

***CITY*service**



City Service AB

Consolidated annual report for the 2008
(reviewed by auditors)

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

Approved by the Board of City Service AB on 14 April, 2009

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

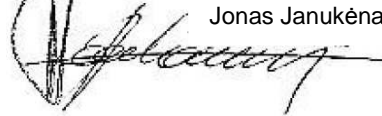
Following the Law on Securities of Republic of Lithuania and rules of preparation and submission of periodic and additional information of Lithuanian Securities Commission hereby confirm that City Service AB Consolidated annual report for the year 2008 (auditor reviewed) and Audited consolidated and parents company's Financial Statements for the year ended on 31 December 2008, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of activity results, assets, liabilities and financial position of City Service AB and the Group as well. To the our knowledge, there are no any concealed essential facts herein which may influence the value of the shares.

General manager



Žilvinas Lapinskas

Chief financial officer and head of administration



Jonas Janukėnas



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1. About the Company

1.1. City Service group

AB City Service together with the controlled subsidiaries is the facility management market leader in the Baltic States. The Company provides facility management administration; management of utility systems (heat and hot water supply, water supply and sewerage, ventilation and air conditioning, electric power supply, etc.); management of energy resources; provision of technical audit services and consultations on maintenance and energy resource use issues; supervision of various subcontractors (premise and territory management, protection, repairs and renovation, maintenance of gas supply systems, elevators, etc.); management of heating facility projects and renovation of energy facilities. In 2008, the Company and its subsidiaries provided facility management services throughout Lithuania, as well as in Latvia, St. Petersburg and Leningrad Oblast of the Russian Federation.

As of the end of 2008, City Service and its subsidiaries managed 11.4 million square metres of apartment buildings, various commercial and public buildings, offices and specialised sites such as kiosks, telephone booths and mobile communications stations all over Lithuania. The Company provides the management for heating facility renovation projects in Lithuania and foreign markets. As the price of energy resources in Lithuania have increased significantly, the company recently started focusing on activities aimed at reducing energy costs: it provides consultations on energy cost optimisation and actively participates in apartment building renovation programmes.

In 2008, City Service successfully implemented its key strategic goal: the active expansion of its activity. The Group increased the total area of managed facilities by 1.3 million sq. m. The expansion was mainly due to the acquisition of new companies which manage multi-dwelling apartment buildings.

The long-term goal of the City Service group of companies is expansion in the area of managed facilities to 27 million sq. m. by 2011–2012.

1.2. Mission and vision

Our mission is to provide our clients with the opportunity to focus on their core business, by providing them with effective facility management services and solutions.

Our vision is to remain the leader in the local market and to become a strong player in Eastern Europe.

To implement our mission and vision, we adhere to the following values:

We strive to expand our client base and we value our loyal clients. We know that perfection has no limits, and therefore we strive to improve.

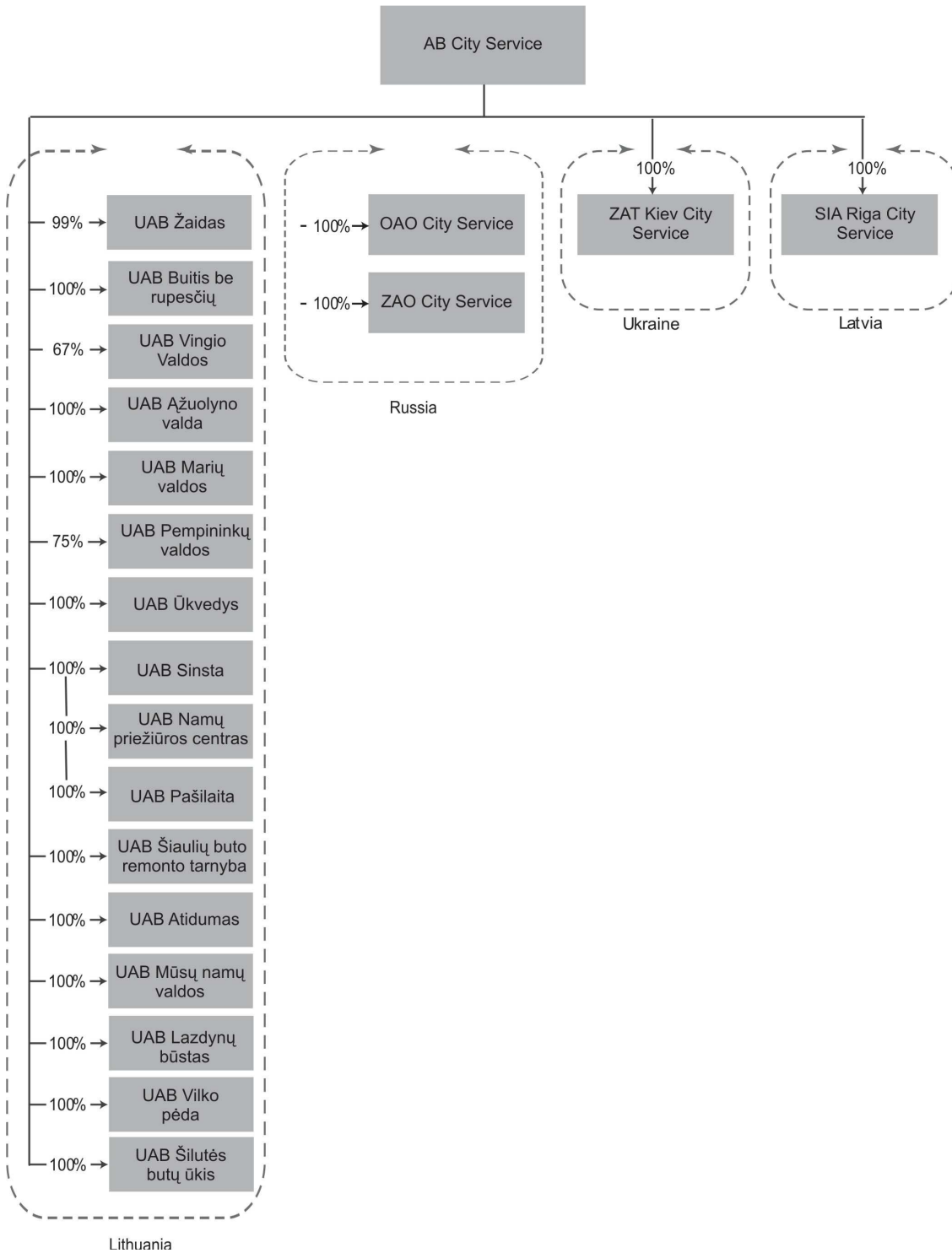
We believe that professional skills and conscientious employees constitute the foundation for company growth. Our specialists know their job and undergo continuous professional and personal development.

We believe that success in business lies not only in management skills, but also in social responsibility. We maintain friendly relationships in our workplace; we support communities and their initiatives, and take steps aimed at improving the quality of life.

