvement was the utmost: the profit increased by 15.8% in comparison with the last period and reached LTL 29.4 million.

In the future, we are going to improve activity results through the efficiency much more since activity optimization projects implemented in Lithuania and Russia are just the beginning of a long-term process. We will use optimization practices verified in the pilot groups more widely in all teams and companies. Also we will search for new markets and for new opportunities for our activity development.



2. Activities in Lithuania

2.1. Apartment building maintenance



The maintenance of apartment buildings remains our most important activity in Lithuania. People from all the major Lithuanian cities, namely, Vilnius, Kaunas, Klaipeda, Siauliai, Panevezys, Alytus, Palanga as well as Radviliskis, Silute and Pagegiai municipalities make use of the services provided by companies of the City Service group.

Last year the Company considerably increased the efficiency of its activities. The activity optimization method Lean 6 Sigma involving various activity spheres of the Company has also been introduced into the apartment building maintenance segment. In 2011 we focused on the control and improvement of the quality of services.

Last year the Group also launched a telephone survey project to investigate the satisfaction of private clients – people having registered messages were asked about the quality of repair work and their evaluation. Similar client satisfaction surveys have been practiced in the commercial field for many years and our clients approve of this practice.

To increase the representation and recognizability of City Service and other companies of the Group, all building managers started wearing a work uniform; new noticeboards were placed in stairwells, manager details were updated. At the end of the year, the first clients of the Company group, apartment building residents started using a new self-service portal. It is very easy and convenient to manage administration-related matters in the electronic environment, i.e. to pay for utility services, review messages on payments, find detailed information on works planned for the apartment building and in the district and to contact the building manager servicing the house directly. This year it is planned that the majority of residents in buildings administered by the Group will have access to the self-service portal.

At the beginning of the year a new motivation system aimed at increasing sales was implemented. Company employees are encouraged to be more pro-active in offering people additional services for improvements to the apartment buildings such as territory cleaning and maintenance, as well as various repair works. Due to the new motivation system and other optimization processes that allow savings in time to be made by managers, sales in companies participating in the project have doubled.

With the increasing prices for centralized heating in Lithuania, in 2011 the Company took actions to help people to significantly save on the use of heating. The Company and the members of the Group have created and started implementing a long-term initiative 'Save Heating' the basis of which is a five-step heating saving programme. It was prepared with the help of consultations provided by experts of effective energy use and having carried out research on a few hundred houses using the most heating. The five steps of the programme include: people's involvement, i.e. their actions aimed at reducing heating losses inside flats; work reducing heating losses in the common areas of apartment buildings (stairwells and basements); automatization of heating substations; installation of heat balancing system equipment and implementation of a heating system controlled in real time. According to experts, these actions help eliminate the excess waste and irrational use of heating. Before the start of the heating season, the houses participating in the programme underwent preparatory work: new windows and doors were installed or the old ones were sealed, heating balancing system equipment was installed, the out-of-date piping insulation was replaced by a new more effective one, the old heating substations were replaced by modern automatic ones. The average heat usage indices in the houses that participated in the program during 2011 – 2012 as compared to 2009 – 2010 improved by 17 per cent.

This year the City Service group has continued to expand in the regions of Lithuania – 34 per cent of the shares of UAB Marijampolės Butų Ūkis were acquired. The company maintains apartment buildings in Marijampolė town and district. The Company also increased its share in UAB Būsto Administravimo Agentūra and now owns 100 per cent of the stock. Būsto Administravimo Agentūra administers apartment buildings in the city of Kaunas.

In order to improve its client relations and in this way improve the quality of services, the Company started implementing a unified group of brands at the beginning of the year. The names of some sister companies in Vilnius, Klaipėda and Šilutė were changed. Pašilaite changed to Pašilaičių Būstas, Vilko Pėda to Vilkpėdės Būstas, Antakalnio Ūkis became Antakalnio Būstas, Litmilma to Justiniškių Būstas, Vingio Valdos to Vingio Būstas, Buitis be Rūpesčių to Žardės Būstas,



Marių Valdos to Jūros Būstas, Pempininkų Valdos to Pempininkų Būstas, Ažuolyno Valda to Vėtrungės Būstas, Mūsų Namų Valdos to Danės Būstas, Šilutės Butų Ūkis to Šilutės Būstas.

In 2012 the main objective for companies maintaining apartment buildings is to further implement activity optimization projects allowing reductions in expenditure and increases in sales.

2.2. Maintenance and cleaning of territories

Last year we expanded the scope of our property cleaning and maintenance business. Naujamiesčio Būstas currently provides maintenance services to two out of five city areas in Vilnius. Based on separate agreements, we also provide staircase cleaning services to apartment buildings administered by maintenance companies and resident associations. These activities are also developed in Kaunas where we already have more than dozen contracts with residents regarding the provision of such services. We have been providing property cleaning services for quite a while in Klaipėda and Palanga where we have also begun providing staircase cleaning services.

As we sought to strengthen our territory cleaning and maintenance activities we expanded our technical basis and acquired additional equipment in 2011. This helped us to reinforce the Company's competitive advantage. This year we will strongly focus on mechanization and minimization of manual tasks.

In 2012 we are planning to participate in tenders on cleaning territories, commercial premises, premises of common use in apartment buildings and to increase the number of objects maintained. The efficiency of the division activities will be further increased.



2.3. Commercial, industrial and public facility management

In 2011 City Service strengthened its position in the maintenance of industrial buildings. The Company signed an open-ended contract for the provision of maintenance services for 3 manufacturing objects with a group of manufacturing companies Umega. The general area of objects managed by Umega is 65,000 sq. m.

Last year we continued to work towards strengthening our activity in optimizing the use of energy resources and in the use of renewable resources. Certified Company experts provided services related to the management of energy resources and expenditure optimization for commercial buildings and apartment buildings participating in the renovation programme. We provided services for assessment of the state of engineering systems, safe exploitation and research on the need for investments by real estate institutions planning to acquire or acquiring real estate.

During 2011 we provided services to about 145 commercial buildings and 4 real estate funds. In addition, comprehensive thermo-visual audits were carried out on 60 apartment buildings throughout Lithuania.



In accordance with the contract with retail business company Palink, specialists of the Innovations and Energy Efficiency (IEE) Department implemented a project on more effective use of energy resources which involved 155 Iki supermarkets. The aim of the project was to save up to 35 per cent electricity and increase the lighting of the supermarkets by up to 40 per cent in a year by optimizing the lighting systems in the supermarkets.

Together with AB Lesto we carried out an assessment of the state of electricity economy and electricity use in three schools and prepared a versatile public study on the optimization of electricity use.

In 2011 we carried out a 5-year investment audit in the retail business company Senukai and provided a technical audit service to 13 shops of the network. We provided investment audits to companies wanting to plan their finances to manage the economy and renovation of buildings and a service for forecasting their budget for the next few years.

In 2012 we are planning to further strengthen our position in new areas and in the maintenance of industrial objects as well as to provide guarantee and post-guarantee maintenance services.

The main clients of the Company
Palink
Baltisches Haus
MAXIMA LT
Swedbank
DNB bank
TEO LT
Philip Morris Lietuva
Umega
Utenos trikotažas
Universali arena
Vilnius International Airport
Baltic Property Trust



2.4. Maintenance and renovation of lifts

In 2011 we expanded the range of services offered in the field of lift maintenance. The Ministry of Social Security and Labor gave the company Baltijos Liftai a license for the permanent maintenance of potentially dangerous mechanisms, and the company will also undertake the maintenance of escalators.

In 2011 Šiaulių Liftas increased its selection of lifts and other metal ware and began manufacturing items not related to lifts or their parts. The company started manufacturing cloakroom boxes and noticeboards.

In 2012 the company will seek to increase the manufacture of lifts even more and to install 85 per cent more lifts than last year: in 2011 the company installed 48 lifts. In addition, the company plans to also expand the selection of lifts and metal ware not related to lifts or their parts.

At the moment, the companies of the Group specializing in the maintenance and renovation of lifts provide services to 986 lifts in Lithuania. The task for 2012 is to increase the number of lifts under maintenance to 1300.

In 2011, 15 new lifts were installed, 5 of them in apartment buildings maintained by the Company. This year we will increase these numbers. A large number of the lifts in buildings maintained by the City Service group are either on the verge of or have already overrun the 25-year limit of use. European Union directives provide that lifts having overrun this period of time or the period identified by the manufacturer have to be replaced by new lifts or they have to be renovated. There are around 7,000 lifts in apartment buildings in Lithuania.



2.5. Waste management

Last year Ecoservice group continued to strengthen its position in the waste management business by acquiring A.S.A. Vilnius and Lazdijų Komunalinis Ūkis operating in Lithuania.

Ecoservice has been further developing its project on waste sorting and recycling. In the past year more than 150 refuse containers for worn textiles have been distributed in Vilnius. An important innovation encouraging people and commercial companies to start being concerned about sorting their waste has been introduced: Ecoservice and its sister companies offer conveniently colored garbage bags for sorting secondary materials at home and corrugated plastic refuse containers of the same colors for offices.

The Company is the first in Lithuania to implement the European Union Eco-Management and Audit Scheme (EMAS).

In 2012 the company plans to develop its services in foreign markets. Last year company representatives visited Armenia, Moldova and Ukraine in search of favorable development opportunities.

