

**VST**

**KAD GYVENTI BŪTŲ ŠVIESIAU**

**“VST” AB  
ANNUAL REPORT  
2007**


## Independent Auditors' Review Report on Annual Report of Joint Stock Company VST

We have reviewed Joint Stock Company VST (hereinafter the Company) Annual Report for the year ended 31 December 2007. The report is the responsibility of the Company's management. Our responsibility is to present report on the Annual Report based on our review.


We have audited the financial statements of Joint Stock Company VST for the year ended 31 December 2007 in accordance with International Standards of Auditing. On 19 February 2008 we have expressed unqualified opinion on these financial statements.

We have read the Annual Report for the year ended 31 December 2007 and have not noted any material inconsistencies between the financial information included in it and the financial statements for the year ended 31 December 2007.

UAB ERNST & YOUNG BALTIC  
Audit company's licence No. 001335



Jonas Akelis  
Auditor's licence  
No. 000003



Asta Štreimikienė  
Auditor's licence  
No.000382

The review was completed on 19 February 2008.

## GENERAL INFORMATION ABOUT THE ISSUER

### Accounting period covered by the Annual Report

The Report has been prepared for the year 2007 (the financial year of the company corresponds to the calendar year).

### Key data on the Issuer

|   |  |
|---|--|
| Name of the company :                           | VST, AB                                    |
| Address of its headquarters :                   | Jasinskio str. 16 C, LT-01112, Vilnius     |
| Telephone:                                      | (8~5) 278 12 59                            |
| Fax:  | (8~5) 278 12 69                            |
| E-mail address:                                 | <a href="mailto:vst@vst.lt">vst@vst.lt</a> |
| Website :                                       | <a href="http://www.vst.lt">www.vst.lt</a> |
| Share capital:                                  | 111 539 940 LTL                            |
| Legal-organizational form :                     | Legal body, joint stock company            |
| Registration with the Register of Enterprises : |  |
| - Place of registration:                        | Ministry of economy                        |
| - date of registration :                        | December 31, 2001                          |
| - Register code:                                | 1108 70748                                 |
| - Former code:                                  | 1087074                                    |
| Registrant of the Register of legal bodies :    | State Enterprise Centre of registers       |

### Nature of the main activity

Branch of Economy: Energy sector

Main production : Distribution of electric energy via medium and low voltage network and the electricity supply services for public consumers

### Contracts with the mediators of securities of public circulation

The VST, AB and the joint stock company bank "Hansabankas" have signed a contract on accounting of securities issued by VST, AB , and handling personal accounts of securities.

AB bank "Hansabankas"

Savanorių av. 19,

LT-03502 Vilnius

Tel.: 8-5 268 44 85

Fax: 8-5 268 41 70

### Securities included into the trade lists of stock exchanges

Ordinary registered shares of the VST, AB (3 717 998 pcs., total par value 111 539 940 LTL) are included into the list of Vilnius Stock Exchange. Security code is 12637. Shares of the VST, AB are not included into other lists of stock exchanges.

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

## ACTIVITY REVIEW, ESSENTIAL EVENTS OF THE ACCOUNTING PERIOD

### Change of the company's head

From August 6, 2007 Aidas Ignatavičius has been appointed as a Chief Executive Officer of the stock company VST replacing Darius Nedzinskas. Aidas Ignatavičius has been elected as a new Chief Executive Officer of VST by a unanimous assent of the Board members. Previously he was Director of Power Supply and Branch Management Division of the stock company VST.

### Support projects

The company provides support fostering the progress – innovative science, education and culture projects.

Last year, the Company for the second time became a Maecenas of the project *National Progress Premium* promoting the growth of Lithuanian science, culture, business and society and a Maecenas of the fourth annual spring project *Lietuvos garbė* (Honour of Lithuania) of TV3 Service *Žinios*. This action has reflected the Company's policy to support progress in science and innovative ideas.

The Company is an active participant of the project *Gift for the Future* initiated by the Ministry of Education and Science together with the information technologies company *Microsoft Lietuva*. Computers that were not used by the company were upgraded and modernised and last year delivered to children of the Kaišiadorysi district Žašliai secondary school, Smalininkai special school, Kaunas nursery *Spindulėlis* and day centre founded by Pamūšio St. Antanas Paduvieties parish. The Company granted 50 computers to the project.

Support provided by the Company is oriented towards the regions where VST carries out its main activities – distributes and supplies electricity. Supporting holidays and festivals in the regions the Company aims to create closer relations with urban and settlement communities. Last year, the Company became a sponsor of Skaudvilė (Tauragė district) festival and the city festivals of Jurbarkas, Radviliškis, Žagarė and other towns.

Annually, the Company allocates nominal scholarships to the most prospective students from the Faculty of Electrical and Control Engineering of Kaunas University of Technology. It is the fourth year when 30 most advanced and promising students from Departments of Electric Power Systems, Process Control and Control Technology of KTU Electrical and Control Engineering Faculty traditionally get premiums of LTL 1000. It is not the first time the Company allocates financial support to Kaunas University of Technology, donates modern electro-technology devices, but together with the researchers working there it has developed modified transformer oil.

### Social projects

It is the second year, the Company supports the project *I Want to See the World* where funds are collected for Lithuanian children with visual disabilities.

The Company VST is a regular patron and supporter for children living in care homes. Major share of financial support granted by the Company is dedicated to improve the living conditions for children in care homes.

Attracting public's attention to young aged victims of electric current, the VST has initiated educative lessons *Make Friends with Electricity but not Play with It* for children in care homes. Over 500 children of different age from care homes visited the Company's units in Kaunas, Klaipėda and Šiauliai regions where they learnt about dangerous work of an electrician, got familiar how to deal with electrical appliances in a safe way and to protect one's own and other's life.

### Cooperation

Trying to protect property and clients from possible troubles in electricity supply it is some years already the Company fights with thieves of transformer oil and electricity wires. Active prevention against thefts is being performed. The Company's transformers are filled in with modified oil, residents are informed about the danger of the modified oil, cooperation with police officers is ensured, raids to metal scrap dealers are organised and security of electric substations is strengthened.

### Environment Protection

Majority of feather birds staying in Lithuania fly to its Western part, therefore the Company continues campaign for preservation of stork nests. From autumn 2005, the Company at its own expenses raised 550 stork nests on special poles on the top of power transmission pylons. The most active work took place during last year in the region of Klaipėda where 96 stork nests were raised. VST raised 61 stork nests on metal poles in the region of Kaunas and about 50 stork nests were removed from the most dangerous places in the region of Šiauliai. Mostly safe nests were installed in the districts of Kaišiadorys, Šilutė and Šilalė. The Ministry of Environment assessed the campaign for preservation of stork nests and in 2006 awarded the Company with a prize for environment protection on the event of the World Environment Day.

The Company puts investments to depreciated distribution networks what proves its great attitude to ecologically clean installations that do not pose any danger to the environment and people. Rainwater and oil collection equipment is installed in the renovated transformer substations that prevent the soil and urban sewerage from pollutants.

### Investments

Last year, the Company's main investments were dedicated to the quality improvement of services provided and customer service. During last year the Company invested nearly 140 million litas into the modernisation of electric networks in Kaunas, Klaipėda and Šiauliai regions. Most investments were allocated for the upgrading and modernisation of electrical power economy.

Last year, the renovation of 5 transformer substations - Amalių, Taikos, Tytuvėnų, Šeduvos, Akmenės – were finished and a new one transformer substation *Nemunas* in Kaunas was constructed with the value of more than 12 million litas. The reconstruction of two power substations *Gedminų* in Klaipėda and *Miglos* in Mažeikiai will be finished this year. These are large energy objects, the renovation and construction of which totalled to the VST Company last year more than 30 million litas.

Last year, the Company constructed 301 new and repaired 1113 (6-10 kV) transformer substations. The Company's specialists wired more than 500 kilometres of new overhead and cable lines from which even 457 kilometres are underground cable lines that allow ensuring the quality of electricity supply under any weather conditions. 2952 kilometres of electricity lines were repaired.

The largest investments last year were allocated to Klaipėda region. Last year investments amounted to more than 60 million litas in Klaipėda region, nearly 50 million in Kaunas region and nearly 30 million litas in Šiauliai.

The Company renovates in principle the depreciated electric power substations and constructs new ones, installs long-lived, modern electricity equipment meeting quality standards that ensure reliable power supply under any weather conditions, it also searches for new technological solutions assuring constant control over the distribution networks in use, quick removal of incidents and prevent the disturbances in power supply.

### Quality of customer service

Improvement of customer service culture and quality of services remains among the priority tasks of the Company.

Last year quality of customer service was constantly improved and modern customer service centres were opened in Kaišiadorys, Kretinga, Pakruojis and Gargždai. All services in customer service centres are provided in a centralised way. The work is based on one-stop-shop principle – all required information and help is provided to clients operatively, professionally and in one place.

“Joint account” service is introduced. The Company concludes a general electric power sale-purchase agreement with the legal entities that have several objects consuming electric power within the territory served by the VST. “Joint account” service was introduced last year to ease the work of the Company's clients.

In May last year, the Company introduced a new service - remote scanning of accounting installations data - to its clients, i.e. legal entities having automatic meters. The amount of electric power consumed by service receivers is automatically scanned in the remote way and invoice is issued following the actual consumption during that month. This allows to save customers' time.

Seeking to ensure an operative and professional service provided to the Company's clients, initiatives and ideas of employees are considered in developing customer service principles. Employees have developed themselves main principles for customer service and the customer service specialists observe them in their daily work.

Training of customer service specialists was organised last year as well as the survey of a secret buyer was carried out and its results were analysed and discussed with employees.

## ACTIVITY RESULTS

In 2007 the profit before taxes amounted to LTL 74,8 million. In the Report year the expenses of income tax were LTL 41,0 million, and the benefits of deferred income tax – LTL 33,4 million. The net profit of the company amounted to LTL 67,2 million in 2007.