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



1.3. Structure of the Group



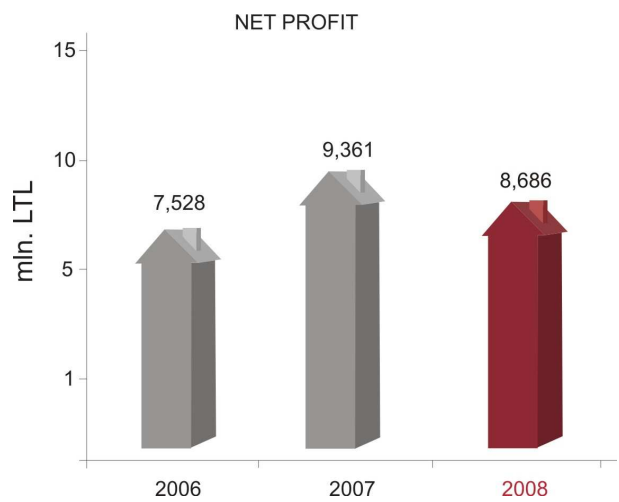
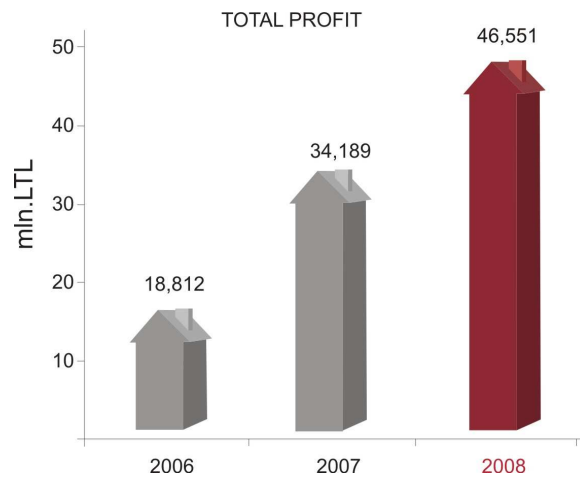
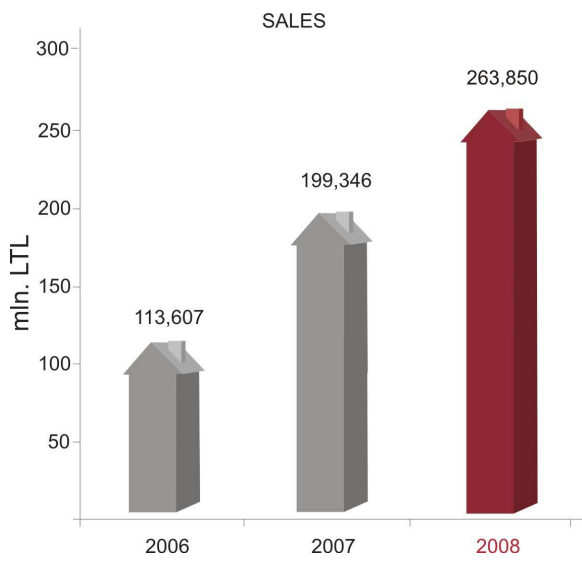
* Companies which implemented the activities in 2008. The management considers that the Company owns 100 % of the shares in OAO Spec RNU as of 31 December 2008, because the Company retains a call option to reacquire OAO Spec RNU, which was sold in December 2008 and exercises management control.



1.4. Key indicators of the Group

Key financial indicators	2006	2007	2008
Sales	113,607	199,346	263,850
Sales in the Lithuanian market	108,837	160,532	179,210
Sales in foreign markets (Baltic States and CIS)	4,770	38,814	84,640
Area administered in Lithuania (thousand sq. m)	5,237	7,520	8,945
Area administered in foreign markets (Baltic States and CIS)	1,377	2,580	2,476
Total profit	18,812	34,189	46,551
EBITDA	10,390	11,896	14,464
EBITDA margin	9.10%	5.97%	5.48%
Operating profit	7,544	10,472	12,440
EBIT margin	6.60%	5.25%	4.71%
Net profit	7,528	9,361	8,686
Net profit in foreign markets (Baltic States and CIS)	(1,007)	(223)	(1,866)
Net profit margin	6.60%	4.70%	3.29%
Profit per share (LTL)	0.44	0.52	0.45





1.5. Key events

February

City Service and Kaunas Municipal Government signed an agreement regarding the administration of leases for municipal residential premises (social housing). City Service began the management of municipal apartments in Kaunas, which comprise almost 194 thousand sq. m of residential area.

March

City Service and Vilnius Municipal Government signed the Lazdynų Būstas shares acceptance and transfer deed, whereby City Service acquired the title to 100 percent of the shares. City Service won the privatisation tender in April of 2007. The area of apartment buildings administered by Lazdynų Būstas in Vilnius totals 398 thousand sq. m.

City Service and Šilutė District Municipal Government signed Šilutės Butų Ūkis shares acceptance and transfer deed, whereby City Service acquired the title to 80.02 percent of the shares. City Service already owned 19.8 percent of Šilutės Butų Ūkis shares prior to the transfer. The area of facilities administered by Šilutės Butų Ūkis in Šilutė town and district totals 285 thousand sq. m.

April

Riga City Service, a subsidiary of City Service, won the Latvian state energy company Latvenergo tender for the maintenance of facilities and the territory of the distribution network operator Sadales Tīkls and finalised a contract with the said company for a period of 3 years. The contract will guarantee City Service revenue of LVL 1.36 million (approximately LTL 6.7 million).

City Service won a public tender announced by Pagėgiai Municipal Government and signed an agreement for the administration of apartment buildings in the entire territory of the municipality. The Company began the management of approximately 130 thousand sq. m of residential area in Pagėgiai municipality.

May

City Service offered real estate developers consultations on issues of facility maintenance and management, and energy resource cost optimisation.

June

The Board of City Service decided to participate in the establishment of the National Facility Administrators' Association, which will unite major Lithuanian facility management and maintenance companies.

July

City Service and Klaipėda District Municipal Government reached agreement on the maintenance of the electric power facilities of educational establishments.

August

City Service acquired 100 percent of the shares of Vilko Pėda. Vilko Pėda manages 310 thousand sq. metres in area of apartment buildings in Vilnius.

September

Swedbank and City Service reached agreement for a long-term loan of LTL 30 million intended to finance the development of the Group both in Lithuania and abroad.

October

City Service stopped using the services of intermediaries, and started to provide call centre services to its clients.

November

City Service won the facilities management tender announced by the Ministry of Defence of the Republic of Lithuania. By providing its services to the Ministry's sites, the company will earn LTL 1.3 million in revenue over two years.