Ecoservice provides its services in the following Lithuanian municipalities

Vilnius city
Vilnius district
Klaipėda city
Klaipėda district
Neringa municipality
Varėna municipality
Trakai municipality
Lazdijai municipality
Šilutė municipality
Širvintai municipality
Pagėgiai municipality
Kazlų rūda municipality
Vilkaviškis municipality
Radviliškis municipality



3. Activities in foreign markets

3.1. Russia

Last year the Company developed its activities in servicing apartment buildings in the Russian market. At the beginning of 2011, we completed the purchase of a group of companies providing utility services in Stavropol. We have taken the first steps to improve these companies as follows: we have reduced the number of administration employees, and we have implemented a standard company structure meeting the needs of local consumers. A new branch has been established which will control and manage debts. In addition, a new mobile team was launched which provides urgent minor repair work.

In 2011, the subsidiary companies operating in Saint Petersburg managed to considerably increase the scope of additional sales services. The number of contracts signed with city administrations concerning the cleaning of territories increased the most. In 2011 5 contracts were signed. We are also seeking to improve the quality of our services and to increase the loyalty of our clients in the city of Saint Petersburg. At the beginning of the year an independent agency of sociological surveys carried out a professional survey on people's satisfaction with the Company's work. As a consequence of the survey results, we are making some organizational changes. We are trying to ensure closer communication with clients, improve access to information about the work carried out in the serviced apartment buildings and ensure the transparency of our operations.

In May 2011, a part of federal legislation regulating the activity of apartment buildings administrators was amended. The new legislation provides more opportunities for consumers to control servicing companies. These changes should contribute to the formation of a more transparent and fair competitive environment in the market. Taking into account the mentioned legislation amendments, we have started more active public communication. Information about the City Service group of companies, their services, works, plans and activity indices can be found on the websites of the subsidiaries.

The Parliament (Duma) of the Russian Federation is currently considering amendments to legislation that would lead to a new provision obligatory on companies planning to carry out apartment building maintenance. This provision obliges companies maintaining apartment buildings to join associations which set certain standards of activity. Membership in new associations will create financial obligations which will not be particularly significant for larger companies such as City Service. It may, however, lead smaller companies to withdraw from the field. Discussion on the mentioned draft laws is due in the spring 2012 session of the Parliament of the Russian Federation.

We have been studying the market actively and considering the possibilities of acquiring private and state companies administering apartment buildings in central, western and southern regions of the Russian Federation with populations of at least 500,000.

In the second half of the year, we started applying the activity optimization experience gained in Lithuanian companies of the group in Russia. Four pilot Lean 6 Sigma projects have been launched with the aim of installing a management system for the flow of estimates, optimize data transmission and resource-purchase and storage processes required for the realization of technical projects; we shall also encourage employees to share their ideas. Implementation of Lean 6 Sigma in Russia, as in Lithuania, is the beginning of a long-term process. With the help of Lean 6 Sigma we hope to optimize our activity, change the approach of employees towards their work and clients, and promote cooperation between branches. In 2012 we will continue the optimization processes in Russia by increasing the profitability of the companies.



3.2. Latvia



In 2011 the subsidiary Riga City Service operating in the Latvian market continued to expand its clients in the maintenance of commercial buildings. Following the finalization of a contract with the state energy company Latvenergo, the Company started providing a variety of services: maintenance of building structures and systems, cleaning of premises and territories. This is the most significant tender for the maintenance of premises since the establishment of Riga City Service. During the first quarter the Company also began the maintenance of engineering systems in SEB bank premises and has been servicing 17 bank buildings.

The total area of premises currently serviced by Riga City Service is 275,000 sq. m. and the total area of territory maintained by the company is 2.8 million sq. m. Since the beginning of 2011 the area of premises being maintained has increased by 11 per cent.

This year the Company will further focus on active expansion.



4. Increasing of performance effectiveness

In the fall of 2010 the Company started implementing performance optimization technique Lean 6 Sigma. The implementation process involves staff of different profiles starting from technical personnel and ending with executive management. This technique helped to improve work processes in different segments of the Company. Over the past year the Company achieved more than half a million Litass in cost saving.

In 2011 the Lean 6 Sigma's goal of improving materially work processes on the Company-wide level and on individual department level was exercised by pilot project implementation groups. They resolve performance optimization matters in individual departments of the Company and strive to optimize work of apartment building managers, turn specialty technicians into the force performing a variety of tasks, create a one stop system for information dissemination, optimize work of budget estimators, cleaning, emergency response, operational and repair teams, create an effective system of training and skill level raising, regulate work relations between apartment building managers and the operational department. Results of these efforts by pilot groups are monitored. In successful cases the technique is applied throughout the Company.



Last year saw the renovation of majority (around 90 %) of Group companies' offices in Lithuania. A customer service and information model in main offices and customer service areas was introduced; the Company also has reformed call flow handling which enabled better call management. Thanks to this reform calls addressed to office administrators and billing accountants are now directed to the call center where every customer gets the information they require. Call forwarding service helps Company's specialists to better understand customer needs and respond adequately.

The company has optimized lift production efficiency – hoist production volumes have increased and the time of order processing and order execution has shortened. As compared to the respective period two years prior, lift production volumes grew by 37 %, production times reduced by 30 %, and assembly times were cut down twofold. The number of people working in the production area remained unchanged.

With the optimization of budget estimators' work their performance increased by 30 %, document processing time was cut down twofold and processing costs went down by one third. The new streaming work organization model for budget estimators is up and running throughout Lithuania. Under this model budget estimates of all Group companies in the city are processed in sequence.



When the pilot work group achieved the objective of turning a technician into a versatile employee, meaning that they supervise fewer buildings but are capable of solving the majority of problems in those buildings independently, work gets completed twice as fast. The number of staff was cut by 25 per cent but the quality of work improved by 20 per cent. The specialists are better motivated to get the work done and feel greater responsibility for the group of buildings allocated to them.

Remuneration based on results was introduced in some technical teams. This allowed to improve technicians' work efficiency and income per one Litas of salary in the pilot work group increased by around 40 per cent.

With the introduction of building zoning principle, the times of repair work in Vilnius operational department shortened by 41 per cent and the times of emergency work by 27 per cent.

Cleaning department work group achieved order execution times of 5 times shorter than before.

We held a special training course in service sales for apartment building managers working in the group and introduced a motivation system. The effectiveness of novelties was tested in the pilot work group. Sales of additional services in this group almost doubled. In the pilot work group more efficient planning of manager's work has also allowed to reduce the time needed to complete the tasks. That time could be then spent by the specialists of the Company on developing customer relations. This technique is being introduced throughout the Company.

The Company started introduction of the Lean 6 Sigma training system tailored to specific needs of our specialists. We strive to ensure that training matches the needs of our staff exactly, is properly organized and the effectiveness of training can be measured. The greatest attention is paid to the development of a training system for strategically key positions to the Company, namely, apartment building managers and technicians. In 2011 we optimized work by technicians. Introduction of changes in how their work is organized meant that one specialist was responsible for fewer buildings but performed a greater variety of functions in the building, for example, maintained power and heating facilities, performed construction and other works. Prior to this reform each and every one type of work was done by several different specialist electricians, technicians of heating facilities or builders. 2011 was the year of intensive preparation and improvement of the training system for these specialists – versatile technicians.

The greatest achievement of the Lean training system is the establishment of training needs among the staff working in different positions. Training was attended by the staff whose raised skilled levels have the greatest impact on the improvement of work processes. When we are convinced that the training system developed operates effectively, the system will be introduced in other business segments.

The introduction of Lean 6 Sigma is the start of a long term process. We hope that further introduction of this technique will not only result in optimized performance but also in a changed attitude of the staff to customers and better cooperation between the departments. In 2012 we intend to implement further pilot projects both in Lithuania and Russia and foster the culture of continuous process improvement in the Company.



5. Employees

In 2011, the number of employees increased from 3,008 to 3,434. This increase was mostly due to the acquisition of Būsto Administravimo Agentūra (Agency for Accommodation Administration) which specializes in the maintenance of apartment buildings in Kaunas, and by the development of activities of the cleaning branch operating in Vilnius.

Last year City Service group developed its motivation system programme further and focused on employee training.

By implementing the motivation system, we organized special service-selling training for building administration managers working in the Group. We also provided assistance in creating a motivation system for technical employees. According to the new system, the salaries of technical employees depend on the scope of work done. This programme will encourage employees to work more effectively. A pilot project is currently being tested by volunteer technicians.



While implementing the employee qualification enhancement programme, we installed a competence assessment system. For the time being, we have carried out employee assessment according to general management and professional competence criteria. We will plan an employee-training programme on the basis of data collected during the assessment.

With the view to optimizing the activities of the Company, this year we have identified the need to create a new position which would take over and supplement the functions of the administration manager that are related to technical building maintenance. A new position of technical engineer has been established. The main function of this position is to carry out work which requires special technical education. The technical engineer will consult with managers on the management of building engineering systems and other issues related to electricity, water supply, and the maintenance of general construction and heating systems. Due to this change, managers will be able to focus more on direct communication with clients and to pursue sales more actively.



Participation in Lean 6 Sigma projects last year encouraged the professional development of employees. The knowledge, skills and new approaches acquired while contributing to the improvement of Company processes determined that the majority of project leaders of Lean 6 Sigma pilot projects have been promoted this year.

In 2011 we purposefully raised employee motivation and loyalty to the Company. We strengthened the values of the Company by organizing the selection of an employee of the year; we made the value – based winner's actions public. We also established the tradition of celebrating 'newcomers day', when we introduce newcomers to the structure, vision, mission, and values of the Company; we organize training related to time management and service to clients and to the computer programmes used in the Company.



Distribution of employees by educational degrees held:

Education	Company	Group
Graduate academic	173	673
Graduate non-academic	58	132
Higher education	164	220
College education	265	649
Secondary education	176	1600
Comprehensive	19	153
Primary	-	7

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*	21	8.961	63	6.243
Specialists and technical personnel	834	2.010	3.371	1.840

* In 2011 remuneration to the General Manager and to the Finance and Administrative Director amounted to LTL 503,000.