### Revenues

3 947 million kWh of electric power were sold to the consumers during 2007, 7,2 percent more comparing with 3 683 million kWh in 2006.

During the report year the income from sales and services except financial activities was LTL 1059,3 million (in 2006 – LTL 929,7 million). The major part of income was from sales of electric energy.

| <b>Income, LTL million</b>              | <b>2007</b>   | <b>2006</b>  | <b>Change, %</b> |
|---|---------------|--------------|------------------|
| Income from the sales of electric power | 1033,2        | 906,1        | 14               |
| Sales of reactive energy                | 15,8          | 15,1         | 5                |
| Income from connection of new consumers | 4,7           | 3,6          | 31               |
| Other income from operation             | 5,6           | 4,9          | 14               |
| <b>Total:</b>                           | <b>1059,3</b> | <b>929,7</b> | <b>14</b>        |

In 2007 income from financial activities was LTL 8,2 million (in 2006 – LTL 5,2 million). The increase of financial income was determined by efficient management of cash flow and active use of short-term investment instruments.

### Expenditures

In 2007 the Company's expenditure was LTL 974,1 million while in 2006 it was LTL 834,4 million.

The biggest part of all expenditures consisted of electricity purchase and transmission expense (59,7 percent), the remaining part consisted of the relatively fixed expense for repairs, personnel etc. Repair and maintenance expense increased due to reconstruction and modernization works.

| <b>Operating expenses, LTL million</b> | <b>2007</b>  | <b>2006.</b> | <b>Change, %</b> |
|--|--------------|--------------|------------------|
| Purchase of electric power             | 581,4        | 491,1        | 18               |
| Depreciation and amortization          | 284,5        | 218,0        | 31               |
| Wages, salaries and social security    | 56,0         | 50,7         | 11               |
| Repair and maintenance expenses        | 39,4         | 36,6         | 8                |
| Taxes except for the profit tax        | 1,4          | 4,2          | -67              |
| Utilities and communications expenses  | 5,7          | 5,4          | 6                |
| Other                                  | 5,6          | 28,5         | -80              |
| <b>Total:</b>                          | <b>974,1</b> | <b>834,4</b> | <b>17</b>        |

In 2007 expenses of financial activities were LTL 18,56 million (in 2006 – LTL 16,86 million), the biggest part of it was interest expenses – LTL 18,48 million (in 2006 – LTL 16,78 million).

## Non-current assets

The carrying value of the non-current assets increased from 2 079,7 million LTL in 2006 to 2 735,8 million LTL in 2007. The increase was due to the revaluation of the Company's property, plant and equipment (except for construction in progress) which was made by external independent appraiser, Ober-Haus Nekilnojamosis Turtas UAB in 2007. Valuations were made on the basis of replacement cost, except for other assets (with no business specific features) that were revalued using comparable price method. Some of the objects, that service duration time was reduced to reconstruction date by the Company in 2006, were revalued by the Company itself considering replacement costs and values provided by the independent appraiser.

### Investments

In 2007 LTL 140,0 million were invested into development and maintenance of electric power distribution network (LTL 139,7 million in 2006).

## Current assets

The carrying value of current assets has increased from LTL 205,2 million to LTL 315,3 million during the year 2007.

| <b>The current assets of the company in the end of the year , LTL million</b> | <b>2007</b>  | <b>2006</b>  | <b>Change, %</b> |
|---|--------------|--------------|------------------|
| Inventory   | 7,8          | 6,5          | 20               |
| Trade and other receivables   | 89,8         | 83,0         | 8                |
| Prepayments, deferred charges and accrued incomes                             | 11,3         | 12,7         | -11              |
| Cash and cash equivalents   | 206,4        | 102,9        | 101              |
| <b>Total:</b>   | <b>315,3</b> | <b>205,2</b> | <b>54</b>        |

## Borrowings

Long term borrowings in the end of 2007 were equal to LTL 298,9 million, short term borrowings – LTL 80,4 million (in 2006 – LTL 347,1 million and LTL 49,5 million, respectively). Financial lesase amounted to 119 thousand LTL.

Financial liabilities for banks in the beginning of 2007 were LTL 388,6 million, while in the end of the year – LTL 377,7 million (table bellow shows Company's financial liabilities for banks in the end of 2007 and 2006).

| <b>Lender</b>                     | <b>Currency</b> | <b>Value in balance sheet (2006 12 31) LTL million</b> | <b>Payback, LTL million</b> | <b>Value in balance sheet (2007 12 31) LTL million</b> |
|-----------------------------------|-----------------|--|-----------------------------|--|
| Nordea Bank Finland Plc Lithuania | EUR             | 0  | 0                           | 34,5   |
| Syndicated loan                   | EUR             | 388,6  | 45,5                        | 343,2  |
| <b>Total</b>                      |                 | <b>388,6</b>   | <b>45,5</b>                 | <b>377,7</b>   |

The Company has overdraft contracts with AB bank "Hansabank", Nordea Bank Finland Plc Lithuania and SEB bank, AB. It is possible for the Company to borrow up to LTL 107 million using overdraft contracts. In the end of 2007 the Company's overdraft borrowings amounted for LTL 34,5 million.

## KEY RISK FACTORS

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

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

#### **INFORMATION CONCERNING ENVIRONMENT AND PERSONNEL**

The public company "VST" is an electric power distribution company. Different from the electric power producing companies it hardly pollutes the environment. The chances of the issuer's operation limitations or its closedown due to the damages on the environment are really poor.

Due to personnel policy which promotes professionalism and loyalty of employees, "VST" AB is attractive to young and qualified specialist. Personnel trainings are largely financed, promotion schemes are successful and adjusted to needs of every level of employees. Furthermore, inner staff selections are organized and training and professional development system is functioning.

The implementation of innovative management principles, customer service quality standards is taking place in the Company. After privatization of the Company, organization structure was optimized, inner procedures were renewed and productivity of employees was improved.

#### **REFERENCES AND ADDITIONAL EXPLANATIONS ABOUT THE INFORMATION PROVIDED IN THE ANNUAL FINANCIAL ACCOUNTABILITY**

All other information is provided in Company's audited financial accountability report for the year 2007 notes to the financial statements.

#### **TOTAL NUMBER OF OWN SHARES, THEIR NOMINAL VALUE AND SHARE IN COMPANY'S SHARE CAPITAL THAT THE COMPANY HAS PURCHASED AND OWNS**

Company has not purchased own shares until and during the year 2007.

#### **NUMBER OF OWN SHARES, THEIR NOMINAL VALUE AND SHARE IN COMPANY'S SHARE CAPITAL THAT THE COMPANY HAS PURCHASED AND TRANSFERRED DURING THE ACCOUNTING PERIOD**

Company has not purchased or transferred its'own shares during the year 2007.

#### **INFORMATION ON PAYMENT FOR OWN SHARES IF THESE SHARES WERE PURCHASED OR TRANSFERRED WITH CHARGE**

Company has not purchased or transferred its'own shares during the year 2007.

#### **REASONS FOR PURCHASING OWN SHARES DURING THE ACCOUNTING PERIOD**

Company has not purchased own shares during the year 2007.

#### **SUBSIDIARY COMPANIES, PURCHASE OR SALES OF SHARES**

The Company has no shares of other companies. There were no transactions made regarding purchase or sales of other companies' shares during the year 2007.

#### **INFORMATION ON THE BRANCHES OF THE COMPANY**

In 2007 the Company had no branch offices or representations.



## PLANS AND FORECASTS OF THE COMPANY OPERATION

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

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

## FINANCIAL RISK MANAGEMENT

All information is provided in Company's audited financial accountability report for the year 2007 notes to financial statements, comment 21.

## SHARE CAPITAL STRUCTURE

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

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

All shares of the company are fully paid.

## RESTRICTIONS ON THE TRANSFER OF THE SECURITIES

It is not known about any restrictions on the transfer of the securities.

## SHAREHOLDERS

The number of the shareholders on the accounting day (December 31, 2007) was around 4 168.

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

| Full names of the shareholders (names of companies, types, headquarter addresses, companies' register code) | Number of ordinary registered shares, pcs . |  | Part of the share capital and votes , percent |  |   |
|---|---|--|---|--|---|
|   | Total                                       | Including shares owned by the shareholders under the ownership right | Total   | Including ordinary registered shares hold by a shareholder under the ownership right | Together with persons acting in corporate , percent |
| UAB „NDX energija”<br>Ozo str. 25,<br>LT – 07150 Vilnius,<br>126211233                                      | 3 610 159                                   | 3 610 159  | 97.10   | 97.10  | -   |

## **SHAREHOLDERS WITH SPECIAL CONTROLLING RIGHTS AND THE DESCRIPTION OF THESE RIGHTS**

There are no shareholders of the Company, having special controlling rights. All shareholders of the Company have equal rights (turtines ir neturtines), provided in the Law on Companies of the Republic of Lithuania and Company's Articles of Association.

## **RESTRICTIONS ON VOTING RIGHTS**

It is not known about any restrictions on voting rights.

## **AGREEMENTS BETWEEN THE SHAREHOLDERS, KNOWN BY THE ISSUER, AND THAT MAY LIMIT THE TRANSFER OF THE SECURITIES AND (OR) VOTING RIGHTS**

It is not known about any agreements between the shareholders of the Company that may limit the transfer of the securities and (or) voting rights.

## **EMPLOYEES**

In 2007, the average number of employees of the public limited liability company VST was 1885, and it decreased by 4.2 percent (1968) as compared to the previous financial year. In 2007, the number of executive staff and specialists in the company accounted for 1297 (2.8 percent less than in 2006, when the number reached 1329), and the number of workers was 588 (8 percent less than in 2006, when the number reached 639). Decrease in the number of workers was determined by optimisation of the company's organisational structure, improving efficiency of operations and labour productivity after privatisation.