December

City Service and Fervėja signed an agreement regarding increasing the authorised capital of Fervėja (a shares subscription agreement), and is preparing to takeover control of the company in the future. At that time, Fervėja had already signed an agreement regarding acquisition of the company Būsto Investicijų Valdymas, which controlled 100



percent of shares of Karoliniškių Būstas, Viršuliškių Ūkis, Naujamiesčio Būstas and Antakalnio Ūkis. The aforementioned companies administer a 1.9 million sq. m facilities area in Vilnius.

Recent events

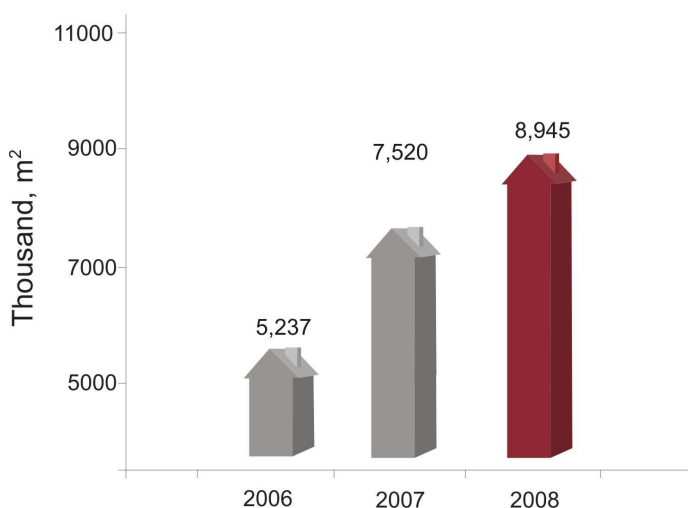
February

On February 6, City Service took over control of the company Fervėja, followed by the merging to the Group of companies Būsto Investicijų Valdymas, Karoliniškių Būstas, Viršuliškių Ūkis, Naujamiesčio Būstas, and Antakalnio Ūkis.

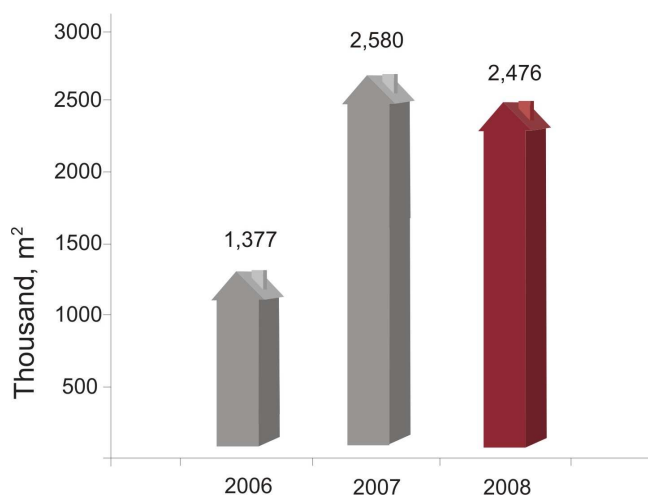
On February 23, the new Board of the Company was appointed. The newly appointed Board members include Andrius Janukonis and Darius Leščinskas who replaced Žilvinas Lapinskas and Valdas Jankauskas.

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

ADMINISTERED AREA IN LITHUANIA 2006 – 2008



ADMINISTERED AREA IN FOREIGN MARKETS 2006 – 2008



1.6. A word from the General Manager



Žilvinas Lapinskas

AB City Service General Manager

The year 2008 was an exceptional one for our Group, as we had numerous chances both to achieve records, face challenges and opportunities to improve.

I am delighted to inform you that in the course of the year we have implemented our key task: the successful expansion of the area of the facilities managed by City Service. Our group of companies has especially strengthened its position in Vilnius, where we acquired two apartment building management companies. We also undertook regional expansion: we acquired a company and started providing our services in apartment buildings in Šilutė and Pagėgiai, and strengthened our cooperation with Kaunas Municipal Government by becoming the administrators of social housing.

Last year was the most important year in the history of our Company as regards our operation in the Lithuanian apartment building management market. The end of the year was celebrated by commencing the acquisition of the Būsto Investicijų Valdymas group of companies: this group was the second largest apartment building management market player in Lithuania. We completed the transaction at the beginning of this year, thus increasing the area of the administered apartment buildings in Lithuania by as much as 29 percent: from 6.6 million sq. m to 8.5 million sq. m. At present, we administer a total area of 13.4 million sq. m of facilities in the Lithuanian and foreign markets.

The fierce competition in the commercial real estate management sector encouraged us to become even more attentive to our clients' needs. In time of economic hardship, we offered real estate owners, willing to follow proper planning laws and wishing to cut costs, a building energy audit and consultation service, which would ensure the preparation of cost-efficient building projects and a consequent reduction in facility management and energy resource costs. These steps allowed us to maintain our position in the market and reach agreements with key new clients.

This year, we continue to strengthen our position in foreign markets and look for new niches. We started the renovation of apartment buildings in Leningrad Oblast of Russia, which is financed by the fund established by federal authorities for that purpose. This year, we expect that financing will be allocated to the renovation of apartment buildings in St. Petersburg as well. Furthermore, we continue heating facility renovation projects in Russia. We undertook successful organic development in the Latvian market, where we expanded the administered area from 40 thousand sq. m to as much as 190 thousand sq. m.

The expansion of City Service was reflected in the results for the last year: compared to the preceding year, the Group's consolidated revenue increased by 32 percent to a total of LTL 263.8 million. The stable indicators of the main facility management activity encourage our optimism. However, several key factors (of which the sudden devaluation of the Russian rouble at the end of the year was the major one) prevented us from implementing the set profit forecasts. In 2008, the Group's profit totalled LTL 8.68 million and was 7.3 percent lower than in the preceding year.

This year, we plan to expand the City Service group of companies by acquiring some successfully operating facility management companies. We plan to take advantage of any privatisation tenders for enterprises managing apartment buildings owned by municipalities in Lithuania and abroad, and to continue active organic expansion. Old apartment building renovation is about to begin in Lithuania this year, and we plan to take part in this process and ensure our leader's position there as well.



2. Activities in Lithuania

2.1. Apartment building management

The management of multi-dwelling apartment buildings is one of the strategic directions of our activity. Our Group companies provide administration and maintenance services to apartment buildings where they are appointed administrators of communal facilities, apartment buildings where owners have established legal partnerships or concluded joint household contracts, as well as to suites, recreational and other types of buildings that have residential premises or apartments. At the end of 2008, 15 companies of the Group were involved in apartment building maintenance in Lithuania. Our services are used by residents of all major Lithuanian cities: Vilnius, Kaunas, Klaipėda, Šiauliai, Panevėžys, Alytus, Palanga, as well as Šilutė and Pagėgiai districts.

The Group's revenue from residential facilities management in Lithuania continued to increase significantly and last year amounted to LTL 61.2 million. At present, the maintenance of apartment buildings is our main source of revenue. This activity is also our key priority, and will remain so in the future.