Distribution of the number of employees by countries:

Countries	Company	Group
Lithuania,	855	2.285
Latvia	-	70
Russia and Ukraine	-	1.079
Total	855	3.434



6. Social and environmental responsibility

6.1. Social responsibility

We implement the key elements of our social responsibility policy in the following four principal areas: social activities, the market, relations with employees and relations with the environment.

A more detailed account of Social and Environmental Responsibility is provided in a separate document.

6.2. Social responsibility directions

Social activity

Our activities oblige us to maintain close relationship with society – to be part of the community. The Company actively supports and promotes a number of social and educational projects in regions where it operates and together with communities addresses social challenges.



Let's Save Heat. In 2011 the Company embarked on a long-term initiative called Let's Save Heat aimed at helping residents to significantly reduce heat consumption in apartment buildings. The foundation of the initiative is a 5-step Heat Saving Programme. Heat consumption figures in apartment buildings that participate in the program were 17 per cent better as compared to the figures prior to the introduction of active saving measures.

Our Yard. City Service continues targeted investing in the improvement of residential neighbourhood infrastructure by promoting sense of community and responsible approach to common property. As of 2010 the Company actively supports a nation-wide social project Our Yard. In 2011 around 40 thousand people attended the events of Our Yard initiative.



Food Bank. In 2011 the Company continued supporting the charity and support foundation Food Bank and was one of the main sponsors of the foundation. In 2011 City Service supported the foundation by providing office premises and vehicles in Vilnius, Kaunas, Klaipėda, Šiauliai and Šilutė. Volume of support over the past year amounted to around 100 thousand Litas.

Police Supporters. One of the directions of our social activity is improving resident safety, public order and crime prevention in residential neighborhoods. In 2011 in collaboration with police officers we held meetings with residents aimed at looking into solutions on how to improve safety in back yards of apartment buildings and ensure public order. Kaunas and Klaipėda personnel replenished the ranks of police supporters – 14 apartment building managers and their superiors in Vilnius.

As Much as Necessary. In collaboration with the Lithuanian Electricity Distribution Network operator AB Lesto the Company implemented an on-going rational energy consumption project As Much as Necessary for the School. This project is aimed at encouraging municipal education departments and educational establishments nation-wide to consume electricity in a more efficient manner and promoting rational electricity consumption habits in school communities. In 2011 assessments of electrical facilities' condition and electricity consumption were carried out in three educational establishments in Kaunas, Klaipėda and Vilnius. Based on these assessments a multipurpose public study on the optimization of electrical energy consumption was prepared.

School of Friendly Neighborhood. A subsidiary of the Company in Saint Petersburg – ОАО Сити Сервис – organizes a campaign called School of Friendly Neighborhood. This campaign is part of the Lithuanian initiative Our Yard. The campaign invites children and their parents to lessons of history, geography and other subjects, the goal of these lessons being the dissemination of ideas of Our Yard initiative by using a specific subject as a tool. In 2011 the campaign was organized in four different neighborhoods of Saint Petersburg.



Eco campaigns. A subsidiary of the Company is actively involved in projects aimed at promoting environment-friendly habits among the general population, raising awareness, promoting waste recycling and helping to collect waste in different regions of Lithuania. In 2011 the Company continued implementing annual campaigns, such as Home Warming Christmas Tree, Eco School, providing further support to the annual cleanup event Let's Do It, Don't Forget to Sort on Vacation and Sorting is Easy campaigns, as well as the campaign aimed at collecting promotional materials from apartment buildings.

The market

When providing facility maintenance services, we assume and overcome all problems related to the maintenance of real estate facilities, ensure their functionality and longevity. We strive at generating added value to the clients by our services, ensuring the economic use of the real estate and making the energy consumption in buildings more effective. We respect the privacy of our clients – the protection of personal data of the clients conforms to legislative standards.

Relations with employees

We always ensure fair and timely remuneration, social benefits in case of unemployment to our employees. The Company has implemented the management system in conformity with the standard 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. There are 11 employees with 40-80 % disability working in the City Service group. These employees are guaranteed favorable working and relaxation conditions.



Relations with the environment

The environmental responsibility of City Service means our aspiration to reduce the negative effect of the Company's activities on the environment and indirectly contribute to the solution of environmental issues by the services we provide to residents and businesses. We promote the sorting of waste. Consultations are offered to clients on how energy could be used more effectively. The Company operates an environmental protection management system in conformity 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 31 December 2011:

Name and surname	Position	Start of term	End of term
Andrius Janukonis	Board Chairman	October 6, 2009	October 6, 2013
Gintautas Jaugielavičius	Board Member	October 6, 2009	October 6, 2013
Darius Leščinskas	Board Member	October 6, 2009	October 6, 2013
Žilvinas Lapinskas	Board Member	April 30, 2010	October 6, 2013

All members of the Company's Board work in the Company under the employment contracts and receive remuneration. None of the members of the Company's Board does not control any shares of the Company. The information about the remuneration of the Company's Board members can be found under the note 33 of financial statements.



Andrius Janukonis

Andrius Janukonis (born in 1971) is the Chairman of the Board of AB City Service (since 2009). He holds a Master's degree in Law. He works as a consultant for UAB ICOR and is the chairman of the board of the company (since 2004). Andrius Janukonis is 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 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

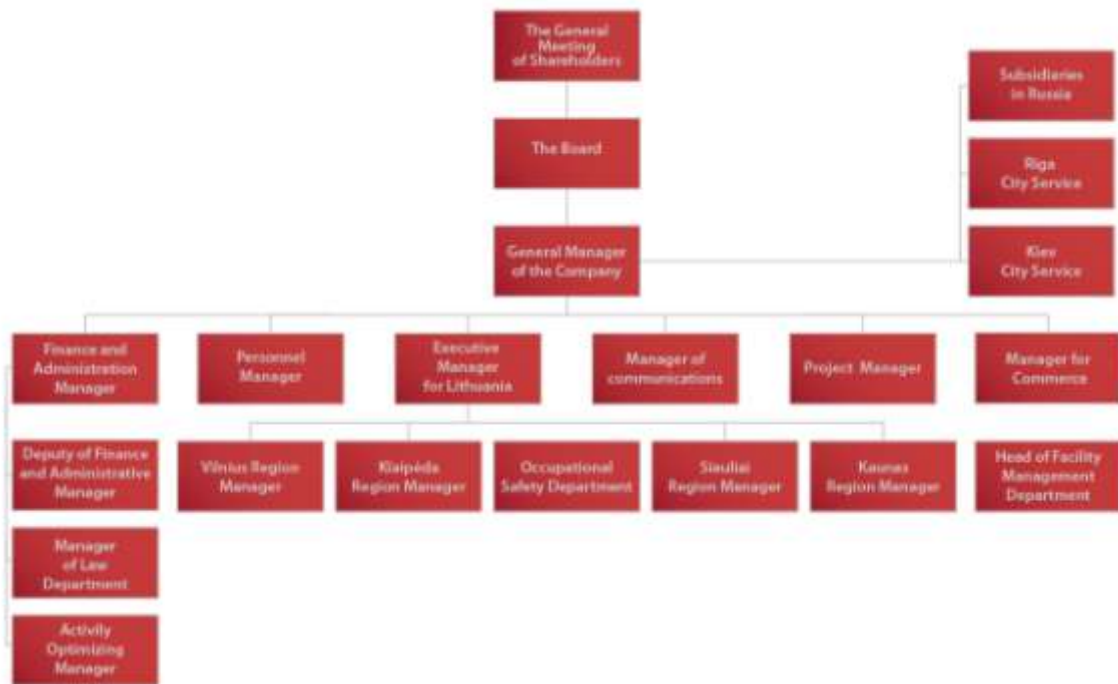
Gintautas Jaugielavičius (born in 1971) is a Member of the Board of AB City Service (since 2005). He holds a Bachelor's degree in Economics. At present, he works as a consultant for UAB ICOR and is a member of the board of the company (since 2004). Gintautas Jaugielavičius is a shareholder of UAB ICOR.

Žilvinas Lapinskas

Žilvinas Lapinskas (born in 1976) is the General Manager of AB City Service (since 2004) and a Member of the Board of AB City Service (since 2010). He completed business administration studies. He started working in the Company in 1999 and worked as the Commercial Director (1999 – 2002) and the Facilities Management Department Head (2002 – 2004).



7.2. Management of the Company



As of 31 December 2011 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	Joined the Company
Žilvinas Lapinskas	General Manager, the Board Member	1999
Jonas Janukėnas	Financial and Administrative Manager	2007
Vytautas Turonis	Executive Manager for Lithuania	2004
Tomas Augutavičius	Chairman of the Board of City Service group in Russia	2006
Edvinas Paulauskas	Commercial Manager	2005

They do not hold 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. He started working in the Company in 1999 and worked as the Commercial Manager (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.



Jonas Janukėnas

Jonas Janukėnas (born in 1976) is the Financial and Administrative Manager of AB City Service (since 2007). He 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 Manager of UAB Litesko (2001 – 2007).

The Finance and Administrative Manager Jonas Janukėnas is responsible for the management of financial resources of the Group and for supervision of the administrative staff, IT projects implementation and Lean 6 Sigma project.



Vytautas Turonis

Vytautas Turonis (born in 1972) is the Executive Manager for Lithuania of AB City Service (since 2008). He holds a Bachelor's degree in International Business. Previously he worked as the Marketing Manager of UAB Specialus Autotransportas (2003 – 2004). He started to work in the Company as the Market Development Department Manager (2004 – 2008).