The structure of the company's employees by education is as follows: 31.3 percent with higher university education, 50.5 percent with higher non-university education, post-secondary, special secondary, technical or vocational education, and 18.2 percent with secondary or lower than secondary education.

Constantly increasing average wage of the company's employees grew by 12 percent to LTL 1993 in 2007 (grew by 14 percent in 2006, and 10 percent in 2005). The average monthly wage of workers was LTL 1592, and servants LTL 2170.

The implementation of the annual system of assessment of operations was continued in 2007. The company also pursued the preventive staff policy oriented to the development of employees' professionalism and loyalty. In-house selection was further organised with a view to promoting employees to realise their professional goals and ambitions in other positions. 17 in-house selections were held in 2007. About 12 percent of employees changed their positions, of them 7.7 percent (141 employees) were promoted, 24 employees moved to executive (or senior executive) positions. This realistic career and development opportunity is very attractive to young specialists. The company also implements the study financing programme which partially (50 percent) finances academic studies in electrical engineering.

VST closely cooperates with academic institutions, and accepts students for professional traineeship. In 2006 and 2007, more than 100 representatives of academic youth improved their practical skills in the company. Most trainees (83 percent) are accepted to divisions which are directly related to the company's activity, electricity distribution and supply. Trainee students come from different educational establishments – Kaunas University of Technology, Šiauliai University, Vilnius University, Kaunas Technical College, Šiauliai College, and Vilnius College in Higher Education.

The collective agreement signed on 20 August 2004 was valid in the company till 20 August 2007. The aim of the collective agreement is to ensure efficient operation of the company, and to represent all employees of the company. It stipulates work, working conditions, payment, social and professional terms and guarantees. As laid down in the collective agreement, the annual conference of representatives of employees was organised to discuss performance of the agreement. Representatives of employees admitted that the employer followed all provisions of the collective agreement. Negotiations with representatives of employees on the draft of the new collective agreement are currently in the process. The company continues to provide its employees with all social guarantees set forth in the

expired agreement, as well as additional guarantees. VST supports employees' cultural and sports activities organised by trade unions. In 2007, like in the previous year, it allocated LTL 17,000 for the trade unions.

The consistent staff policy is oriented to the implementation of the strategic goals of the company. Employee training and qualification upgrading were the focus of the company in the accounting year – it allocated about LTL 366,000 for the development of employees' competencies. 528 employees (28 percent of all employed in the company) participated in training. 66 percent of all organised training was external training provided by licensed training institutions, and 34 percent was in-firm training.

The main training directions – development of leadership, professional and qualification upgrading training – were continued in 2007. All executives took part in the consistent cycle of leadership training. The 2007 cycle of leadership training laid emphasis on the topics of personal efficiency, professional communication, public rhetoric, and other management and leadership issues.

Like in the previous years, employees' professional development was the focus of attention. Professional training to acquire or develop specific qualifications and skills necessary for safe and professional execution of dangerous and potentially dangerous work was organised. The fields of professional training were similar to the previous years. The training was mainly provided to managers of steeplejack works, steeplejack workers, managers of lifting crane works, operators of mobile hoists, workers on lifting platforms, logging workers, welders, and construction technical maintenance managers. Over 100 employees updated their knowledge of electrical engineering and familiarised themselves with innovations in the field.

Over 130 employees who directly deal with clients improved their communication skills in the training courses on effective customer service.

Various qualification courses were also organised, and they were oriented to meet specific business needs, for example, employees attended different conferences in both Lithuania and abroad according to their field of expertise.

## **PROCEDURE FOR AMENDMENT OF THE ISSUER'S BY-LAWS**

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

## **THE MANAGING BODIES OF THE ISSUER**

The managing bodies of the company are general meeting of the shareholders, the Board and Managing Director.

The last amendments of the Bylaws of the company (dated January 18, 2007) sets forth that the Board consists of 5 members. The members of the Board with the Office term of 4 years are elected by the general meeting of the shareholders.

Managing Director is appointed and recalled by the Board of the Company.

## MEMBERS OF THE MANAGING BODIES OF THE ISSUER

### Board in the period 28/10/2005-26/10/2007

| Full name          | Position | Share of owned capital, %. | Share of votes, % |
|--------------------|----------|----------------------------|-------------------|
| Darius Nedzinskas  | Chairman | -                          | -                 |
| Antanas Poška      | Member   | -                          | -                 |
| Arūnas Bivainis    | Member   | -                          | -                 |
| Aidas Ignatavičius | Member   | -                          | -                 |
| Rytis Borkys       | Member   | 0%                         | 0%                |

### Board in the period 26/10/2007 to the day of the Report preparation

| Full name          | Position | Share of owned capital, %. | Share of votes, % |
|--------------------|----------|----------------------------|-------------------|
| Aidas Ignatavičius | Chairman | -                          | -                 |
| Lina Minderienė    | Member   | -                          | -                 |
| Gytis Kundrotas    | Member   | -                          | -                 |
| Rytis Borkys       | Member   | 0%                         | 0%                |

### Administration

| Full name          | Position  | Share of owned capital, % | Share of votes, %. |
|--------------------|---|---------------------------|--------------------|
| Darius Nedzinskas  | Managing Director<br>(15/02/2005-06/08/2007)  | -                         | -                  |
| Aidas Ignatavičius | Managing Director (since<br>06/08/2007)   | -                         | -                  |
| Lina Minderienė    | Chief book –keeper, Head of<br>the Accounting department<br>(15/02/2005-29/10/2007) | -                         | -                  |
| Rimantas Bartuška  | Chief book –keeper, Head of<br>the Accounting department<br>(since 29/10/2007)      | -                         | -                  |

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

| Full name          | Name of the company, institution or organization, position | Share of capital and votes in other companies, % |
|--------------------|--|--|
| Lina Minderienė    | -  | -  |
| Darius Nedzinskas  | -  | -  |
| Antanas Poška      | -  | -  |
| Arūnas Bivainis    | -  | -  |
| Aidas Ignatavičius | -  | -  |
| Rytis Borkys       | -  | -  |
| Gytis Kundrotas    | -  | -  |
| Rimantas Bartuška  | -  | -  |

**Information about payment, other transferred asset and provided guarantees to the members of managing bodies (Council of Observers, Board and members of Administration)**

| 2007  | Salary, LTL | Bonuses, LTL | Other payments from profit, LTL | Other transferred asset and provided guarantees, LTL |
|---|-------------|--------------|---------------------------------|--|
| In average per one member of the Board *    | -           | -            | -                               | -  |
| Totally for all Board members *             | -           | -            | -                               | -  |
| In average per one member of Administration | 241 811     | -            | -                               | -  |
| Totally for all members of Administration   | 483 622     | -            | -                               | -  |

\* Members of the Board do not receive salary for the execution in the Board activity.

**SIGNIFICANT AGREEMENTS, PARTY OF WHICH IS THE ISSUER AND WHICH WOULD INURE, CHANGE OR INTERMIT IN CASE OF CHANGE OF CONTROL OF THE ISSUER**

Company has no significant agreements that would inure, change or intermit in case of change of control of the Company.

**AGREEMENTS BETWEEN THE ISSUER AND IT'S MEMBERS OF MANAGING BODIES OR EMPLOYEES THAT COVER COMPENSATION IN CASE OF THEIR RESIGNATION OR DEPOSITION WITHOUT JUST REASON OR TERMINATION OF JOB BECAUSE OF CHANGE OF CONTROL OF THE ISSUER**

Company has no agreements between the issuer and it's members of managing bodies or employees that cover compensation in case of their resignation or deposition without just reason or termination of job because of change of control of the Company.

**RELATED PARTY TRANSACTIONS**

Information about related party transactions is provided in audited financial accountability report for the year 2007 notes to financial statements, comment 26.

**PUBLICLY DECLARED INFORMATION**

(all the information is provided in Company's site [www.vst.lt](http://www.vst.lt))

**30 11 2007 Prepared VST, AB interim financial report for nine months of 2007**

VST, AB has prepared interim financial report for nine months of 2007 (attached) in accordance with the Rules on Preparation and Submission of Periodic and Additional Information of the Lithuanian Securities Commission.

**30 11 2007 National Control Commission for Prices and Energy announced electricity prices and tariffs of VST and their application procedure**

National Control Commission for Prices and Energy during the session held on November 30th made a decision to announce electricity prices and tariffs of VST, AB and their application procedure. This procedure had been confirmed by the board of VST, AB on the October 29th, 2007 by the protocol number 106. Starting from the 1st of January, 2008 end price for the I group consumers (household-consumers) will be the same as during the year 2007. The end price for the II-III group consumers will increase by 3ct/kWh (0.87 Euro cent/kWh) plus VAT.

### **29 11 2007 Concerning the meeting of the Board of VST, AB on 29th November, 2007**

On 29th of November, 2007 the Board of VST, AB decided to reduce the distribution tariffs for household consumers, therefore the electricity prices for residents shall not be raised from 1st of January, 2008.

### **28 11 2007 Concerning the meeting of the Board of VST, AB on 29th November, 2007**

On 29th of November, 2007 the Board of VST, AB shall consider the possibility at the expense of company's profit to reduce the distribution tariffs, in order the electricity prices for residents would not change from 1st of January, 2008.

### **31 10 2007 The National Control Commission for Prices and Energy ratified the end-user energy price cap for VST, AB for the year 2008**

The National Control Commission for Prices and Energy during the session held on October 30th ratified the end-user energy price caps for VST, AB for the year 2008:

- The end-user price cap for electricity consumers connected to the 110 kV or higher power grid is 17,28 ct/kWh or 5,00 Euro cent/kWh (currently - 13,76 ct/kWh or 3,99 Euro cent/kWh);
- The end-user price cap for electricity consumers connected to the 6 kV but not higher than 110 kV power grid is 25,51 ct/kWh or 7,39 Euro cent/kWh (currently - 21,13 ct/kWh or 6,12 Euro cent/kWh);
- The end-user price cap for electricity consumers connected to the 0,4 kV power grid is 35,87 ct/kWh or 10,39 Euro cent/kWh (currently - 30,3ct/kWh or 8,78 Euro cent/kWh);

This information can be found on the Commission's web page <http://www.regula.lt>.