The activity conditions, range of services, and requirements for service providers in the apartment building management market are regulated by the relevant institutions. The main apartment building management service pack comprises standard statutory (compulsory) administration and maintenance work such as the maintenance of heat and hot water supply systems, cold water and sewerage systems, electric power systems, and general structures, as well as the organisation of the supply of utilities.

Following the consolidation of the facility management companies, we are now able to use the turnover funds to finance the repair of roofs, staircases, and other structures and the internal systems of apartment buildings. This service, which was first offered to apartment building residents a few years ago, quickly became one of the most important advantages of our service, because we provided an opportunity to pay for the necessary repair work in instalments. Thanks to solutions of this kind, the quality of life in the apartment buildings administered by our companies has increased considerably; certain problems leading to inconvenience have been resolved, and there has been an increase in the efficiency of the use of energy resources.

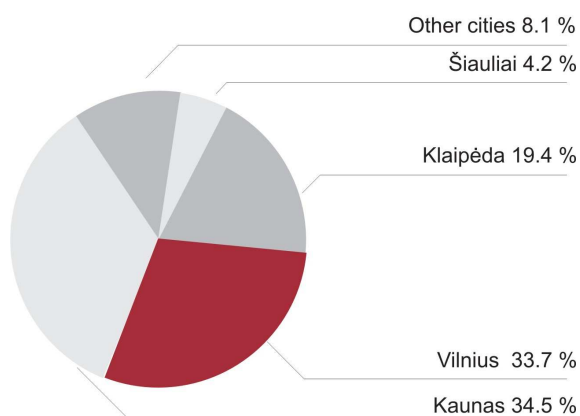
Last year, we continued our market consolidation in Lithuania and acquired three facility management companies. The Group was joined by Šilutės Butų Ūkis, servicing apartment buildings in Šilutė town and district, as well as in the territory of Pagėgiai Municipality after winning a public tender. We also acquired Vilko Pėda and Lazdynų Būstas, companies operating in Vilnius. Furthermore, last year we won the tender announced by Kaunas Municipal Government and started providing a new service, i.e. administration of social housing. In 2008, the area of apartment buildings managed by the Group in Lithuania increased from 4 million sq. m to 6.6 million sq. m, and our market share reached 20 percent.

In the autumn of 2008, we began the process of acquiring the group of companies controlled by Būsto Investicijų Valdymas (BIV). The procedures were completed at the beginning of this year. On acquiring BIV, we obtained four companies managing apartment buildings in Vilnius: Antakalnio Ūkis, Viršuliškių Būstas, Naujamiesčio Būstas, and Karoliniškių Būstas.

This transaction was one of the most important events in the history of the Group. On completion of the transaction, the area of the apartment buildings administered in Lithuania increased by 29 percent: from 6.6 million sq. m to 8.5 million sq. m.

The significant changes in the Group's development in the near future will call for the need to focus on internal processes. This year, we will concentrate on activity optimisation and the integration of the newly acquired companies into the overall structure. We will also look at company privatisation tenders for apartment building administration announced by municipal governments, and where possible participate in such tenders.

ADMINISTERED AREAS IN LITHUANIAN CITIES



2.2. Commercial and public facilities management

We have been offering facility management services to commercial sites since 1999. That year, we were the first company to offer real estate owners in Lithuania the opportunity to concentrate on their immediate activity and to entrust facility management to professionals.

Today, our commercial facilities services comprise facilities administration; maintenance, management, and repair of the general structures of buildings and of various utilities; supervision of cleaning, security, energy resource supply, subcontracting, and premise use related obligations; provision of utility services, and organisation of the provision of utility services. The company's clients take advantage of the opportunity which allows them to choose the most suitable facility management service pack and range of services, using their own discretion and based on their needs, and to agree on the maintenance, management, and repair work schedule and payment conditions within the framework set by legislation.

Thanks to our long-term facilities management experience and our highly qualified employees, last year we introduced some premium value added services to the market: assessment and certification of building energy efficiency, and consultation on issues of energy consumption and facility management cost cutting. Having introduced the said improvements, we expanded the scope of cooperation with our clients by including an additional stage to our cooperation - the pre-construction period - whereby design-related issues of importance to both real estate owners and administrators are usually dealt with.

It should be noted that competition in the commercial facilities management sector in Lithuania remains fierce. The Group's main competitors in the field of commercial facilities management in Lithuania include UAB YIT Technika, UAB Corpus A, and UAB Yglė. The severe competition determines the further expansion of the scope of the Group's services, as well as its flexibility, and the improvement of the maintenance system, the quality, and relevance.

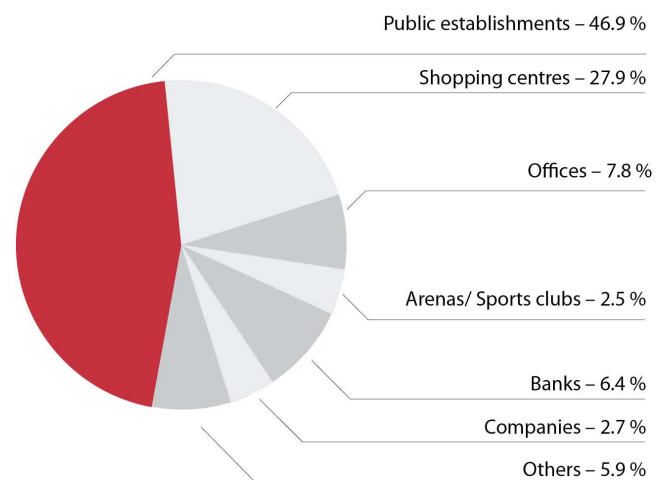
These steps in the field of commercial facility management in 2008 helped us to successfully maintain our market share. Our key clients still include all the major commercial banks, retail chains, Lithuania's largest telecommunications company TEO LT and we continue our cooperation with the real estate development companies Hanner, Baltic Property Trust, RE&solution, Realtus, MEI Baltija, and Eika. Last year, we strengthened our cooperation with SMI Lietuva by beginning the management of two more shopping centres owned by the company. Furthermore, we attracted a key new client – the construction materials and equipment trade operator Bauhof controlled by the Swedish investment fund Askembla Growth Fund. By the end of the year, the area of administered commercial facilities totalled 1.282 million sq. m.

Last year, we managed to maintain our leadership position in the Lithuanian commercial facilities market even in the face of fierce competition, not only thanks to the expansion of the range of services offered, but also thanks to the expansion of the variety and functionality of the sites that we administer. In addition to the traditional office and retail trade premises, we provide service to non-standard sites such as public catering companies, car service and maintenance centres, and hotels. We considerably expanded the list of the public establishments managed: we won the facilities management tenders announced by the Ministry of Defence and the Prison Department under the Ministry of the Interior.