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



Tomas Augutavičius

Tomas Augutavičius (born 1973) is the Chairman of the Board of City Service group in Russia (since 2009). He holds a Bachelor degree in technology. He started working in the Company as Head of Kaunas Department (2006 - 2009).

The Chairman of the Board of City Service group in Russia Tomas Augutavičius is responsible for activities of companies operating in Russia.



Edvinas Paulauskas

Edvinas Paulauskas (born in 1976) is the Commercial Manager of AB City Service (since 2008). He holds a Bachelor's degree in Environment Engineering. Edvinas Paulauskas started working in the Company in 2005 and worked as the Project Manager (2005 - 2006) and Executive Manager (2006 - 2008).

At present, the Commercial Manager Edvinas Paulauskas is responsible for the facility management projects of commercial and public establishments and for lift maintenance and renovation.

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, does not work at the Company, does not control any shares of the Company;

Ms. Daiva Tamošiūnienė, chief accountant, does not control any shares of the Company.

Mr. Jonas Mačiuitis, deputy Manager for finance and administration, controls 1308 shares of the Company.

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 Corporate Governance Code, for the Companies Listed on NASDAQ OMX Vilnius. 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.



The Audit Committee monitors the external audit firm of the Company at the performance of Company's Annual Report and the Annual set of the Financial Statements audit. The conclusions of the Audit Committee are presented to the Board of the Company in accordance with the requirements of the Regulations of the Audit Committee.

8. Key risk activity types and uncertainties

In 2011 the market was stable, prices and purchasing power did not decline, in comparison with 2010. Due to heavy competition in facility management market the Company had to concentrate on further efficiency of activities. Building administration tariffs have not changed significantly in a course of the year.

The risks remain similar to last year's: inflation, customers' ability to pay, competition-influenced stricter demands from commercial and residential clients, supply of qualified personnel in the market.

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 as well. 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 2011 the amendments of the Heat Sector law were adopted. According to these amendments the building heating and hot water systems supervisor (operator) is prohibited to be associated with the heat supplier or a person related to the heat supplier in working relations or by supplying materials or services. There is also prohibited to be related to a person which supplies the heat producing-fuel, the measuring devices or any other equipment to the heat supplier. The amendments also determine that the supervisors can not be the persons who are engaged in the manufacture, wholesale or retail trade of the heat producing-fuel or persons with previously mentioned persons belonging to a group of associated undertakings as described in the Law on Competition.

For more than a year the Seimas of the Republic of Lithuania is considering various amendments of the Civil code that are related to the apartment building regulation. Although there is no final draft of possible amendments at the time of preparation of this Annual Report.

There were no other material changes in the legal regulation of the area of administration and maintenance of apartment buildings in 2011, and neither were there any decisions providing for significant additional obligations for service providers; supervising institutions did not identify any major deficiencies in the provision of the services or inconsistencies with the legislative requirements.

The main risks of the Company's financial activities and uncertainties are reflected in the Notes to the 2011 Consolidated Annual Financial Statements (Notes No. 30 and 31).

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.

During the accounting period the Company's shares lowest price was LTL 6.04, the highest price LTL 10.35, average price LTL 8.85. At the end of the period market capitalisation was LTL 214.569. Share turnover reached LTL 37.73 million with total 4.29 million shares traded.

P/E ratio was equal to 7.47.



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 Swedbank concluded the contract on transfer of issuer's securities accounting which is valid so far.

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 2011 till 31 December 2011 all 31,610,000 ordinary book-entry registered shares of the Company were included into Official List of NASDAQ OMX Vilnius Stock Exchange, nominal value of one share – LTL 1 each. ISIN Code of the shares is LT0000127375, trading code of the shares on NASDAQ OMX Vilnius Stock Exchange – CTS1L.

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

12. The structure of the Company's share capital

The authorised share capital of the Company is LTL 31,610,000 and is divided into 31,610 thousand ordinary book-entry 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 payment for audit services;
- to elect and recall the members of the Board;
- 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 approve interim set of financial statements, prepared in order to adopt the decision regarding paying the dividends for the less period than a financial year;
- to take the decision on paying the dividends for the less period than a financial year;
- 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 2011 the total number of shareholders of the Company was 1935.

The distribution of the Company's shares among the shareholders who control more than 5 percent of the Company on 31 December 2011:

	Number of shares held	Owned percentage of the share capital and votes, %
ICOR UAB	20.205.595	63,92 %
East Capital Asset Management AB	3.167.722	10,02 %
Genesis Asset Managers LLP	1.644.183	5,20 %
Other private and institutional shareholders	6.592.500	20,86 %
Total	31.610.000	100%

More detailed information on equity hold by the shareholders is disclosed in Note 1 in financial statements.



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 registered 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 % (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 above mentioned 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 2011.

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

The major shareholder of the Company, UAB ICOR, has pledged the part of its shares, i.e. 13,486,275 pieces, which constitutes 42.66 % of the authorized capital of the Company to the bank. The right to transfer, pledge or dispose of the above mentioned 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 above mentioned restriction on the transfer of the Company's shares in 2011.

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 2011. 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

By implementing the decision of the General Meeting of Shareholders adopted on 29 of April, 2011 the second paragraph "the Company's objectives and activities" of the Company's Articles of Association was supplemented by including the elevator and escalator maintenance, installation, construction and repair services as the new objective of Company's activities. On 9 of May the new edition of the Company's Articles of Association was registered in Lithuanian Register of Legal Entities. 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 its competence

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 analyses and assesses 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 determines the methods used by the Company to calculate the depreciation of tangible assets and the amortisation of intangible assets. The Board is 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 shall be 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 the limits of his powers, 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. Major related party transactions

Major related party transactions are provided in the Explanatory Note No. 33 to the Consolidated Annual Financial Statements for the year 2011.

20. Information on transactions that would be harmful may have had or will have a negative impact on the Company's operations and (or) performance

There were no significant transactions on behalf of the Company that would be harmful may have had or will have a negative impact on the Company's operations and (or) performance during the reporting period.

21. Information on transactions made under a conflict of interests between the Company's managers, controlling shareholders or other related parties obligations to the Company and their private interests and (or) other duties

There were no material transactions on behalf of Company that would enter a conflict of interests between the Company's managers, controlling shareholder or other related parties obligations to the Company and their private interests and (or) other duties during the reporting period.



22. 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 Stock Exchange, however it complies with the code in part. Compliance with the Governance Code for Companies Listed on NASDAQ OMX Vilnius Stock Exchange has been disclosed in the form approved by the stock exchange enclosed to the Annual Report as Annex No. 1.

23. Data on publicly disclosed information

Since 1 January 2011 till 31 December 2011 the Company publicly disclosed in NASDAQ OMX GlobeNewswire system the following information:

On City Service AB activity and the decision regarding investment in subsidiary	En, Lt	2011-12-29 EET	18:00:32
The Decisions of City Service AB Extraordinary General Meeting of Shareholders	En, Lt	2011-12-09 EET	17:00:33
City Service consolidated results for the nine months of 2011	En, Lt	2011-11-30 EET	18:26:35
Notice on Extraordinary General Shareholders Meeting of City Service AB	En, Lt	2011-11-17 EET	18:00:30
On the Heat Sector Law amendments	En, Lt	2011-10-10 EEST	20:19:33
Notification on transactions concluded by persons' associated with managers of the company	En, Lt	2011-09-27 EEST	18:00:32
Notification on transactions concluded by persons' associated with managers of the company	En, Lt	2011-09-22 EEST	18:00:31
Notification on transactions concluded by persons' associated with managers of the company	En, Lt	2011-09-16 EEST	18:00:32
Notification on transactions concluded by persons' associated with managers of the company	En, Lt	2011-09-12 EEST	18:00:31
City Service consolidated results for the six months of 2011	En, Lt	2011-08-31 EEST	18:50:33
Notification on transactions concluded by persons' associated with managers of the company	En, Lt	2011-08-25 EEST	18:00:32
Notification on transactions concluded by persons' associated with managers of the company	En, Lt	2011-08-22 EEST	18:00:32
Notification on transactions concluded by persons' associated with managers of the company	En, Lt	2011-08-18 EEST	18:00:33



On acquisition of Būsto Administravimo Agentūra UAB shares	En, Lt	2011-07-28 EEST	17:00:32
Notification of acquisition of essential participation in share capital	En, Lt	2011-07-19 EEST	18:27:34
City Service strengthens operations in the field of optimising energy consumption and using renewable resources	En, Lt	2011-06-27 EEST	09:21:30
City Service Group has won the largest facility management tender in Latvia	En, Lt	2011-06-17 EEST	16:12:32
City Service consolidated results for the three months of 2011	En, Lt	2011-05-31 EEST	18:05:36
City Service to provide services to three factories owned by Umega	En, Lt	2011-05-18 EEST	09:00:32
On acquisition of 34% UAB Marijampolės butų ūkis shares	En, Lt	2011-05-17 EEST	18:00:32
Regarding intentions of the controlling shareholder	En, Lt	2011-05-12 EEST	18:00:33
City Service AB annual information for the year 2010	En, Lt	2011-04-29 EEST	15:16:36
The Decisions of City Service AB Ordinary General Meeting of Shareholders held on the 29th of April, 2011	En, Lt	2011-04-29 EEST	15:15:36
On the prognosis of financial results for 2011	En, Lt	2011-04-12 EEST	17:59:33
City Service Group annual information and consolidated audited results for the year 2010	En, Lt	2011-04-08 EEST	00:10:33
Notice on Ordinary General Shareholders Meeting of City Service AB	En, Lt	2011-04-07 EEST	23:58:33
AB City Service consolidated results for the year 2010	En, Lt	2011-02-28 EET	19:28:35
Notification on transactions concluded by managers of the company	En, Lt	2011-02-25 EET	18:00:33
City Service AB - Notification about acquisition (disposal) of a block of shares	En, Lt	2011-02-21 EET	17:30:33
City Service has acquired group of companies in Stavropol	En, Lt	2011-01-13 EET	09:30:33



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

24.1. Issuer AB City Service, data and contacts

Name	AB City Service
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 LT 757300010070504902, Swedbank, AB
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 Legal Entities of Republic of Lithuania, VĮ “Registru centras”

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:

Minijos st. 130, 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.