### **31 10 2007 2007 Q3 activity result of VST, AB**

Preliminary pre-audit 2007 Q3 activity result of VST, AB is LTL 42 mil. (EUR 12.2 mil.) net profit.

### **26 10 2007 The Board of VST AB elected the Chairman**

The Board of VST AB on October 26, 2007 elected Aidas Ignatavičius the Chairman of the Board.

### **26 10 2007 The decisions adopted in the General meeting of the shareholders of VST AB on October 26, 2007**

The General shareholders meeting of VST AB, held on October 26, 2007, adopted the following decisions:

1. The item of the agenda "The elections of the audit company for auditing company's financial statement for 2007 and setting the terms and conditions of payment for audit services."
  - 1.1. To elect UAB „Ernst & Young Baltic“ to audit the financial accounting of 2007 and to pay not more than LTL 140,000 (VAT excluded) for the audit services.
2. The item of the agenda "The election of the Board of the company."
  - 2.1. To elect the new Board of VST AB for the term of 4 (four) years. The new Board consists of:
    - 1) Aidas Ignatavičius;
    - 2) Rytis Borkys;
    - 3) Gytis Kundrotas;
    - 4) Lina Minderienė.
  - 2.2. To decide that the newly elected Board of VST AB will start its activities after the shareholders meeting on October 26th, 2007, which elected the new Board has ended.

### **12/10/2007 The draft resolution of the general meeting of the shareholders of VST AB**

According to the decision of the Board of VST AB the general shareholders meeting is called on October 26th, 2007, 13.00 and shall take place at the office of the Company 5th floor, J.Jasinskio 16c, Vilnius. The shareholders will be asked to approve the following agenda:

1. The agenda "The elections of the audit company for auditing company's financial statement for 2007 and setting the terms and conditions of payment for audit services."

1.1 To elect UAB „Ernst & Young Baltic“ to audit the financial accounting of 2007 and to pay not more than LTL 140,000 (VAT excluded) for the audit services.

2. The agenda "The Elections of the Board of the company":

2.1. To elect the new Board of VST AB for the term of 4 (four) years. The new Board consists of:

1) Aidas Ignatavičius;

2) Rytis Borkys;

3) Gytis Kundrotas;

4) Lina Minderienė.

2.2. To decide that the newly elected Board of VST AB will start its activities after the shareholders meeting on October 26th, 2007, which elected the new Board has ended.

#### **12 10 2007 Renewed agenda of the General meeting of the shareholders of VST AB**

On October 11, 2007 the Board of VST AB, after taking into consideration the proposal of one of the shareholders (UAB „NDX energija“, which owns 97,10 per cent of the shares of VST AB), adopted the decision to renew the agenda of the the General shareholders meeting of VST AB which is called on October 26, 2007 by adding the second question („Election of the Board of the company“) and approved the following agenda of the meeting:

1.The elections of the audit company for auditing company's financial statement for 2007 and setting the terms and conditions of payment for audit services.

2.The Elections of the Board of the company.

The date and time of the General shareholders meeting - October 26, 2007, 13.00.

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

The accounting day of the shareholders meeting - October 19, 2007.

Registration starts - October 26, 2007, 12.25.

Registration ends - October 26, 2007, 12.55.

#### **21 09 2007 Regarding the general meeting of the shareholders of VST AB**

The Board of VST AB (identification code: 110870748) on September 21, 2007 adopted a decision to call the General shareholders meeting of VST AB and approved the following agenda of the meeting:

1. The elections of the audit company for auditing company's financial statement for 2007 and setting the terms and conditions of payment for audit services.

The date and time of the General shareholders meeting - October 26, 2007, 13.00.

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

The accounting day of the shareholders meeting - October 19, 2007.

Registration starts - October 26, 2007, 12.25.

Registration ends - October 26, 2007, 12.55.

#### **17 09 2007 Correction: VST, AB annual report - prospectus of the year 2006**

Corrected VST, AB annual report-prospectus of the year 2006.

#### **31 08 2007 VST, AB interim financial report for six months of 2007**

VST, AB interim financial report for six months of 2007 and interim report.

#### **26 07 2007 VST, AB non - audited activity result for the first half of 2007 and Chief Executive Officer change**

VST, AB non - audited activity result for the first half of 2007:

- Revenue - 525.8 million LTL (152.3 million EUR) (first half of 2006 - 472.7 million LTL (136.9 million EUR); audited for the year 2006 - 928.6 million LTL (268.9 million EUR)).

- EBITDA - 183.4 million LTL (53.1 million EUR) (first half of 2006 - 170.2 million LTL (49.3 million EUR); audited for the year 2006 - 316.8 million LTL (91.7 million EUR)).  
- net profit - 30.3 million LTL (8.8 million EUR) (first half of 2006 - 24.5 million LTL (7.1 million EUR); audited for the year 2006 - 59.7 million LTL (17.3 million EUR)).

VST, AB Chief Executive Officer change.

From the August 6th, 2007 Aidias Ignatavičius, at this moment working as the Director of Power supply and Branch Management division of VST, AB has been appointed the Chief Executive Officer of VST, AB replacing Darius Nedzinskas. From the August 6th, 2007 Darius Nedzinskas will hold position of the Chairman of the Board and the Chief Executive Officer of „NDX energija“, UAB group.

#### **25 05 2007 VST AB financial report fo 1 quarter**

VST AB has prepared financial report for 1 Q of 2007 (attached) in accordance with the Rules on Preparation and Submission of Periodic and Additional Information of the Lithuanian Securities Commission.

#### **27 04 2007 The decisions adopted in the General meeting of the shareholders of AB "VST" on April 27, 2007**

The General shareholders meeting of AB "VST", held on on April 27th, 2007, adopted the following decisions:

1. The item of the agenda "The consideration of the 2006 Annual report of AB "VST":
  - 1.1. Accept the 2006 annual report of AB "VST".
2. The item of the agenda "Approval of the 2006 financial statements of AB "VST":
  - 2.1. Approve the 2006 financial statements of AB "VST" audited by the audit company UAB „Ernst & Young Baltic“.
3. The item of the agenda "Distribution of 2006 profit (loss) of AB "VST":
  - 3.1. Approve the distribution of 2006 profit (loss) of AB "VST".
  - 3.2. Pay dividends to the shareholders of AB "VST" in the amount of 16,00 LTL (4,63 EUR) per one ordinary registered share of the company.
  - 3.3. Designate, that the right to receive dividends, set in the Clause 3.2 herein, shall have those persons, which on the end of the day of the general shareholders meeting, which decided to pay dividends, i.e. on the end of April 27, 2007 shall be the shareholders of AB "VST". The dividends to such persons should be paid according to the paragraph 60 part 4 of the Lithuanian Republic Law on Companies, i.e. in one month from the adoption day of the decision to pay dividends, payment being made through the company's shareholders' issuer accountants and the company's (issuer's) issuer accountant - AB bankas "Hansabankas".

#### **27 04 2007 Preliminary pre-audit 2007 1Q activity result of VST AB**

Preliminary pre-audit 2007 1Q activity result of VST AB is LTL 24.9 mil. (EUR 7.21 mil.) net profit before taxes.

#### **27 04 2007 "VST" AB annual report 2006**

"VST" AB annual report 2006.

#### **16 04 2007 The drafts resolutions of the general meeting of the shareholders of AB "VST"**

According to the decision of the Board of AB "VST" a general shareholders meeting is called on April 27th, 2007 and shall take place at the offices of the Company 5th floor, J.Jasinskio 16c, Vilnius, at 11.00 AM. The shareholders will be asked to approve the following items:

1. The item of the agenda "The consideration of the 2006 Annual report of AB "VST":
  - 1.1. Accept the 2006 annual report of AB "VST".
2. The item of the agenda "Approval of the 2006 financial statements of AB "VST":
  - 2.1. Approve the 2006 financial statements of AB "VST" audited by the audit company UAB „Ernst & Young Baltic“ (attached).
3. The item of the agenda "Distribution of 2006 profit (loss) of AB "VST":
  - 3.1. Approve the distribution of 2006 profit (loss) of AB "VST" (attached).



3.2. Pay dividends to the shareholders of AB "VST" in the amount of 16,00 LTL (4,63 EUR) per one ordinary registered share of the company.

3.3. Designate, that the right to receive dividends, set in the Clause 3.2 herein, shall have those persons, which on the end of the day of the general shareholders meeting, which decided to pay dividends, i.e. on the end of April 27, 2007 shall be the shareholders of AB "VST". The dividends to such persons should be paid according to the paragraph 60 part 4 of the Lithuanian Republic Law on Companies, i.e. in one month from the adoption day of the decision to pay dividends, payment being made through the company's shareholders' issuer accountants and the company's (issuer's) issuer accountant - AB bankas "Hansabankas".