We also expanded the list of managed facilities of educational establishments: we began the maintenance of electric power facilities at educational establishments in Klaipėda District. We have been cooperating with educational establishments since 2002: that year, we began supplying thermal energy, hot water, and providing maintenance and repair services to the said systems at Vilnius schools and kindergartens. By the end of last year, the area of administered area of educational establishments totalled 1.045 million sq. m.

This year, we plan to continue our expansion in the field of commercial facilities management by attracting new clients, expanding the range of services, and offering even more premium value added services.

ADMINISTERED AREAS BY TYPE



2.3. Energy facilities renovation

We undertook our first energy facilities renovation projects in 2000 on completion of an agreement with the enterprise Litesko controlled by the French energy company Dalkia. In 2002, we considerably expanded the scope of this activity by beginning cooperation with Vilniaus Energija, another enterprise of Dalkia.

At the beginning, we produced and installed thermal energy meters and heat supply stations. In 2003, we stopped the production but continued cooperation in the fields of renovation project expertise and thermal energy facilities renovation, by assuming the master contractor functions such as preparing and arranging with the clients the technical documentation for the procurement of subcontracting work, organising procurement tenders, analysing the bids, ascertaining the winners and finalising contracts with the winners, providing ongoing supervision of the work, assuring the quality of the work, and transferring the completed job to the clients.

In 2008, our clients followed the following four directions of investment: main heat reconstruction and new main heat construction, heat joint renovation and new heat station construction, boiler-room renovation, and heat meter checks and replacement. We provided heat facility renovation services in the process of reconstruction of boiler-rooms in Alytus, Telšiai, Marijampolė, Druskininkai, and Vilnius, as well as in the process of reconstruction of mains heat in Vilnius, Marijampolė, Alytus, Palanga, Druskininkai, Biržai, and Telšiai. The revenue received from these projects in 2008 totalled LTL 56 million.

Last year, due to the difficult financial situation of the Lithuanian heat facilities sector, the range of heat facilities renovation projects that we implemented decreased. We believe that these trends will continue this year as well. It should be emphasised that with the rapid expansion of the range of our main activities the share of revenue from the heat facilities renovation projects in the overall revenue of the Group will decrease.

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

2.4. Apartment building renovation

As last year saw a considerable increase in the costs of thermal energy and other energy resources, renovation projects dealing with the increase of energy efficiency of apartment buildings have gained a strategic importance. In accordance with the housing strategy approved by the Lithuanian Government, 80 percent of apartment buildings constructed prior to 1993 must be renovated by 2020. On the national scale, this number is approximately 17 thousand apartment buildings. The funds allocated for the renovation of these apartment buildings will total approximately LTL 25 billion. In Lithuania, the state had undertaken to support these projects several years ago, but due to insufficient financing the process of renovation has not actually begun.

One of the reasons for this is the fact that, previously, the process of renovation was not popular because state support was allocated only to investment projects prepared by apartment building co-owners' partnerships. Since such partnerships have been established in only one sixth of apartment buildings, the majority of the population could not apply for the support under the enforced procedures.

The Lithuanian Government by its Resolution No. 243 of March 5, 2008 undertook to provide partial financing of all apartment building renovation projects regardless of the project authors. The said Resolution of the Government has laid the proper foundations for a large-scale apartment building renovation programme in Lithuania.

The most recent resolutions of the Government, passed at the beginning of 2009, approved the principles for distribution of the support. By Government decision, the amount of support will depend on the area of the building to be renovated. It has also been stipulated that the prepared renovation projects must provide for the funds intended for project administration.

The Government decision is of key importance for our Group as well. As many as 87 percent of the apartment buildings administered by City Service are buildings constructed over 15 years ago. These buildings need to be renovated because their energy properties do not comply with the enforced legal requirements.

Our task is to become the leaders in the field of apartment building renovation in Lithuania. We believe that this objective is achievable because we have gained considerable experience in working with apartment building residents and know their expectations. We are also ready to facilitate and accelerate the renovation procedure as much as possible, and we



can do this among other things by allocating initial financing by way of conducting energy audits and preparing investment projects at our own expense. Last year, we initiated the first renovation projects in the apartment buildings that we manage. At present, the City Service group is ready to begin renovation work in 50 apartment buildings. Renovation will be carried out in accordance with the investment projects approved by the co-owners of the relevant apartment buildings. The value of the approved projects totals approximately LTL 75 million.

No legal obstacles to the renovation of apartment buildings remain: the current legislation and resolutions of the Lithuanian Government provide for all necessary conditions. It should be emphasised, however, that successful renovation of apartment buildings is only possible if certain state support is allocated. At present, the Government is preparing to allocate billions of litas of support, with the hope of rapid progress of the renovation works.

3. Activities in foreign markets

3.1. Russia

The year 2005 saw the beginning of the communal services reform in Russia, and private companies were allowed into the apartment building management market. This promised excellent opportunity for private facility management companies such as City Service: the Russian housing stock comprises an area of over 3 billion sq. m. We entered this lucrative market in 2006 by acquiring a company in St. Petersburg which was considered the flagship of the reform: apartment building management tenders were most rapid in this city. At the beginning of 2007, we acquired two more companies in St. Petersburg and, on reaching the administered area of 2.58 million sq. m, we became the largest private company in our sector.

Going further in the direction of market liberalisation, the Russian Duma approved amendments to legal acts which provided for more favourable conditions for private market players. In May of 2008, the deadline set by the Duma by which regional authorities had to organise and implement public administrator selection tenders with regard to the buildings which failed to select the administrators independently expired. It should be noted that as a consequence of this decision the market in St. Petersburg has become especially active. The share of the apartment buildings which chose the manner of administration and the administrator independently by the set deadline exceeded 90 percent. The administrators of the remaining apartment buildings were selected by way of tenders for a period of one year.

Furthermore, last year the fund through which Russian federal authorities invest in the renovation of apartment buildings became active. Plans are, that by 2010 the state will allocate RUR 240 billion to the fund, which will be distributed for the major repair of residential buildings and for the transfer of residents from emergency-condition buildings. The fund will encourage the restructuring of residential building management and utilities markets, because support will be allocated only to those constituent entities of the Russian Federation which implement a number of residential building and communal services reformation work and comply with the requirements set by the fund.

In the period 2008–2011, St. Petersburg hopes to receive up to RUR 8 billion from the fund, of which up to RUR 7 billion will be allocated to major repairs of apartment buildings. The support will be used in three years.

In 2008, we already received financing for the first stage of repair of apartment buildings and completed works for RUR 21.3 million in Kirovsk (Leningrad Oblast of Russia), where a company of the Group manages an area of 318 thousand sq. m of apartment buildings. This year, we already received RUR 37.7 million for the implementation of the second stage of repair of apartment buildings in Kirovsk. We expect that a further RUR 55.9 million will be allocated in the course of this year.

Management of apartment buildings is the main activity of our companies operating in Russia. In addition to this key activity, we also implement heat facility renovation projects: under agreements reached with local authorities, we provide apartment buildings with modern heat meters which enable elimination of the old procedures of calculation of fees based on set norms. Last year, the value of agreements concluded in St. Petersburg and Leningrad Oblast reached RUR 165 million.