Subsidiaries operating in Lithuania:

Name	UAB City Service LT
Legal form:	Private limited liability company
Date and place of registration:	19 June 2007, VĮ Registru Centras
Company code:	300883806
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:	LT47 7300 0101 1068 7268, Swedbank AB
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 Legal Entities 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:

Website:
Registration data about the company stored:

UAB Namų Priežiūros Centras

Private limited liability company
2 May 2001, Ministry of Economy of Lithuania
125596783
Medeinos st. 8A, LT-06112 Vilnius, Lithuania
Medeinos st. 8A, LT-06112 Vilnius, Lithuania
LT85 7300 0101 1157 0060, Swedbank AB
Phone (+370 5) 2474755, Fax (+370 5) 2480444, e-mail –
centras@npc.lt
www.npc.lt
Register of Legal Entities 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:

UAB Pašilaičių būstas (former UAB Pašilaita)

Private limited liability company
9 July 1992, Board of Vilnius City
121474935
Medeinos st. 8A; LT-06112 Vilnius, Lithuania
Medeinos st. 8A; LT-06112 Vilnius, Lithuania
LT28 7300 0100 0055 3907, Swedbank AB
phone (+370 5) 2474755, fax (+370 5) 2480444, e-mail –
centras@pasilaita.lt
Register of Legal Entities 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:

UAB Vilkpėdės būstas (former UAB Vilko Pėda)

Private limited liability company
9 July 1992., Board of Vilnius City
121480265
Architektų st. 13, LT-04118 Vilnius, Lithuania
Architektų st. 13, LT-04118 Vilnius, Lithuania
LT90 7300 0100 0055 8902, Swedbank AB
Phone 8 700 55966, Fax (+370 5) 244 7901,
e-mail - info@vilkopeda.lt
Register of Legal Entities 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:

UAB Lazdynų Būstas

Private limited liability company
11 June 1992., Board of Vilnius City
121449348
Architektų st. 13; LT-04118 Vilnius, Lietuva
Architektų st. 13; LT-04118 Vilnius, Lietuva
LT25 7300 0100 0055 7453, Swedbank AB
Phone 8 700 55966, Fax (+370 5) 244 7901,
e-mail - info@lazdynubustas.lt
Register of Legal Entities 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 Skolos LT

Private limited liability company
6 April 2010., VĮ Registru Centras
302496530
Medeinos st. 8A, LT-06112 Vilnius, Lithuania
Medeinos st. 8A, LT-06112 Vilnius, Lithuania
LT69 7300 0101 2165 0006 Swedbank AB
Phone (+370 5) 2195112, Fax (+370 5) 2475915



<p>Registration data about the company stored:</p> <p>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:</p> <p>Website: Registration data about the company stored:</p> <p>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:</p> <p>Website: Registration data about the company stored:</p> <p>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:</p> <p>Registration data about the company stored:</p> <p>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:</p> <p>Registration data about the company stored:</p> <p>Name Legal form: Date and place of registration:</p>	<p>e-mail: info@skolos.lt Register of Legal Entities of Republic of Lithuania, VĮ "Registru centras"</p> <p>UAB Antakalnio būstas (former UAB Antakalnio Ūkis) Private limited liability company 11 June 1992, Board of Vilnius City 21449152 Antakalnio st. 51, LT-10325 Vilnius, Lithuania Antakalnio st. 51, LT-10325 Vilnius, Lithuania LT22 7300 0100 0243 8143, Swedbank AB Phone (+370 5) 2341944, Fax (+370 5) 2340290, e-mail – info@antakalniobustas.lt www.antakalniobustas.lt Register of Legal Entities of Republic of Lithuania, VĮ "Registru centras"</p> <p>UAB Naujamiesčio Būstas Private limited liability company 11 July 1992, Board of Vilnius City 121452091 Medeinos st. 8A, LT-06112 Vilnius, Lithuania Smolenskas st. 12, LT – 03201, Vilnius, Lithuania LT24 7300 0100 0244 1017, Swedbank AB Phone (+370 5) 2126765, Fax (+370 5) 2620001, e-mail – info@naujamiescio-bustas.lt www.naujamiescio-bustas.lt Register of Legal Entities of Republic of Lithuania, VĮ "Registru centras"</p> <p>UAB Karoliniškių būstas Private limited liability company 18 June 1992, Board of Vilnius City 121457971 A. J. Povilaičio st. 18, LT-04338 Vilnius, Lithuania A. J. Povilaičio st. 18, LT-04338 Vilnius, Lithuania LT10 7300 0100 0241 6437, Swedbank AB Phone (+370 5) 2442035, Fax (+370 5) 2455753, e-mail – karol.bustas@takas.lt Register of Legal Entities of Republic of Lithuania, VĮ "Registru centras"</p> <p>UAB Viršuliškių būstas Private limited liability company 18 June 1992, Board of Vilnius City 121446576 A. J. Povilaičio st. 18, LT-04338 Vilnius, Lithuania A. J. Povilaičio st. 18, LT-04338 Vilnius, Lithuania LT66 7300 0101 1969 6674, Swedbank AB Phone (+370 5) 24420, Fax (+370 5) 2455753, e-mail – info@virsuliskiubustas.lt Register of Legal Entities of Republic of Lithuania, VĮ "Registru centras"</p> <p>UAB Ecoservice Limited liability company 6 April 1996, VĮ Registru Centras Vilnius Branch 123044722</p>
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Company code:
 The registered address of the company:
 The principal place of business:
 Information on bank account:
 Contacts of the company:
 Website:
 Registration data about the company stored:

Gariūnų st. 71, LT-02242 Vilnius, Lithuania
 Jočionių st. 13, LT-02300 Vilnius, Lithuania
 LT88 4010 0424 0120 4310, Swedbank AB
 Phone (+370 5) 2649251, Fax (+370 5) 2649259,
 e-mail – ecoservice@ecoservice.lt
www.ecoservice.lt
 Register of Legal Entities 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 Baltijos Liftai
 Private limited liability company
 6 April 2010., VĮ Registru Centras Vilnius Branch
 302496587
 Medeinos st. 8A, LT-06112 Vilnius, Lithuania
 Medeinos st. 8A, LT-06112 Vilnius, Lithuania
 LT72 7300 0101 2164 9952 Swedbank AB
 Phone (+370 5) 2195100

Registration data about the company stored: Register of Legal Entities 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 Specialus Autotransportas
 Private limited liability company
 16 November 1990, VĮ Registru Centras Klaipėda Branch
 140026178
 Taikos st. 13, LT-93012 Neringa, Lithuania
 Šilutės rd. 101, LT-95112 Klaipėda, Lithuania
 A/s LT87 4010 0423 0105 599, AB DNB bank
 Phone (+370 46) 383 473 , Fax (+370 46) 310 170,
 e-mail – info@specauto.lt
 Register of Legal Entities 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 Justiniškių būtas (former UAB Litmilma)
 Private limited liability company
 22 May 1991., VĮ Registru Centras Vilnius Branch
 220664740
 Justiniškių st. 62 A, LT-05239 Vilnius, Lithuania
 Justiniškių st. 62 A, LT-05239 Vilnius, Lithuania
 LT27 7300 0101 2470 1994, Swedbank AB
 Phone (+370 5) 248 1841, Fax (+370 5) 241 0617
 e-mail: info@justiniskiubustas.lt
 Register of Legal Entities 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 Būsto administravimo agentūra
 Private limited liability company
 4 December 1991 VĮ Registru Centras Kaunas Branch
 135836853
 Maironio st. 14B-4, LT-44298, Kaunas, Lithuania
 Maironio st. 14B-4, LT-44298, Kaunas, Lithuania
 LT13 7044 0600 0358 8379, AB SEB bank
 Phone (+370 37) 225364, fFax (+370 37) 750002, e-mail -
info@bustas.net
 Register of Legal Entities 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:
Registration data about the company stored:

UAB Economus

Private limited liability company
12 July 2006 VĮ Registru Centras Vilnius Branch
300582646
Subačiaus st. 17-2, LT-01300 Vilnius, Lithuania
Subačiaus st. 17-2, LT-01300 Vilnius, Lithuania
LT30 7300 0100 9594 7939, AB „Swedbank“
Phone (+370 5) 242 30 44; e-mail: info@economus.lt
Register of Legal Entities 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:

UAB Žardės būstas (former UAB Buitis Be Rūpesčių)

Private 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
LT81 7300 0100 0232 0293, Swedbank AB
Phone (+370 46) 363571, Fax (+370 46)362721
e-mail – info@buitisberupesciu.lt
Register of Legal Entities 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:

UAB Vingio būstas (former UAB Vingio Valdos)

Private 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
LT35 7300 0100 0230 248, Swedbank AB
Phone (+370 46) 363571, Fax (+370 46) 363571
e-mail – info@buitisberupesciu.lt
Register of Legal Entities 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:

UAB Jūros būstas (former UAB Marių Valdos)

Private limited liability company
12 June 1992, Board of Klaipėda City
140514359
Minijos st. 130, LT-93244, Klaipėda, Lithuania
Minijos st. 130, LT-93244, Klaipėda, Lithuania
LT88 7300 0100 0232 0167, Swedbank AB
Phone (+370 46) 342702, Fax (+370 46) 341833,
e-mail – info@mariuvaldos.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:

UAB Pempininkų būstas (former UAB Pempininkų Valdos)

Private limited liability company
12 June 1992, Board of Klaipėda City
140514544
Šilutės rd. 40, LT-94137, Klaipėda, Lithuania
Taikos av. 117, LT-94231, Klaipėda, Lithuania
LT62 7300 0100 0230 0653, Swedbank AB
Phone/Fax (+370 46) 341 811,
e-mail – info@pempininkuvaldos.lt
Register of Legal Entities 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:

UAB Vėtrungės būstas (former UAB Ažuolyno Valda)

Private 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
LT42 7300 0100 0232 0316, Swedbank AB
Phone(+370 46) 412229, Fax (+370 46) 383539
e-mail – info@azuolynovalda.lt
Register of Legal Entities 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:

UAB Danės būstas (former UAB Mūsų Namų Valdos)

Private limited liability company
16 August 1991, Board of Klaipėda City
140336725
S. Daukanto st. 37, LT- 92229 Klaipėda, Lithuania
Kauno st. 5, LT-91156 Klaipėda, Lithuania
LT19 7300 0100 0232 0730, Swedbank AB
Phone (+370 46) 412229, Fax (+8 46) 383539
e-mail – info@musunamuvaldos.lt
Register of Legal Entities 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:

UAB Aukštaitijos būstas

Private limited liability company
16 April 2010 VĮ Registru Centras Vilnius Branch
302496548
Medeinos st. 8A, LT-06112 Vilnius, Lithuania
Medeinos st. 8A, LT-06112 Vilnius, Lithuania
A/s LT55 7300 0101 2165 0064, AB „Swedbank“
Phone (+370 5) 2394900, Fax (+370 5) 2394848, e-meil –
info@cityservice.lt
Register of Legal Entities of Republic of Lithuania, VĮ "Registru centras" Vilnius Branch

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:

UAB Šilutės būstas (former UAB Šilutės Butų Ūkis)

Private limited liability company
13 November 1990.,
177000697
Lietuvininkų st. 60; LT-99116 Šilutė, Lithuania
Lietuvininkų st. 60; LT-99116 Šilutė, Lithuania
LT51 7300 0100 0258 5546, AB "Swedbank"
Phone/Fax (8 441) 62 050,
e-mail - info@sbukis.lt
LR juridinių asmenų registras, VĮ „Registru centras“. Klaipėdos filialas.

Name

Legal form:
Date and place of registration:
Company code:
The registered address of the company:
The principal place of business:

UAB Saulės valda

Private limited liability company
1 June 1992, 9 December 2010 re-registered as UAB Saules Valda, Board of Šiauliai City
144619514
Žemaitės st. 20, LT-77167 Šiauliai, Lithuania
Žemaitės st. 20, LT-77167 Šiauliai, Lithuania



Information on bank account: LT 837300010002397954, AB "Swedbank"
 Contacts of the company: Phone (+370 41) 552 004, Fax (+370 41) 526480
 e-mail – info@saulesvalda.lt
 Registration data about the company stored: Register of Legal Entities of Republic of Lithuania, VĮ "Registru centras"

Name

Legal form: **UAB Tvar.com**
 Private limited liability company
 Date and place of registration: 27 April 2007, VĮ Registru Centras Vilnius Branch
 Company code: 300730461
 The registered address of the company: Jočionių st. 13, LT-02300 Vilnius, Lithuania
 The principal place of business: Jočionių st. 13, LT-02300 Vilnius, Lithuania
 Information on bank account: LT88 2050 0000 1042 0801, AS "UniCredit Bank" Lithuania
 branch
 Contacts of the company: Phone (+370 41) 270 4763, e-mail: info@tvar.com ,
 Register of Legal Entities of Republic of Lithuania, VĮ "Registru centras"

Name

Legal form: **UAB Šiaulių Liftas**
 Private limited liability company
 Date and place of registration: 19 April 1993, VĮ Registru Centras Šiauliai Branch
 Company code: 144707512
 The registered address of the company: Liejyklos st. 3, LT-78148, Šiauliai, Lithuania
 The principal place of business: Liejyklos st. 3, LT-78148, Šiauliai, Lithuania
 Information on bank account: LT09 7300 0100 0239 5697, Swedbank AB
 Contacts of the company: Phone (+370 41) 456796, Fax (+370 41) 463560
 e-mail – info@siauliuliftas.lt
www.siauliuliftas.lt
 Website:
 Registration data about the company stored: Register of Legal Entities of Republic of Lithuania, VĮ "Registru centras" Šiauliai Branch

Name

Legal form: **UAB Žaidas**
 Private 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: LT20 7300 0100 0220 7125, Swedbank AB, Alytus Branch
 Contacts of the company: Phone (+370 315) 25651, Fax (+370 315) 23710
 e-mail – info@zaidas.lt
 Registration data about the company stored: Register of Legal Entities of Republic of Lithuania, VĮ "Registru centras"

Name

Legal form: **UAB Radviliškio Komunalinės Paslaugos**
 Private limited liability company
 Date and place of registration: 30 July 1992, Board of Šiauliai town
 Company code: 171205389
 The registered address of the company: Maironio st. 65, LT-82129 Radviliškis, Lithuania
 The principal place of business: Maironio st. 65, LT-82129 Radviliškis, Lithuania
 Information on bank account: LT71 7300 0100 0256 8987, Swedbank AB
 Contacts of the company: Phone (+370 422) 69121 Fax (+370 422) 69120,
 email: info@rpk.lt
 Registration data about the company stored: Register of Legal Entities of Republic of Lithuania, VĮ "Registru centras" Šiauliai Branch

Subsidiary operating in Trakai, Lithuania:

UAB Komunalinių Įmonių Kombinas (former UAB Trakų rajono Komunalinių Įmonių Kombinas)



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:

Private limited liability company

19 Ferbruary 1992, Trakai

181212948

Gedimino st. 34, LT- 21118 Trakai, Lithuania

Gedimino st. 34, LT- 21118 Trakai, Lithuania

LT33 7300 0100 9023 7398, Swedbank AB

Phone (+370 528) 55395, Fax. (+370 528) 55395,

e-mail – trakai@ecoservice.lt

Register of Legal Entities of Republic of Lithuania, VĮ "Registrų centras"



Subsidiaries operating in Latvia, Russia Federation

Name

Legal form:

Date and place of registration:

Company code:

The registered address of the company:

The principal place of business:

Contacts of the company:

Website:

Registration data about the company stored:

SIA Riga City Service

Limited liability company

19 April 2006, Register of Enterprises of Republic of Latvia
Riga division

40003819844

G. Astras iela 8b, Riga

G. Astras iela 8b, Riga

Phone (+371) 67 511 222, Fax (+371) 67 511 223,

e-mail – office@rigacs.lv

www.rigacs.lv

Register of Legal Entities of Republic of Latvia

Name

Legal form:

Date and place of registration:

Company code:

The registered address of the company:

The principal place of business:

Contacts of the company:

Registration data about the company stored:

ОАО Сити Сервис

public company with the limited liability

(открытое акционерное общество)

3 November 2003, St. Petersburg, Russia

780701001

198260, St. Petersburg, ул. Стойкости д. 19

195197, St. Petersburg, Кондратьевский пр., д.15, к. 3

Phone (+7 812) 6111004, Fax (+7 812) 6111004,

e-mail – cityservice@spcs.spb.ru

St. Petersburg Federal Office, Inter regional inspection No.15

(Межрайонная инспекция Федеральной службы №15 по Санкт-Петербургу)

Name

Legal form:

Date and place of registration:

Company code:

The registered address of the company:

The principal place of business:

Contacts of the company:

Registration data about the company stored:

ЗАО Сити Сервис

Private limited liability company (закрытое акционерное общество)

12 February 2007, St. Petersburg, Russia

780101001

199397, St. Petersburg, ул. Кораблестроителей, д. 31, корп.

2

199397, St. Petersburg, ул. Кораблестроителей, д. 31, корп.

2

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

Legal form:

Date and place of registration:

Company code:

The registered address of the company:

The principal place of business:

Contacts of the company:

Registration data about the company stored:

ОАО Специализированное ремонтно-наладочное управление

public company with the limited liability

(открытое акционерное общество)

2 June 2003, St. Petersburg, Russia

044030791

195009, St. Petersburg, Бобруйская ул., д.5

195197, St. Petersburg, Кондратьевский пр., д.15, к.3

Phone (+7 812) 4585569, Fax (+7 812) 4585569, e-mail -

specnu@rambler.ru

St. Petersburg Federal Office, Kalinino regional inspection

(Инспекция Федеральной налоговой службы по Калининскому району Санкт-Петербурга)