Profit (loss) distribution project proposed to approve in a general shareholders meeting:

1. Retained earnings at the beginning of the financial year 33 010 331 LTL (9 560 452,68 EUR);
2. Net annual operating result (profit/loss) 59 677 144 LTL (17 283 695,55 EUR);
3. Profit (loss) of the financial year that is unrecognized in the profit (loss) statement 0 LTL (0 EUR);
4. Transfers from reserves:
  - 4.1. Transfer from revaluation reserve 361 312 045 LTL (104 643 201 EUR);
  - 4.2. Transfer from compulsory reserve 0 LTL (0 EUR);
5. Shareholders' contributions to cover losses (if shareholders decided to cover all or a portion of losses) 0 LTL (0 EUR);
6. Total distributable profit (loss) 453 999 520 LTL (131 487 349,40 EUR);
7. Profit allocation to the compulsory reserve 0 LTL (0 EUR);
8. Profit allocation to the reserve to purchase company's own shares 0 LTL (0 EUR);
9. Profit allocation to other reserves 0 LTL (0 EUR);
10. Profit allocation to pay out dividends (16 LTL per 1 share, i.e. 4,63 EUR per 1 share) 59 487 968 LTL (17 228 906,39 EUR);
11. Profit allocation to yearly pay outs to board and council members, employee bonuses and other purposes 0 LTL (0 EUR);
12. Retained earnings carried forward to next financial year 394 511 552 Lt (114 258 443 EUR).

### **23 03 2007 The General meeting of the shareholders of AB "VST"**

The Board of AB "VST" on March 23, 2007 adopted a decision to call the General shareholders meeting of AB "VST" and approved the following agenda of the meeting:

1. The consideration of the 2006 Annual report of AB "VST".
2. Approval of the 2006 financial statements of AB "VST".
3. Distribution of 2006 profit (loss) of AB "VST".

The date and time of the General shareholders meeting - April 27, 2007, 11.00 AM.

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

The accounting day of the shareholders meeting - April 20, 2007.

Registration starts - April 27, 2007, 10.25 AM.

Registration ends - April 27, 2007, 10.55 AM.

The Board of AB "VST" suggests the General shareholders meeting to adopt the decision to pay dividends in the amount of 16,00 LTL (4.63 EUR) per one ordinary registered share of the company. The Board of AB "VST" suggests the General shareholders meeting to designate, that the right to receive dividends shall have those persons, which on the end of the day of the general shareholders meeting, which decided to pay dividends, i.e. on the end of April 27, 2007 shall be the shareholders of AB "VST". The dividends to such persons should be paid according to the paragraph 60 part 4 of the Lithuanian Republic Law on Companies, i.e. in one month from the adoption day of the decision to pay dividends, payment being made through the company's shareholders' issuer accountants and the company's (issuer's) issuer accountant - AB bankas "Hansabankas".

### **28 02 2007 Activity result for 2006 of VST AB**

AB "VST" in the year 2006 earned 59,68 mln. litas (17,28 mln. EUR) audited net profit, calculated according to International Financial Reporting Standards.

## COMPLIANCE WITH THE GOVERNANCE CODE

The Company discloses its compliance with the Governance Code, approved by the Vilnius Stock Exchange for the companies listed on the regulated market, and its specific provisions in Annex 1.

Chief Executive Officer

19-02- 2008



Aidas Ignatavičius

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

The public company „VST“ (latter in commentaries referred as the Company), following Article 21 paragraph 3 of the Law on Securities of the Republic of Lithuania and item 20.5 of the Trading Rules of the Vilnius Stock Exchange, discloses its compliance with the Governance Code, approved by the VSE for the companies listed on the regulated market, and its specific provisions. In the event of non-compliance with the Code or with certain provisions thereof, it must be specified which provisions are not complied with and the reasons of non-compliance.

| PRINCIPLES/ RECOMMENDATIONS   | YES/NO<br>/NOT<br>APPLICABLE | COMMENTARY                                     |
|---|------------------------------|--|
| <b>Principle I: Basic Provisions</b><br><br><b>The overriding objective of a company should be to operate in common interests of all the shareholders by optimizing over time shareholder value.</b>  |                              |  |
| 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                          |  |
| 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                          |  |
| 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.  | Not applicable               | Supervisory body is not set up in 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                          |  |
| <b>Principle II: The corporate governance framework</b><br><br><b>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.</b> |                              |  |

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| <p>2.1. Besides obligatory bodies provided for in the Law on Companies of the Republic of Lithuania – a general shareholders’ meeting and the chief executive officer, it is recommended that a company should set up both a collegial supervisory body and a collegial management body. The setting up of collegial bodies for supervision and management facilitates clear separation of management and supervisory functions in the company, accountability and control on the part of the chief executive officer, which, in its turn, facilitate a more efficient and transparent management process.</p> | NO                 | Supervisory body is not set up in the Company, as after taking into account the structure of shareholders and the regulated activities of the Company, it is considered as not relevant.   |
| <p>2.2. A collegial management body is responsible for the strategic management of the company and performs other key functions of corporate governance. A collegial supervisory body is responsible for the effective supervision of the company’s management bodies.</p>   | YES<br>NO          | Supervisory body is not set up in the Company. See 2.1.  |
| <p>2.3. Where a company chooses to form only one collegial body, it is recommended that it should be a supervisory body, i.e. the supervisory board. In such a case, the supervisory board is responsible for the effective monitoring of the functions performed by the company’s chief executive officer.</p>  | NO                 | Supervisory body is not set up in the Company. See 2.1.  |
| <p>2.4. The collegial supervisory body to be elected by the general shareholders’ meeting should be set up and should act in the manner defined in Principles III and IV. Where a company should decide not to set up a collegial supervisory body but rather a collegial management body, i.e. the board, Principles III and IV should apply to the board as long as that does not contradict the essence and purpose of this body.<sup>1</sup></p>   | and YES,<br>and NO | Supervisory body is not set up in the Company. See 2.1. The Company’s Board partly acts according to the Principles III and IV. Further information about compliance with Principles III and IV is given below.  |
| <p>2.5. Company’s management and supervisory bodies should comprise such number of board (executive directors) and supervisory (non-executive directors) board members that no individual or small group of individuals can dominate decision-making on the part of these bodies.<sup>2</sup></p>  | YES                | Provided that “small group of individuals” is taken as a group of not more than two individuals. The Board is comprised of five members. The meeting of the Board has quorum when meeting is attended by at least 4 members of the Board. The resolution of the Board is adopted by a simple majority of members’ votes. |

<sup>1</sup> 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.

<sup>2</sup> Definitions ‘*executive director*’ and ‘*non-executive director*’ are used in cases when a company has only one collegial body.

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| <p>2.6. Non-executive directors or members of the supervisory board should be appointed for specified terms subject to individual re-election, at maximum intervals provided for in the Lithuanian legislation with a view to ensuring necessary development of professional experience and sufficiently frequent reconfirmation of their status. A possibility to remove them should also be stipulated however this procedure should not be easier than the removal procedure for an executive director or a member of the management board.</p>  | <p>Not applicable</p> | <p>Supervisory body is not set up in the Company. See 2.1. Non-executive directors are not elected in the Company.</p>   |
| <p>2.7. Chairman of the collegial body elected by the general shareholders' meeting may be a person whose current or past office constitutes no obstacle to conduct independent and impartial supervision. Where a company should decide not to set up a supervisory board but rather the board, it is recommended that the chairman of the board and chief executive officer of the company should be a different person. Former company's chief executive officer should not be immediately nominated as the chairman of the collegial body elected by the general shareholders' meeting. When a company chooses to departure from these recommendations, it should furnish information on the measures it has taken to ensure impartiality of the supervision.</p> | <p>NO</p>             | <p>There are no restrictions for Chief Executive Officer to be a chairman of the Board in the Company. The Company thinks that Chief Executive Officer and the Board are executive bodies of the Company and above mentioned restriction would be not appropriate.</p> |
| <p><b>Principle III: The order of the formation of a collegial body to be elected by a general shareholders' meeting</b></p> <p><b>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.<sup>3</sup></b></p>   |                       |  |
| <p>3.1. The mechanism of the formation of a collegial body to be elected by a general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure objective and fair monitoring of the company's management bodies as well as representation of minority shareholders.</p>  | <p>YES</p>            | <p>The Board of the Company is elected by the General Shareholders Meeting according to the rules prescribed in the Law on Companies of the Republic of Lithuania.</p>   |

<sup>3</sup> 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.

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| <p>3.2. Names and surnames of the candidates to become members of a collegial body, information about their education, qualification, professional background, positions taken and potential conflicts of interest should be disclosed early enough before the general shareholders' meeting so that the shareholders would have sufficient time to make an informed voting decision. All factors affecting the candidate's independence, the sample list of which is set out in Recommendation 3.7, should be also disclosed. The collegial body should also be informed on any subsequent changes in the provided information. The collegial body should, on yearly basis, collect data provided in this item on its members and disclose this in the company's annual report.</p> | <p>YES</p>                 |   |
| <p>3.3. Should a person be nominated for members of a collegial body, such nomination should be followed by the disclosure of information on candidate's particular competences relevant to his/her service on the collegial body. In order shareholders and investors are able to ascertain whether member's competence is further relevant, the collegial body should, in its annual report, disclose the information on its composition and particular competences of individual members which are relevant to their service on the collegial body.</p>   | <p>and YES,<br/>and No</p> | <p>All information about the Board members, the Company considers as necessary to disclose, is provided on the Company's site, in the Company's annual prospectus – report and in the other sources. Company thinks there is no necessity to provide similar information in the Company's annual report, because above mentioned information is already publicly available.</p> |
| <p>3.4. In order to maintain a proper balance in terms of the current qualifications possessed by its members, the collegial body should determine its desired composition with regard to the company's structure and activities, and have this periodically evaluated. The collegial body should ensure that it is composed of members who, as a whole, have the required diversity of knowledge, judgment and experience to complete their tasks properly. The members of the audit committee, collectively, should have a recent knowledge and relevant experience in the fields of finance, accounting and/or audit for the stock exchange listed companies.</p>   | <p>NO</p>                  | <p>According to the Law on Companies of the Republic of Lithuania the issues concerning the Boards' formation is assigned to the General Shareholders Meeting. The Board has no legal opportunities to form it self.<br/>The audit committee is not formed.</p>   |
| <p>3.5. All new members of the collegial body should be offered a tailored program focused on introducing a member with his/her duties, corporate organization and activities. The collegial body should conduct an annual review to identify fields where its members need to update their skills and knowledge.</p>  | <p>YES</p>                 | <p>There is no formal review to identify knowledge of the Board's members in the Company. However, the Board's members attend special seminars or courses, if there is a necessity.</p>   |

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| <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 sufficient<sup>4</sup> number of independent<sup>5</sup> members.</p> | <p>NO</p> | <p>In the Company's Articles of Association there are no provisions about independent members' elections to the Board. The Company thinks, such provisions are not necessary, as there is enough means provided by the laws to resolve all material conflicts of interest related with a member of the Board. Moreover, issues concerning Boards' formation are assigned to the General Shareholders Meeting and the independent member can be elected to the Board only if one gets enough shareholders' votes.</p> |
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<sup>4</sup> 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.