The issue of apartment building heating and hot water system renovation will become even more important in Russia in the future, because during the course of the reform, the responsibility for apartment building maintenance will pass from the state to the residents, the residents will take a greater interest in cutting the costs of the thermal energy consumed. In 2008, St. Petersburg authorities invested RUR 1.4 billion in this field. This year, we will continue to participate in the tenders concerning the provision of new apartment buildings in St. Petersburg and Leningrad Oblast with heat meters.



The strategic goal of City Service in the Russian market remains the active expansion of its share in the apartment building administration and maintenance market. This year, we will focus on organic development with a view to signing long-term service agreements with communities of owners controlling individual buildings. Participation in the process of privatisation of state-controlled apartment building management companies also remains our priority.

3.2. Latvia

We entered the Latvian market in 2006 by incorporating our subsidiary Riga City Service, and have worked for a considerable time within the boundaries of the Latvian capital, Riga. Last year, Riga City Service went beyond these boundaries by reaching agreements with clients who need services throughout Latvia: these include Sadales Tikls, the division of the state energy company Latvenergo; and retail chains Iki and Elvi. Furthermore, we signed an important agreement with the real estate development company Hanner, thus for the first time expanding our cooperation with a Lithuanian capital company beyond the Lithuanian boundaries.

As a result of the conclusion of the new agreements, by the end of 2008 the area of the buildings administered by Riga City Service totalled 190 thousand sq. m.

For the time being our clients in the residential building sector in Latvia are only new apartment buildings unlike Lithuania, although we see certain opportunities for undertaking the management of old apartment buildings as well. The facilities management market in Latvia has not yet reached the level of that in Lithuania, because the privatisation of the state-controlled apartment building management companies in Latvia has not yet begun.

However, there are some serious competitors in the commercial facilities management market, of which the main competitor is SIA RBS Skals Serviss. In order to increase our competitiveness, we offered especially flexible services to our clients. Our experience enables us to provide services in any real estate sector and to adapt to individual client needs by undertaking specific tasks such as the provision of ventilation system maintenance services only. Being a flexible company, Riga City Service attracted some important clients such as the complex of the Latvia's tallest apartment buildings Panorama Plaza and one of Latvia's most luxurious hotels Europa Royale Riga.

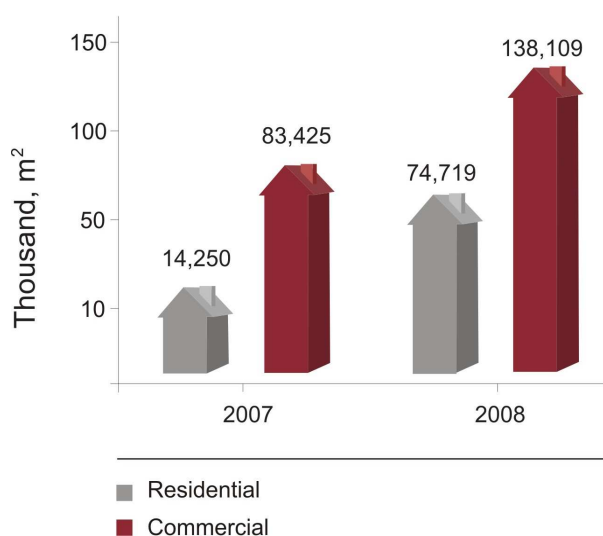
Current trends show that the number of tenders for integrated or individual facilities management services is on the rise; therefore, this year we will strive to strengthen our position in the commercial facilities management market. We will also take part in the tenders for the management of state-controlled sites.

3.3. Ukraine

In 2006, we incorporated our subsidiary Kiev City Service in Ukraine. Although the political and economic instability in this country in recent years has forced us to postpone our active development plans, we still view the Ukrainian market as an attractive one and will not abandon our plans to strengthen our position here.

At present, our specialists in Ukraine are searching for some heat facility renovation projects similar to those being implemented in Lithuania. We are also waiting for the beginning of the communal services reform, and, when the situation in the country becoming more stable, we will enter the Ukrainian apartment building management market.

ADMINISTERED AREAS IN LATVIA 2006 - 2008



4. Key risk activity types and uncertainties

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

The salary related competition defined as one of the key risk factors in 2007 is not important this year. On the contrary, as the unemployment rate is on the rise, we now have the chance to choose the required employees. A greater concern may be provoked by the decreasing solvency of the population; thus we strengthen our debt control mechanisms and narrow down the service pack in the apartment building management sector.

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

2008 saw no major changes influencing the Company's activity or the volume of activity, or any agreement dissolutions by clients.

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

2008 saw no major changes in the legislation regulating apartment building administration and maintenance, and no resolutions providing for any significant additional obligations of service providers were passed. The supervisory institutions did not document any major non-compliance of services with the compulsory legislation. The number of apartment buildings which refused to use the services of the Group's companies in 2008 is not significant.

The main financial risks and uncertainties related to the Company's activity are reflected in the explanatory note to the 2008 consolidated financial statements (Note 28).

5. Employees

Last year, the City Service group of companies continued to grow. The Group was joined by Lazdynų Būstas and Vilko Pėda operating in Vilnius, as well as Šilutės Butų Ūkis administering apartment buildings in Šilutė and Pagėgiai municipalities. By the end of 2008, the Group had 1,621 employees.

New specialists can start work easily in the company and familiarise themselves with the work principles and values of the company thanks to the new employee adaptation system whose implementation was completed last year. Personnel adaptation is a process whereby newly hired employees familiarise themselves with the enterprise's structure, internal procedures, and other useful information which ensures proper first steps in the company.

We continually try to keep the specialists having long-term experience in the field of facilities management within the Company and to attract new ones. The fact that the sector we work in has not been seriously influenced by the current



economic difficulties provides us with an advantage in the search for a qualified workforce. Construction companies who were our most serious competitors in the labour market began dismissing greater numbers of employees in the second half of the year. We are able to offer competitive salaries and jobs in a stable sector to qualified employees, and thus invite new members to our team.

As in previous years we offered intensive training courses to technical and administrative staff, facilities administrators and managers were developing their skills during a series of seminars dedicated to the issues of client care. The overall improvement of personnel competencies and qualifications ensured an even better quality service and client care. With a view to improving the effectiveness of the processes taking place within the Company, in 2008 together with the applied programming company Labbis we started the implementation of an integrated system which will enable us to optimise and automate working hours and salary accounting, account handling, client relations and internal task and document management, and the overall provision of services.

In 2008, we began the improvement of the employee remuneration and incentive system. This enabled us to review the criteria for establishment of the variable portion of salaries and the payment mechanism. We also initiated a study of the salaries paid in companies undertaking maintenance of utilities systems, in which we analysed the trends in the field of base salaries and bonuses paid based on the results achieved. Adhering to the methods of the international research company Mercer, we implemented the base salary system which enables us to assess all positions within the Company and categorise them in certain groups and classes. Based on these criteria, we defined the salary levels. The business management consulting and training company OVC Consulting assisted us in the development of the system.