<p>Name</p> <p>Legal form: Company code: The registered address of the company: The principal place of business: Contacts of the company: Registration data about the company stored:</p>	<p>ООО Жилкомсервис № 2 Невского района company with the limited liability (общество с ограниченной ответственностью) 1089847179960 192174, St. Petersburg, ул. Шелгунова, д. 16 192174, St. Petersburg, ул. Шелгунова, д. 16 Phone (+7 812) 362-04-60 St. Petersburg Federal Office, Inter regional inspection No.15 (Межрайонная инспекция Федеральной службы №15 по Санкт-Петербургу)</p>
<p>Name</p> <p>Legal form: Company code: The registered address of the company: The principal place of business: Contacts of the company: Registration data about the company stored:</p>	<p>ООО Жилкомсервис № 3 Фрунзенского района company with the limited liability (общество с ограниченной ответственностью) 7816451699 192283, Санкт-Петербург, ул. Купчинская, д. 30, корп.2 192283, Санкт-Петербург, ул. Купчинская, д. 30 корп. 2 phone (+7 812) 771-75-52 St. Petersburg Federal Office, Inter regional inspection No.15 (Межрайонная инспекция Федеральной службы №15 по Санкт-Петербургу)</p>
<p>Name</p> <p>Legal form: Company code: The registered address of the company: The principal place of business: Contacts of the company: Registration data about the company stored:</p>	<p>ООО «Чистый дом» company with the limited liability (общество с ограниченной ответственностью) 7804437890 195197, Санкт-Петербург, Кондратьевский пр., д. 15, к. 3 195197, Санкт-Петербург, Кондратьевский пр., д. 15, к. 3 Phone (+7 812) 4585569, Fax (+7 812) 4585569, St. Petersburg Federal Office, Inter regional inspection No.15 (Межрайонная инспекция Федеральной службы №15 по Санкт-Петербургу)</p>
<p>Name</p> <p>Legal form: Company code: The registered address of the company: The principal place of business: Contacts of the company: Registration data about the company stored:</p>	<p>ООО «ПРОМИНТЕР-управление проектами» company with the limited liability (общество с ограниченной ответственностью) 2635126803 355000, г.Ставрополь, ул.Пирогова, 15 а 355000, г.Ставрополь, ул.Пирогова, 15 а Phone 8(8652)72-25-44, Fax 8 (8652)55-15-76, e-mail - info.prominter@prominter.net Federal tax inspection of Stavropolis region industrial district (ИФНС России Ставропольского края по Промышленному району города Ставрополя)</p>
<p>Name</p> <p>Legal form: Company code: The registered address of the company: The principal place of business: Contacts of the company: Registration data about the company stored:</p>	<p>ООО «Управляющая компания-1» company with the limited liability (общество с ограниченной ответственностью) 2635085410 355000, г.Ставрополь, ул.Серова,2 355000, г.Ставрополь, ул. Серова 6/1 Phone 8 (8652) 71-84-32, Fax 8 (8652) 71-84-32, e-mail - serova6-1@mail.ru Federal tax inspection of Stavropolis region industrial district (ИФНС России Ставропольского края по Промышленному району города Ставрополя)</p>



Name **ООО «Управляющая компания-2»**
 company with the limited liability (общество с ограниченной ответственностью)
 2635085427
 355000, г.Ставрополь, ул.Серова,2
 355000, г.Ставрополь, ул. Серова 6/1
 Phone 8 (8652) 71-84-32, Fax 8 (8652) 71-84-32,
 e-mail - serova6-1@mail.ru
 Contacts of the company:
 Federal tax inspection of Stavropol region industrial district
 (ИФНС России Ставропольского края по Промышленному району города Ставрополя)

Name **ООО «Управляющая компания-3»**
 company with the limited liability (общество с ограниченной ответственностью)
 2635085434
 355029, г.Ставрополь, ул.Ленина, 450
 355029, г.Ставрополь, ул. Краснофлотская, 32
 Phone 8 (8652) 35-45-76, Fax 8 (8652) 35-45-76,
 e-mail - stav5tv@yandex.ru
 Contacts of the company:
 Federal tax inspection of Stavropol region industrial district
 (ИФНС России Ставропольского края по Промышленному району города Ставрополя)

Name **ООО «Управляющая компания-4»**
 company with the limited liability (общество с ограниченной ответственностью)
 2635085441
 355029, г.Ставрополь, ул.Ленина,450
 355029, г.Ставрополь, ул. Краснофлотская, 32
 Phone 8 (8652) 35-45-76, Fax 8 (8652) 35-45-76,
 e-mail - stav5tv@yandex.ru
 Contacts of the company:
 Federal tax inspection of Stavropol region industrial district
 (ИФНС России Ставропольского края по Промышленному району города Ставрополя)

Name **ООО «Управляющая компания-5»**
 company with the limited liability (общество с ограниченной ответственностью)
 2635085635
 355000, г.Ставрополь, ул.Бруснева,2/3а
 355000, г.Ставрополь, ул.Буйнакского, 39/а
 Phone 8 (8652) 38-55-41, Fax 8 (8652) 38-55-41,
 e-mail - yk5stav@yandex.ru
 Contacts of the company:
 Federal tax inspection of Stavropol region industrial district
 (ИФНС России Ставропольского края по Промышленному району города Ставрополя)

Name **ООО «УК-5»**
 company with the limited liability (общество с ограниченной ответственностью)
 2635085635
 355000, г.Ставрополь, ул.Бруснева,2/3а
 355000, г.Ставрополь, ул. Буйнакского, 39/а
 Phone 8 (8652) 38-55-41, Fax 8 (8652) 38-55-41,
 e-mail: yk5stav@yandex.ru
 Contacts of the company:
 Federal tax inspection of Stavropol region industrial district
 (ИФНС России Ставропольского края по Промышленному району города Ставрополя)



Name ООО «Жилищная управляющая компания № 6»
company with the limited liability (общество с ограниченной ответственностью)
2636086896
Legal form: 355040, г.Ставрополь, ул.Доваторцев, 44/2,
Company code: 355040, г.Ставрополь, ул..50 лет ВЛКСМ,14а
The registered address of the company: Phone 8 (8652) 55-12-18, Fax 8 (8652) 38-55-41,
The principal place of business: e-mail - yk6stav@yandex.ru
Contacts of the company: Federal tax inspection of Stavropol's region industrial district
(ИФНС России Ставропольского края по Промышленному району города Ставрополя)

Registration data about the company stored:

Name ООО «Управляющая компания-6»
company with the limited liability (общество с ограниченной ответственностью)
2635105070
Legal form: 355040, г.Ставрополь, ул.50 лет ВЛКСМ,8а/1
Company code: 355040, г.Ставрополь, ул. 50 лет ВЛКСМ, 14
The registered address of the company: Phone 8 (8652) 55-12-18, Fax 8 (8652) 38-55-41,
The principal place of business: e-mail - yk6stav@yandex.ru
Contacts of the company: Federal tax inspection of Stavropol's region industrial district
(ИФНС России Ставропольского края по Промышленному району города Ставрополя)

Registration data about the company stored:

Name ООО «Управляющая компания-6»
company with the limited liability (общество с ограниченной ответственностью)
2635085674
Legal form: 355040, г.Ставрополь, ул. 50 лет ВЛКСМ,8а/1
Company code: 355040, г.Ставрополь, ул. 50 лет ВЛКСМ, 14а
The registered address of the company: Phone 8 (8652) 55-12-18, Fax 8 (8652) 38-55-41,
The principal place of business: e-mail - yk6stav@yandex.ru
Contacts of the company: Federal tax inspection of Stavropol's region industrial district
(ИФНС России Ставропольского края по Промышленному району города Ставрополя)

Registration data about the company stored:

Name ООО «Объединенная управляющая компания-7»
company with the limited liability (общество с ограниченной ответственностью)
2635130052
Legal form: 355000, г.Ставрополь, пр.Кулакова 27/2
Company code: 355000, г.Ставрополь, пр. Доваторцев,59/2
The registered address of the company: Phone 8 (8652) 74-18-40, Fax 8 (8652) 74-18-40,
The principal place of business: www.yk7.nm.ru
Contacts of the company: Federal tax inspection of Stavropol's region industrial district
(ИФНС России Ставропольского края по Промышленному району города Ставрополя)

Registration data about the company stored:

Name ООО «Обслуживающая управляющая компания-7»
company with the limited liability (общество с ограниченной ответственностью)
2635118961
Legal form: 355000, г.Ставрополь, пр.Кулакова, 27/2
Company code: 355000, г.Ставрополь, пр..Доваторцев, 59/2
The registered address of the company: Phone 8 (8652) 74-18-40, Fax 8 (8652) 74-18-40,
The principal place of business: www.yk7.nm.ru
Contacts of the company: Federal tax inspection of Stavropol's region industrial district
Website:



Registration data about the company stored: (ИФНС России Ставропольского края по Промышленному району города Ставрополя)

Name**ООО «Управляющая компания № 7»**

Legal form:

company with the limited liability (общество с ограниченной ответственностью)

Company code:

2635121080

The registered address of the company:

355000, г.Ставрополь, ул. Доваторцев, 61

The principal place of business:

355000, г.Ставрополь, ул. Доваторцев, 59/2

Contacts of the company:

Phone 8 (8652) 74-18-40, Fax 8 (8652) 74-18-40,

Website:

www.yk7.nm.ru

Registration data about the company stored:

Federal tax inspection of Stavropol region industrial district (ИФНС России Ставропольского края по Промышленному району города Ставрополя)

Name**ООО «Управляющая компания-8»**

Legal form:

company with the limited liability (общество с ограниченной ответственностью)

Company code:

2635105218

The registered address of the company:

355040, г.Ставрополь, пр.Ворошилова, 1

The principal place of business:

355040, г.Ставрополь, пр.Ворошилова, 1

Contacts of the company:

Phone 8 (8652) 72-63-67, Fax 8 (8652) 72-63-67,

e-mail - yk8stav@yandex.ru

Registration data about the company stored:

Federal tax inspection of Stavropol region industrial district (ИФНС России Ставропольского края по Промышленному району города Ставрополя)

Name**ООО «Управляющая компания-8»**

Legal form:

company with the limited liability (общество с ограниченной ответственностью)

Company code:

2635085459

The registered address of the company:

355040, г.Ставрополь, пр.Ворошилова, 7/2а

The principal place of business:

355040, г.Ставрополь, пр. Ворошилова, 1

Contacts of the company:

Phone 8 (8652) 72-63-67, Fax 8 (8652) 72-63-67,

e-mail - yk8stav@yandex.ru

Registration data about the company stored:

Federal tax inspection of Stavropol region industrial district (ИФНС России Ставропольского края по Промышленному району города Ставрополя)

Name**ООО «Управляющая компания-10»**

Legal form:

company with the limited liability (общество с ограниченной ответственностью)

Company code:

2635104119

The registered address of the company:

355000, г.Ставрополь, ул.Пирогова, 18/4, кв. 1

The principal place of business:

355000, г. Ставрополь, ул. 50 лет ВЛКСМ, 20Б

Contacts of the company:

Phone 8 (8652) 31-53-06, Fax 8 (8652) 31-53-06,

e-mail - yk10_4119@rambler.ru

Registration data about the company stored:

Federal tax inspection of Stavropol region industrial district (ИФНС России Ставропольского края по Промышленному району города Ставрополя)



Annex 1

To AB City Service Consolidated annual report for year 2011

AB City Service disclosure on compliance with the Governance Code for the Companies listed on NASDAQ OMX Vilnius in 2011

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
Principle I: Basic Provisions The overriding objective of a company should be to operate in common interests of all the shareholders by optimizing over time shareholder value.		
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.	Yes	Main trends and objectives of development and of the Company were publicly announced and emphasized in 2010 and 2011 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.
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.	Yes	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.
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.	Yes	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 managing bodies of the Company. 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 managing bodies of the Company.