<sup>5</sup> 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.

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| <p>3.7. A member of the collegial body should be considered to be independent only if he is free of any business, family or other relationship with the company, its controlling shareholder or the management of either, that creates a conflict of interest such as to impair his judgment. Since all cases when member of the collegial body is likely to become dependant are impossible to list, moreover, relationships and circumstances associated with the determination of independence may vary amongst companies and the best practices of solving this problem are yet to evolve in the course of time, assessment of independence of a member of the collegial body should be based on the contents of the relationship and circumstances rather than their form. The key criteria for identifying whether a member of the collegial body can be considered to be independent are the following:</p> <ol style="list-style-type: none"> <li>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;</li> <li>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;</li> <li>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);</li> <li>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);</li> <li>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</li> </ol> | <p>NO</p> | <p>See 3.6.</p> |
|---|-----------|-----------------|



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| <p>relationship. A subject is considered to have business relations when it is a major supplier or service provider (inclusive of financial, legal, counseling and consulting services), major client or organization receiving significant payments from the company or its group;</p> <p>6) He/she is not and has not been, during the last three years, partner or employee of the current or former external audit company of the company or associated company;</p> <p>7) He/she is not an executive director or member of the board in some other company where executive director of the company or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) is non-executive director or member of the supervisory board, he/she may not also have any other material relationships with executive directors of the company that arise from their participation in activities of other companies or bodies;</p> <p>8) He/she has not been in the position of a member of the collegial body for over than 12 years;</p> <p>9) He/she is not a close relative to an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) or to any person listed in above items 1 to 8. Close relative is considered to be a spouse (common-law spouse), children and parents.</p> <p>3.8. The determination of what constitutes independence is fundamentally an issue for the collegial body itself to determine. The collegial body may decide that, despite a particular member meets all the criteria of independence laid down in this Code, he cannot be considered independent due to special personal or company-related circumstances.</p> |  |  |
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| 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. | NO  | See 3.6. |
| 3.10. When one or more criteria of independence set out in this Code has not been met throughout the year, the company should disclose its reasons for considering a particular member of the collegial body to be independent. To ensure accuracy of the information disclosed in relation with the independence of the members of the collegial body, the company should require independent members to have their independence periodically re-confirmed.  | NO  | See 3.6. |
| 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. <sup>6</sup> The general shareholders' meeting should approve the amount of such remuneration.   | NO  | See 3.6. |
| <p><b>Principle IV: The duties and liabilities of a collegial body elected by the general shareholders' meeting</b></p> <p><b>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 monitoring<sup>7</sup> of the company's management bodies and protection of interests of all the company's shareholders.</b></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. <sup>8</sup>   | YES |          |

<sup>6</sup> 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.

<sup>7</sup> See Footnote 3.

<sup>8</sup> 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.

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| <p>4.2. Members of the collegial body should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders with due regard to the interests of employees and public welfare. Independent members of the collegial body should (a) under all circumstances maintain independence of their analysis, decision-making and actions (b) do not seek and accept any unjustified privileges that might compromise their independence, and (c) clearly express their objections should a member consider that decision of the collegial body is against the interests of the company. Should a collegial body have passed decisions independent member has serious doubts about, the member should make adequate conclusions. Should an independent member resign from his office, he should explain the reasons in a letter addressed to the collegial body or audit committee and, if necessary, respective company-not-pertaining body (institution).</p> | <p>YES</p> <p>NO</p> | <p>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 Board are not elected, see 3.6.</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 half<sup>9</sup> of the meetings of the collegial body throughout the financial year of the company, shareholders of the company should be notified.</p>   | <p>YES</p>           | <p>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 half<sup>10</sup> of the meetings of the collegial body throughout the financial year of the company, shareholders of the company should be notified.</p>  |
| <p>4.4. Where decisions of a collegial body may have a different effect on the company's shareholders, the collegial body should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed on the company's affairs, strategies, risk management and resolution of conflicts of interest. The company should have a clearly established role of members of the collegial body when communicating with and committing to shareholders.</p>   | <p>YES</p>           | <p>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. Shareholders are being informed about Company's affairs, strategies, risk management and resolution of conflict of interest according to the requirements laid in the legislation. The role of members of the Board when communicating with and committing to shareholders is established according to the requirements laid in the legislation. In the Company there is no regulations setting specific role of members of the Board when communicating with and committing to shareholders.</p> |

<sup>9</sup> 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.

<sup>10</sup> 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.

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| <p>4.5. It is recommended that transactions (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions), concluded between the company and its shareholders, members of the supervisory or managing bodies or other natural or legal persons that exert or may exert influence on the company's management should be subject to approval of the collegial body. The decision concerning approval of such transactions should be deemed adopted only provided the majority of the independent members of the collegial body voted for such a decision.</p>   | <p>YES</p> | <p>Provided that independent members of the collegial body are not elected.</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 bodies<sup>11</sup>. Members of the collegial body should act and pass decisions without an outside influence from the persons who have elected it. Companies should ensure that the collegial body and its committees are provided with sufficient administrative and financial resources to discharge their duties, including the right to obtain, in particular from employees of the company, all the necessary information or to seek independent legal, accounting or any other advice on issues pertaining to the competence of the collegial body and its committees.</p> | <p>YES</p> | <p>Provided that committees of the collegial body are not formed.</p>           |

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<sup>11</sup> 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.

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| <p>4.7. Activities of the collegial body should be organized in a manner that independent members of the collegial body could have major influence in relevant areas where chances of occurrence of conflicts of interest are very high. Such areas to be considered as highly relevant are issues of nomination of company's directors, determination of directors' remuneration and control and assessment of company's audit. Therefore when the mentioned issues are attributable to the competence of the collegial body, it is recommended that the collegial body should establish nomination, remuneration, and audit committees. Companies should ensure that the functions attributable to the nomination, remuneration, and audit committees are carried out. However they may decide to merge these functions and set up less than three committees. In such case a company should explain in detail reasons behind the selection of alternative approach and how the selected approach complies with the objectives set forth for the three different committees. Should the collegial body of the company comprise small number of members, the functions assigned to the three committees may be performed by the collegial body itself, provided that it meets composition requirements advocated for the committees and that adequate information is provided in this respect. In such case provisions of this Code relating to the committees of the collegial body (in particular with respect to their role, operation, and transparency) should apply, where relevant, to the collegial body as a whole.</p> | <p>NO</p> | <p>Independent members of the collegial body are not elected, see 3.6.<br/>Comities are not formed, as the Company thinks the work of the Board is well organized and efficient enough. The Board itself can properly perform all the functions that, according to recommendations, should be assigned to the comities.</p> |
| <p>4.8. The key objective of the committees is to increase efficiency of the activities of the collegial body by ensuring that decisions are based on due consideration, and to help organize its work with a view to ensuring that the decisions it takes are free of material conflicts of interest. Committees should present the collegial body with recommendations concerning the decisions of the collegial body. Nevertheless the final decision shall be adopted by the collegial body. The recommendation on creation of committees is not intended, in principle, to constrict the competence of the collegial body or to remove the matters considered from the purview of the collegial body itself, which remains fully responsible for the decisions taken in its field of competence.</p>   | <p>NO</p> | <p>Comities are not formed, see 4.7.</p>  |
| <p>4.9. Committees established by the collegial body should normally be composed of at least three members. In companies with small number of members of the collegial body, they could exceptionally be composed of two members. Majority of the members of each committee should be constituted from independent members of the collegial body. In cases when the company chooses not to set up a supervisory</p>   | <p>NO</p> | <p>Comities are not formed, see 4.7.</p>  |

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| <p>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> | NO | Comities are not formed, see 4.7. |
| <p>4.11. In order to ensure independence and impartiality of the committees, members of the collegial body that are not members of the committee should commonly have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or demand participation in the meeting of particular officers or experts. Chairman of each of the committees should have a possibility to maintain direct communication with the shareholders. Events when such are to be performed should be specified in the regulations for committee activities.</p>  | NO | Comities are not formed, see 4.7. |

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| <p>4.12. Nomination Committee.<br/>4.12.1. Key functions of the nomination committee should be the following:</p> <ul style="list-style-type: none"> <li>• 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;</li> <li>• 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;</li> <li>• Assess on regular basis the skills, knowledge and experience of individual directors and report on this to the collegial body;</li> <li>• Properly consider issues related to succession planning;</li> <li>• Review the policy of the management bodies for selection and appointment of senior management.</li> </ul> <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> | NO | Comities are not formed, see 4.7. |
| <p>4.13. Remuneration Committee.<br/>4.13.1. Key functions of the remuneration committee should be the following:</p> <ul style="list-style-type: none"> <li>• 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;</li> <li>• 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;</li> <li>• Make proposals to the collegial body on suitable forms of contracts for executive directors and members of the</li> </ul>  | NO | Comities are not formed, see 4.7. |