The most significant change that took place in the organisational structure of the Company last year was the introduction of the position of the Executive Manager for Lithuania. The Executive Manager for Lithuania is responsible for the activities of the Group in Lithuania and the implementation of apartment building renovation projects and together with the General Manager takes care of the expansion of the Group in Lithuania. The introduction of this position enabled the General Manager of the Company to focus on the management of the expansion of the Group abroad, and enabled the Executive Manager for Lithuania to focus on the improvement of the efficiency of activities of the Group and on the development of an optimum management structure.

Distribution of employees by educational degrees held*:

Education	Company	Group
Graduate academic	132	331
Graduate non-academic	15	100
Higher education	42	267
College education	229	616
Secondary education	56	676
Comprehensive	12	123

* In the table the employee who works in several companies of the Group can be marked several times.



Distribution of employees by positions:

Group of the employees	Company	Average monthly wage (salary) * (before taxes, in LTL)	Group	Average monthly wage (salary) * (before taxes, in LTL)
Managing personnel	11	10,804	22	8,172
Specialists and technical personnel	475	2,090	1,436	1,928

* 15 percent decrease is forecasted in 2009.

Distribution of the number of employees by countries:

Countries	Company	Group
Lithuania, Latvia	486	969
Russia	-	652
Total	486	1,621

6. Social and environmental responsibility

The activities that we undertake enable us to maintain close day by day relations with a wide part of the general public. We try to be as client-centred as possible, and our work contributes to solving some of the most acute problems and to improvement of the quality of life.

Among other things, we actively support and initiate social responsibility projects which go far beyond our main activity. The key priority of our social responsibility policy is the provision of fully-fledged support to local communities. We initiate various social and educational projects in the cities where we work, and pay major attention to youth and family leisure.

Sport

We organise our traditional renovation work of basketball grounds next to apartment buildings in major Lithuanian cities, in this way we are attentive not only to sports lovers but are also encouraging people to take care of communal property.

In order to help maintain the traditions of the sport that is considered the second religion in Lithuania, we support the Amateur Basketball League in Kaunas.

Support of city festivals

We strengthen our partnership with cities and regions where we work by supporting the events which have old traditions. Last year, we supported Christmas and New Year events in Kaunas, the Sea Festival in Klaipėda, and the installation of the decorative lighting in Kaunas Castle dedicated to the 600th anniversary of Kaunas city self-governance and the 1000th anniversary of mentioning of Lithuania's name.



Prior to the song and dance festival held by the Kaunas Municipal Government and dedicated to the 90th anniversary of independence of Lithuania, we renovated the Dainų Valley that is so popular with the city residents. Our employees produced and replaced the tribune seats.

Community support

In order to encourage social activity, we supported the activities of local communities. In Kaunas, we concluded cooperation agreements with the Dainava and Girsta communities that are serviced by our companies, and provided assistance to the educational and cultural events held by these communities. One of the directions of our support is arranging of infrastructure. At the request of the Kaunas Centro Seniūnija (Ward), our employees installed seats and waste bins in the playground next to the Kaunas Castle, and on their own initiative repaired the fountain located in the Rotušės Square in the Old Town.

In Vilnius, we support the communities that are being formed in the newly constructed residential quarters: last year, we contributed to the Christmas event held by the Perkūnkiemis Quarter residents by giving the community a Christmas tree as a present.

Educational projects

We help our largest group of clients the residents of apartment buildings to improve the quality of life not only by undertaking our immediate activities, but also by initiating social and educational projects and campaigns. Our initiatives not only educate the feeling of community and home life among the residents of apartment buildings, but also ensure certain practical benefits such as putting in order the communal premises of apartment buildings and the elimination of unauthorised changes introduced into the utilities systems.

Last year, we developed, at our own expense, and implemented in three major cities of the country the social project "Let's respect your neighbours: let the heating be honest". During the project, apartment building maintenance specialists familiarised the general public with the peculiarities of the functioning of the building internal heating and hot water supply systems and with the negative consequences produced as a result of unauthorised access to these systems. The project received the support from the State Energy Inspectorate. Thanks to the project, high-quality heating supply in several dozen apartment buildings was restored, and residents of the apartment buildings were informed about the procedures for preparation and arrangement of the heating system reconstruction.

For the second year in a row, we contribute to the promotion of an environmental worldview by organising together with the company EMP Recycling a large-scale collection of electrical waste which is harmful to the environment. Only very few people know about the opportunity to give their old fridges, TV sets, and computers for recycling. Therefore, more often than not they dispose of old electrical devices by leaving them in the household waste containers, keeping them in staircases and basements, and in the worst cases – by leaving them in city parks and by riversides. The goal of the event held in cooperation with electrical waste processing companies was to reduce the number of such instances. The residents of the three major cities of the country where the event took place collected almost 5,000 kilograms of electrical waste.

Environmental responsibility

In the spring of 2008, we became the voluntary sponsors of the European efficient lighting programme (GreenLight). This initiative of the European Commission is aimed at cutting indoor and outdoor lighting energy costs on the European scale. This way, pollutant emissions are effectively reduced and climate warming is prevented. At present, this programme has almost 400 partners and 190 sponsors. On becoming participants of the programme, we try to implement it in the buildings that we administer: for example, we replaced the old cost-inefficient lighting at the Savas shopping centre, which became the programme partner, with a modern solution.

Our efforts in the field of environmental protection were rewarded: we received an award for excellent energy saving results from the Energy Trophy contest supported by the European Commission. The objective of the Energy Trophy contest held within the European Union is energy and energy cost saving, and the reduction of CO₂ emission on the European scale. The contest participants were encouraged to do this by applying passive and costless energy saving measures. 130 participants (companies, public entities, and universities) from 17 EU states took part in the contest, of which five participants were Lithuanian companies.