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.	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>		
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.	No	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.
2.2. A collegial management body is responsible for the strategic management of the company and performs other key functions of corporate governance. A collegial supervisory body is responsible for the effective supervision of the company's management bodies.	Yes	The Board is responsible for strategic management of the Company and also performs functions of the Supervisory Board, as specified in Clause 2.1.
2.3. Where a company chooses to form only one collegial body, it is recommended that it should be a supervisory body, i.e. the supervisory board. In such a case, the supervisory board is responsible for the effective monitoring of the functions performed by the company's chief executive officer.	Not applicable	The 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.
2.4. The collegial supervisory body to be elected by the general shareholders' meeting should be set up	Yes	The order stipulated in III and IV principles is currently followed as described in Clauses 2.1 and 2.3. The



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		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.
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 departure from these recommendations, it should furnish information on the measures it has taken to ensure impartiality of the supervision.	Yes	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.

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.



Principle III: The order of the formation of a collegial body to be elected by a general shareholders' meeting		
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		
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.	Yes	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.
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.	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. Information about Company's Board member's education and work experience is disclosed in the Company's interim information and annual reports.
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.	Not applicable	Detail information is provided in Clause 3.2.

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>3.4. 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. For more than a year the Seimas of the Republic of Lithuania is considering various amendments of the Civil code that are related to the apartment building regulation.</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 and the members of the Audit Committee 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>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	<p>The issue on the independent members and their sufficient number in the collegiate managing body maybe discussed in the future.</p>
<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</p>	Not applicable	<p>According to the comment of Clause 3.6., it is still not relevant.</p>

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

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



<p>collegial body should be based on the contents of the relationship and circumstances rather than their form. The key criteria for identifying whether a member of the collegial body can be considered to be independent are the following:</p> <ol style="list-style-type: none"> 1. He/she is not an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) of the company or any associated company and has not been such during the last five years; 2. He/she is not an employee of the company or some any company and has not been such during the last three years, except for cases when a member of the collegial body does not belong to the senior management and was elected to the collegial body as a representative of the employees; 3. He/she is not receiving or has been not receiving significant additional remuneration from the company or associated company other than remuneration for the office in the collegial body. Such additional remuneration includes participation in share options or some other performance based pay systems; it does not include compensation payments for the previous office in the company (provided that such payment is no way related with later position) as per pension plans (inclusive of deferred compensations); 4. He/she is not a controlling shareholder or representative of such shareholder (control as defined in the Council Directive 83/349/EEC Article 1 Part 1); 5. He/she does not have and did not have any material business relations with the company or associated company within the past year directly or as a partner, shareholder, director or superior employee of the subject having such relationship. A subject is considered to have business relations when it is a major supplier or service provider (inclusive of financial, legal, counseling and consulting services), major client or organization receiving significant payments from the company or its group; 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; 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 		
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<p>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.
<p>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.</p>	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>	Yes	<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>	Yes	<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 constituted from independent members of the collegial body. In cases when the company chooses not to set</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 Company and its shareholders.</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>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>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>	Yes	<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>	Yes	<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> <ol style="list-style-type: none"> 1) 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; 2) 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; 3) Assess on regular basis the skills, knowledge and experience of individual directors and report on this to the collegial body; 4) Properly consider issues related to succession planning; 5) 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> <ol style="list-style-type: none"> 1) 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; 2) 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; 3) 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; 4) Periodically review the remuneration policy for executive directors or members of management body, including the policy regarding share-based remuneration, and its implementation; 5) Make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies; <ul style="list-style-type: none"> • 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); 6) 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> <ol style="list-style-type: none"> 1) Consider general policy regarding the granting of the above mentioned schemes, in particular stock options, and make any related proposals to the collegial body; 2) Examine the related information that is given in the company's annual report and documents intended for the use during the shareholders meeting; 	Not applicable	The salary committee was not formed according to the circumstances set out in Clause 4.7.
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<p>3) 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>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) 	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>



<p>excluded, (b) permissible only after review by the committee, and (c) permissible without referral to the committee;</p> <ul style="list-style-type: none"> • Review efficiency of the external audit process and responsiveness of management to recommendations made in the external auditor's management letter. <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>4.14.7. The audit committee should report on its activities to the collegial body at least once in every six</p>		
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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.
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 month ¹² .	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>

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.



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.	Yes	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.
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.	Yes	Session dates of the Board and Audit Committee are organised in order not to make obstacles for duly operating and decision making for these bodies.
<p>Principle VI: The equitable treatment of shareholders and shareholder rights</p> <p>The corporate governance framework should ensure the equitable treatment of all shareholders, including minority and foreign shareholders. The corporate governance framework should protect the rights of the shareholders.</p>		
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 legislation of the Republic 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	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

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



<p>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.</p>		<p>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.</p>
<p>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.</p>	<p>Yes</p>	<p>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 operates. 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 21 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.</p>
<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>	<p>Yes</p>	<p>The Company announces to the General Meeting of Shareholders the prepared draft decisions not later 21 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>	<p>Yes</p>	<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>

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>6.7. 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>
<p>Principle VII: The avoidance of conflicts of interest and their disclosure</p> <p>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.</p>		
<p>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.</p>	Yes	<p>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.</p>
<p>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.</p>	Yes	<p>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.</p>
<p>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.</p>	Yes	<p>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.</p>



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.
<p>Principle VIII: Company's remuneration policy</p> <p>Remuneration policy and procedure for approval, revision and disclosure of directors' remuneration established in the company should prevent potential conflicts of interest and abuse in determining remuneration of directors, in addition it should ensure publicity and transparency both of company's remuneration policy and remuneration of directors.</p>		
8.1. A company should make a public statement of the company's remuneration policy (hereinafter the remuneration statement) 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.	No	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. 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. 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.
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.	Not applicable	The Company has no salary policy report due to the reasons specified in Clause 8.1.



<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.
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.	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	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.
<p>9.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.</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.



Principle X: Information disclosure and transparency		
The corporate governance framework should ensure that timely and accurate disclosure is made on all material information regarding the company, including the financial situation, performance and governance of the company.		
<p>10.1. The company should disclose information on:</p> <ul style="list-style-type: none"> • The financial and operating results of the company; • Company objectives; • Persons holding by the right of ownership or in control of a block of shares in the company; • Members of the company's supervisory and management bodies, chief executive officer of the company and their remuneration; • Material foreseeable risk factors; • Transactions between the company and connected persons, as well as transactions concluded outside the course of the company's regular operations; • Material issues regarding employees and other stakeholders; • Governance structures and strategy. <p>This list should be deemed as a minimum recommendation, while the companies are encouraged not to limit themselves to disclosure of the information specified in this list.</p>	Yes	<p>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.</p> <p>By presenting the information specified in this Clause, the Company presents the consolidated information of both the Company and the whole group of companies.</p>
<p>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.</p>	Yes	<p>This recommendation is implemented as it is specified in Clause 10.1.</p>
<p>10.3. It is recommended that information on the professional background, qualifications of the members of supervisory and management bodies, chief executive officer of the company should be disclosed as well as potential conflicts of interest that may have an effect on their decisions when information specified in item 4 of Recommendation 10.1 about the members of the company's supervisory and management bodies is under disclosure. It is also recommended that information about the amount of remuneration received from the company and other income should be disclosed with regard to members of the company's supervisory and management bodies and chief executive officer as per Principle VIII.</p>	Yes	<p>This recommendation is implemented as it is specified in Clause 10.1.</p>
<p>10.4. It is recommended that information about the links between the company and its stakeholders, including employees, creditors, suppliers, local community, as well as the company's policy with regard to human resources, employee participation schemes in the company's share capital, etc. should be disclosed when information specified in item 7 of Recommendation 10.1 is under disclosure.</p>	Yes	<p>This recommendation is implemented as it is specified in Clause 10.1.</p>



10.5. Information should be disclosed in such a way that neither shareholders nor investors are discriminated with regard to the manner or scope of access to information. Information should be disclosed to all simultaneously. It is recommended that notices about material events should be announced before or after a trading session on 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.



<p>11.3. It is recommended that the company should disclose to its shareholders the level of fees paid to the firm of auditors for non-audit services rendered to the company. This information should be also known to the company's supervisory board and, where it is not formed, the company's board upon their consideration which firm of auditors to propose for the general shareholders' meeting.</p>	Yes	<p>The audit company provided the Company with the consultations on tax issues in the year 2011. AS it is required the information was disclosed and for shareholders and for the Company's Board.</p>
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