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| <p>management bodies;</p> <ul style="list-style-type: none"> <li>• 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);</li> <li>• 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.</li> </ul> <p>4.13.2. With respect to stock options and other share-based incentives which may be granted to directors or other employees, the committee should:</p> <ul style="list-style-type: none"> <li>• Consider general policy regarding the granting of the above mentioned schemes, in particular stock options, and make any related proposals to the collegial body;</li> <li>• Examine the related information that is given in the company's annual report and documents intended for the use during the shareholders meeting;</li> <li>• 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.</li> </ul> <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> |  |  |
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| <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"> <li>• 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);</li> <li>• 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;</li> <li>• 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;</li> <li>• 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;</li> <li>• Monitor independence and impartiality of the external auditor, in particular by reviewing the audit company's compliance with applicable guidance relating to the rotation of audit partners, the level of fees paid by the company, and similar issues. In order to prevent occurrence of material conflicts of interest, the committee, based on the auditor's disclosed inter alia data on all remunerations paid by the company to the auditor and network, should at all times monitor nature and extent of the non-audit services. Having regard to the principals and guidelines established in the 16 May 2002 Commission Recommendation 2002/590/EC, the committee should determine and apply a formal policy establishing types of non-audit services that are (a) excluded, (b) permissible only after review by the committee, and (c) permissible without referral to the committee;</li> <li>• Review efficiency of the external audit process and responsiveness of management to recommendations made in the external auditor's management letter.</li> </ul> <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>NO</p> | <p>Comities are not formed, see 4.7.</p> |
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| <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 months, at the time the yearly and half-yearly statements are approved.</p> |    |  |
| <p>4.15. Every year the collegial body should conduct the assessment of its activities. The assessment should include evaluation of collegial body's structure, work organization and ability to act as a group, evaluation of each of the collegial body member's and committee's competence and work efficiency and assessment whether the collegial body has achieved its objectives. The collegial body should, at least once a year, make public (as part of the information the company annually discloses on its management structures and practices) respective information on its internal organization and working procedures, and specify what material changes were made as a result of the assessment of the collegial body of its own activities.</p>   | NO | The Board does not conduct any formal assessment of its activities. Company's activities, as well as Board's activities, are assessed by shareholders' according to the rules prescribed in the legislation. |
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**Principle V: The working procedure of the company's collegial bodies**

**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.**

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| <p>5.1. The company's supervisory and management bodies (hereinafter in this Principle the concept 'collegial bodies' covers both the collegial bodies of supervision and the collegial bodies of management) should be chaired by chairpersons of these bodies. The chairperson of a collegial body is responsible for proper convocation of the collegial body meetings. The chairperson should ensure that information about the meeting being convened and its agenda are communicated to all members of the body. The chairperson of a collegial body should ensure appropriate conducting of the meetings of the collegial body. The chairperson should ensure order and working atmosphere during the meeting.</p> | <p>YES</p> |  |
| <p>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 uninterrupted 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<sup>12</sup>.</p>  | <p>YES</p> | <p>In order to guarantee an uninterrupted resolution of the essential corporate governance issues, the Board's meetings are held whenever it is necessary.</p> |
| <p>5.3. Members of a collegial body should be notified about the meeting being convened in advance in order to allow sufficient time for proper preparation for the issues on the agenda of the meeting and to ensure fruitful discussion and adoption of appropriate decisions. Alongside with the notice about the meeting being convened, all the documents relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body are present or certain issues of great importance to the company require immediate resolution.</p>              | <p>YES</p> |  |

<sup>12</sup> 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.

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| <p>5.4. In order to co-ordinate operation of the company's collegial bodies and ensure effective decision-making process, chairpersons of the company's collegial bodies of supervision and management should closely cooperate by co-coordinating dates of the meetings, their agendas and resolving other issues of corporate governance. Members of the company's board should be free to attend meetings of the company's supervisory board, especially where issues concerning removal of the board members, their liability or remuneration are discussed.</p> | <p>Not applicable</p> | <p>Supervisory body is not set up in the Company, see 2.1.</p>   |
| <p><b>Principle VI: The equitable treatment of shareholders and shareholder rights</b></p> <p><b>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.</b></p>  |                       |  |
| <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.</p>  | <p>YES</p>            |  |
| <p>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.</p>   | <p>YES</p>            |  |
| <p>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.<sup>13</sup> All shareholders should be furnished with equal opportunity to familiarize with and participate in the decision-making process when significant corporate issues, including approval of transactions referred to above, are discussed.</p>   | <p>NO</p>             | <p>Negotiation and performance of transactions, such as transfer of property, investment, pledge and etc. are actions that substantially are treated as executive functions. Whereas management is attributed to the executive bodies, it is not assigned to General Shareholders Meeting.</p> |

<sup>13</sup> The Law on Companies of the Republic of Lithuania (*Official Gazette*, 2003, No 123-5574) no longer assigns resolutions concerning the investment, transfer, lease, mortgage or acquisition of the long-terms assets accounting for more than 1/20 of the company's authorised capital to the competence of the general shareholders' meeting. However, transactions that are important and material for the company's activity should be considered and approved by the general shareholders' meeting. The Law on Companies contains no prohibition to this effect either. Yet, in order not to encumber the company's activity and escape an unreasonably frequent consideration of transactions at the meetings, companies are free to establish their own criteria of material transactions, which are subject to the approval of the meeting. While establishing these criteria of material transactions, companies may follow the criteria set out in items 3, 4, 5 and 6 of paragraph 4 of Article 34 of the Law on Companies or derogate from them in view of the specific nature of their operation and their attempt to ensure uninterrupted, efficient functioning of the company.

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| <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>6.5. It is recommended that documents on the course of the general shareholders' meeting, including draft resolutions of the meeting, should be placed on the publicly accessible website of the company in advance<sup>14</sup>. It is recommended that the minutes of the general shareholders' meeting after signing them and/or adopted resolutions should be also placed on the publicly accessible website of the company. Seeking to ensure the right of foreigners to familiarize with the information, whenever feasible, documents referred to in this recommendation should be published in English and/or other foreign languages. Documents referred to in this recommendation may be published on the publicly accessible website of the company to the extent that publishing of these documents is not detrimental to the company or the company's commercial secrets are not revealed.</p> | <p>YES</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>6.7. With a view to increasing the shareholders' opportunities to participate effectively at shareholders' meetings, the companies are recommended to expand use of modern technologies in voting processes by allowing the shareholders to vote in general meetings via terminal equipment of telecommunications. In such cases security of telecommunication equipment, text protection and a possibility to identify the signature of the voting person should be guaranteed. Moreover, companies could furnish its shareholders, especially foreigners, with the opportunity to watch shareholder meetings by means of modern technologies.</p>   | <p>NO</p>  | <p>The Company thinks that at this time there is no need to organize voting using means of modern technologies. Moreover, such organization of voting would require large amounts of investment.</p> |

<sup>14</sup> The documents referred to above should be placed on the company's website in advance with due regard to a 10-day period before the general shareholders' meeting, determined in paragraph 7 of Article 26 of the Law on Companies of the Republic of Lithuania (Official Gazette, 2003, No 123-5574).

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

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

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| 7.1. Any member of the company's supervisory and management body should avoid a situation, in which his/her personal interests are in conflict or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory and management body should, within reasonable time, inform other members of the same collegial body or the company's body that has elected him/her, or to the company's shareholders about a situation of a conflict of interest, indicate the nature of the conflict and value, where possible.  | YES |  |
| 7.2. Any member of the company's supervisory and management body may not mix the company's assets, the use of which has not been mutually agreed upon, with his/her personal assets or use them or the information which he/she learns by virtue of his/her position as a member of a corporate body for his/her personal benefit or for the benefit of any third person without a prior agreement of the general shareholders' meeting or any other corporate body authorized by the meeting.   | YES |  |
| 7.3. Any member of the company's supervisory and management body may conclude a transaction with the company, a member of a corporate body of which he/she is. Such a transaction (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions) must be immediately reported in writing or orally, by recording this in the minutes of the meeting, to other members of the same corporate body or to the corporate body that has elected him/her or to the company's shareholders. Transactions specified in this recommendation are also subject to recommendation 4.5. | YES |  |
| 7.4. Any member of the company's supervisory and management body should abstain from voting when decisions concerning transactions or other issues of personal or business interest are voted on.  | YES |  |

**Principle VIII: Company's remuneration policy**

**Remuneration policy and procedure for approval, revision and disclosure of directors' remuneration established in the company should prevent potential conflicts of interest and abuse in determining remuneration of directors, in addition it should ensure publicity and transparency both of company's remuneration policy and remuneration of directors.**

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| <p>8.1. A company should make a public statement of the company's remuneration policy (hereinafter the remuneration statement). This statement should be part of the company's annual accounts. Remuneration statement should also be posted on the company's website.</p>   | NO | Statement of the Company's remuneration policy is not made, because, according to the Company's opinion, it is irrelevant and not obligatory according to the legislation. |
| <p>8.2. Remuneration statement should mainly focus on directors' remuneration policy for the following year and, if appropriate, the subsequent years. The statement should contain a summary of the implementation of the remuneration policy in the previous financial year. Special attention should be given to any significant changes in company's remuneration policy as compared to the previous financial year.</p>   | NO | See 8.1.   |
| <p>8.3. Remuneration statement should leastwise include the following information:</p> <ul style="list-style-type: none"> <li>• Explanation of the relative importance of the variable and non-variable components of directors' remuneration;</li> <li>• Sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration;</li> <li>• Sufficient information on the linkage between the remuneration and performance;</li> <li>• The main parameters and rationale for any annual bonus scheme and any other non-cash benefits;</li> <li>• A description of the main characteristics of supplementary pension or early retirement schemes for directors.</li> </ul> | NO | See 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>   | NO | See 8.1.   |
| <p>8.5. The information on preparatory and decision-making processes, during which a policy of remuneration of directors is being established, should also be disclosed. Information should include data, if applicable, on authorities and composition of the remuneration committee, names and surnames of external consultants whose services have been used in determination of the remuneration policy as well as the role of shareholders' annual general meeting.</p>   | NO | See 8.1.   |

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| <p>8.6. Without prejudice to the role and organization of the relevant bodies responsible for setting directors' remunerations, the remuneration policy or any other significant change in remuneration policy should be included into the agenda of the shareholders' annual general meeting. Remuneration statement should be put for voting in shareholders' annual general meeting. The vote may be either mandatory or advisory.</p>  | NO | See 8.1. |
| <p>8.7. Remuneration statement should also contain detailed information on the entire amount of remuneration, inclusive of other benefits, that was paid to individual directors over the relevant financial year. This document should list at least the information set out in items 8.7.1 to 8.7.4 for each person who has served as a director of the company at any time during the relevant financial year.</p> <p>8.7.1. The following remuneration and/or emoluments-related information should be disclosed:</p> <ul style="list-style-type: none"> <li>• 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;</li> <li>• The remuneration and advantages received from any undertaking belonging to the same group;</li> <li>• 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;</li> <li>• 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;</li> <li>• 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;</li> <li>• Total estimated value of non-cash benefits considered as remuneration, other than the items covered in the above points.</li> </ul> <p>8.7.2. As regards shares and/or rights to acquire share options and/or all other share-incentive schemes, the following information should be disclosed:</p> <ul style="list-style-type: none"> <li>• The number of share options offered or shares granted by the company during the relevant financial year and their conditions of application;</li> <li>• 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;</li> <li>• 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;</li> <li>• All changes in the terms and conditions of existing share options occurring during the financial year.</li> </ul> <p>8.7.3. The following supplementary pension schemes-related information should be disclosed:</p> <ul style="list-style-type: none"> <li>• When the pension scheme is a defined-benefit scheme, changes in the directors' accrued benefits under that scheme during the relevant financial year;</li> <li>• 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.</li> </ul> <p>8.7.4. The statement should also state amounts that the</p> | NO | See 8.1. |



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| <p>company or any subsidiary company or entity included in the consolidated annual financial statements of the company has paid to each person who has served as a director in the company at any time during the relevant financial year in the form of loans, advance payments or guarantees, including the amount outstanding and the interest rate.</p>  |           |   |
| <p>8.8. Schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements should be subject to the prior approval of shareholders' annual general meeting by way of a resolution prior to their adoption. The approval of scheme should be related with the scheme itself and not to the grant of such share-based benefits under that scheme to individual directors. All significant changes in scheme provisions should also be subject to shareholders' approval prior to their adoption; the approval decision should be made in shareholders' annual general meeting. In such case shareholders should be notified on all terms of suggested changes and get an explanation on the impact of the suggested changes.</p>  | <p>NO</p> | <p>See 8.1.<br/>New issue of shares and determination of minimal emission price, according to the legislation, is attributed to General Shareholders Meeting. All questions concerning issue of the Company's shares are met by General Shareholders Meeting.</p> |
| <p>8.9. The following issues should be subject to approval by the shareholders' annual general meeting:</p> <ul style="list-style-type: none"> <li>• Grant of share-based schemes, including share options, to directors;</li> <li>• Determination of maximum number of shares and main conditions of share granting;</li> <li>• The term within which options can be exercised;</li> <li>• The conditions for any subsequent change in the exercise of the options, if permissible by law;</li> <li>• 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.</li> </ul> <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> |           |   |
| <p>8.10. Should national law or company's Articles of Association allow, any discounted option arrangement under which any rights are granted to subscribe to shares at a price lower than the market value of the share prevailing on the day of the price determination, or the average of the market values over a number of days preceding the date when the exercise price is determined, should also be subject to the shareholders' approval.</p>   |           |   |

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| <p>8.11. Provisions of Articles 8.8 and 8.9 should not be applicable to schemes allowing for participation under similar conditions to company's employees or employees of any subsidiary company whose employees are eligible to participate in the scheme and which has been approved in the shareholders' annual general meeting.</p>  |  |  |
| <p>8.12. Prior to the annual general meeting that is intended to consider decision stipulated in Article 8.8, the shareholders must be provided an opportunity to familiarize with draft resolution and project-related notice (the documents should be posted on the company's website). The notice should contain the full text of the share-based remuneration schemes or a description of their key terms, as well as full names of the participants in the schemes. Notice should also specify the relationship of the schemes and the overall remuneration policy of the directors. Draft resolution must have a clear reference to the scheme itself or to the summary of its key terms. Shareholders must also be presented with information on how the company intends to provide for the shares required to meet its obligations under incentive schemes. It should be clearly stated whether the company intends to buy shares in the market, hold the shares in reserve or issue new ones. There should also be a summary on scheme-related expenses the company will suffer due to the anticipated application of the scheme. All information given in this article must be posted on the company's website.</p> |  |  |

**Principle IX: The role of stakeholders in corporate governance**

**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.**

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| <p>9.1. The corporate governance framework should assure that the rights of stakeholders that are protected by law are respected.</p>  | <p>YES</p> | <p>Stakeholders can participate in corporate governance in the manner prescribed by law of the Republic of Lithuania.</p> |
| <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> | <p>YES</p> |   |
| <p>9.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.</p>   | <p>YES</p> |   |

**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.**

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| <p>10.1. The company should disclose information on:</p> <ul style="list-style-type: none"> <li>• The financial and operating results of the company;</li> <li>• Company objectives;</li> <li>• Persons holding by the right of ownership or in control of a block of shares in the company;</li> <li>• Members of the company's supervisory and management bodies, chief executive officer of the company and their remuneration;</li> <li>• Material foreseeable risk factors;</li> <li>• Transactions between the company and connected persons, as well as transactions concluded outside the course of the company's regular operations;</li> <li>• Material issues regarding employees and other stakeholders;</li> <li>• Governance structures and strategy.</li> </ul> <p>This list should be deemed as a minimum recommendation, while the companies are encouraged not to limit themselves to disclosure of the information specified in this list.</p> | <p>YES<br/>YES<br/>YES<br/>NO<br/>YES<br/>YES<br/>NO<br/>YES</p> | <p>All information listed in this recommendation, except information on members of the Company's Board, Chief Executive Officer of the Company and their remuneration and material issues regarding employees and other stakeholders is disclosed in the Company's annual prospectus – reports and Company's announcements. Information on members of the Company's Board, Chief Executive Officer of the company and their remuneration and material issues regarding employees and other stakeholders is disclosed as much as it is required by the legislation. Additional information about the Company is provided on the Company's website.</p> |
| <p>10.2. It is recommended that consolidated results of the whole group to which the company belongs should be disclosed when information specified in item 1 of Recommendation 10.1 is under disclosure.</p>   | <p>NO</p>  | <p>The Company discloses only information related to the Company. Information about whole group to which the Company belongs is disclosed by parent company.</p>  |
| <p>10.3. It is recommended that information on the professional background, qualifications of the members of supervisory and management bodies, chief executive officer of the company should be disclosed as well as potential conflicts of interest that may have an effect on their decisions when information specified in item 4 of Recommendation 10.1 about the members of the company's supervisory and management bodies is under disclosure. It is also recommended that information about the amount of remuneration received from the company and other income should be disclosed with regard to members of the company's supervisory and management bodies and chief executive officer as per Principle VIII.</p>   | <p>NO</p>  | <p>Information about the amount of remuneration received from the Company and other income with regard to members of the Company's management bodies and Chief Executive Officer is not disclosed, as in the Company's opinion, it is irrelevant and not obligatory according to the legislation.</p>   |
| <p>10.4. It is recommended that information about the links between the company and its stakeholders, including employees, creditors, suppliers, local community, as well as the company's policy with regard to human resources, employee participation schemes in the company's share capital, etc. should be disclosed when information specified in item 7 of Recommendation 10.1 is under disclosure.</p>  | <p>NO</p>  | <p>Information related to stakeholders, the Company considers as necessary to disclose, is provided on the Company's website and in the press releases. The Company thinks that there is no need to disclose the same information in the Company's annual reports or by other special means. Moreover, such disclosure is not obligatory according to the legislation.</p>  |
| <p>10.5. Information should be disclosed in such a way that neither shareholders nor investors are discriminated with regard to the manner or scope of access to information. Information should be disclosed to all simultaneously. It is recommended that notices about material events should be announced before or after a trading session on the Vilnius Stock Exchange, so that all the company's shareholders and investors should have equal access to the information and make informed investing decisions.</p>  | <p>YES</p>   |   |

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| <p>10.6. Channels for disseminating information should provide for fair, timely and cost-efficient access to relevant information by users. It is recommended that information technologies should be employed for wider dissemination of information, for instance, by placing the information on the company's website. It is recommended that information should be published and placed on the company's website not only in Lithuanian, but also in English, and, whenever possible and necessary, in other languages as well.</p> | <p>YES</p> |  |
| <p>10.7. It is recommended that the company's annual reports and other periodical accounts prepared by the company should be placed on the company's website. It is recommended that the company should announce information about material events and changes in the price of the company's shares on the Stock Exchange on the company's website too.</p>   | <p>YES</p> |  |
| <p><b>Principle XI: The selection of the company's auditor</b></p> <p><b>The mechanism of the selection of the company's auditor should ensure independence of the firm of auditor's conclusion and opinion.</b></p>  |            |  |
| <p>11.1. An annual audit of the company's financial statements and report should be conducted by an independent firm of auditors in order to provide an external and objective opinion on the company's financial statements.</p>   | <p>YES</p> |  |
| <p>11.2. It is recommended that the company's supervisory board and, where it is not set up, the company's board should propose a candidate firm of auditors to the general shareholders' meeting.</p>  | <p>YES</p> |  |
| <p>11.3. It is recommended that the company should disclose to its shareholders the level of fees paid to the firm of auditors for non-audit services rendered to the company. This information should be also known to the company's supervisory board and, where it is not formed, the company's board upon their consideration which firm of auditors to propose for the general shareholders' meeting.</p>  | <p>YES</p> |  |

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