7. Board and management

7.1. The Board of the Company

Members of the Board of the Company as of December 31, 2008:

Name and surname	Position	Start of term	End of term
Gintautas Jaugielavičius	Board Chairman	October 6, 2005	October 6, 2009
Arūnas Mačiuitis	Board Member	October 6, 2005	October 6, 2009
Valdas Jankauskas	Board Member	May 11, 2007	October 6, 2009
Žilvinas Lapinskas	Board Member	May 11, 2007	October 6, 2009

By decision of the extraordinary general meeting of shareholders of AB City Service held on February 23, 2009, two board members were recalled and two new board members were elected. As of today, the Board of the Company comprises the following:

Name and surname	Position	Start of term	End of term
Andrius Janukonis	Board Chairman	February 23, 2009	October 6, 2009
Arūnas Mačiuitis	Board Member	October 6, 2005	October 6, 2009
Gintautas Jaugielavičius	Board Member	October 6, 2005	October 6, 2009
Darius Leščinskas	Board Member	February 23, 2009	October 6, 2009

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





Andrius Janukonis

Andrius Janukonis (born in 1971) is the Chairman of the Board of AB City Service (since 2009). He graduated from the Faculty of Law of Vilnius University and holds a Master's degree in Law. Previously, he worked as the Commercial Director of UAB Rubikon (1991–1994) and was General Manager of UAB Rubikon Prodimpeksas (1994–1998). He also worked as a consultant at UAB Rubikon City Service (1999–2005). At present, he is a member of the board of UAB Litesko (since 1999), a member of the board of UAB Vilniaus Energija (since 2002), as well as chairman of the council of the Lithuanian Heat Supplier's Association (since 2005) and a member of the Lithuanian Committee of the World Energy Council since 2005). He works as a consultant for UAB Rubicon Group and is the chairman of the board of the company (since 2004). Andrius Janukonis holds the title to 146,432 shares of the Company and is also a shareholder of UAB Rubicon Group. In 2008, the Company did not pay any compensation or other amounts to this Board Member.

Arūnas Mačiuitis

Arūnas Mačiuitis (gimė 1967 m.) yra AB „City Service“ valdybos narys (nuo 2005 m.). Jis Arūnas Mačiuitis (born in 1967) is a Member of the Board of AB City Service (since 2005). He graduated from Vilnius University and holds an educational degree in Economics. Previously, he worked as the Financial Director of UAB Rubikon Prodimpeksas (1993–1998) and Director of UAB Rubikon (2003–2004). He also worked as a consultant for UAB Rubikon Apskaitos Sistemose (2001–2004) and AB City Service (2004–2005). At present, he works as a consultant for UAB Rubicon Group and is a member of the board of the company (since 2004). Arūnas Mačiuitis holds the title to 146,432 shares of the Company and is also a shareholder of UAB Rubicon Group. In 2008, the Company did not pay any compensation or other amounts to this Board Member.



Gintautas Jaugielavičius

Gintautas Jaugielavičius (born in 1971) is a Member of the Board of AB City Service (since 2005). He graduated from the Faculty of Economics of Kaunas University of Technology and holds a Bachelor's degree in Economics. Previously, he worked as the Commercial Director (1995–1997) and Director (1997–1999) of UAB Bora, and Technology Director (1999 – 2001) and adviser (2001–2005) of City Service. He also worked as the Director of UAB Verslo Plėtros Ir Administravimo Agentūra (1999–2001). At present, he is the chairman of the board of UAB Axis Industries (since 2005), and works as a consultant for UAB Rubicon Group and is a member of the board of the company (since 2004). Gintautas Jaugielavičius holds the title to 146,432 shares of the Company and is also a shareholder of UAB Rubicon Group. In 2008, the Company did not pay any compensation or other amounts to this Board Member.

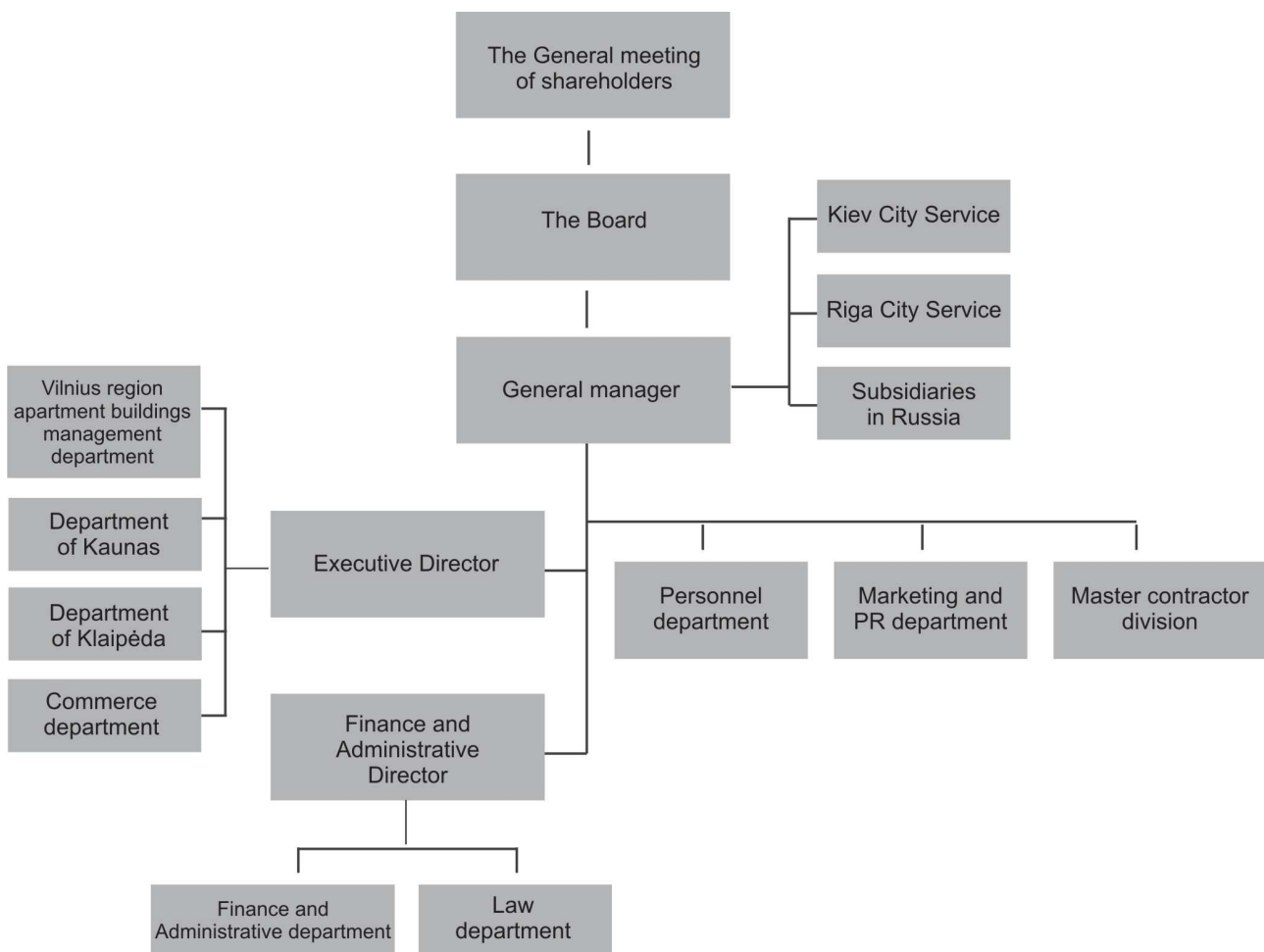


Darius Leščinskas

Darius Leščinskas (born in 1968) is a Member of the Board of AB City Service (since 2009). He graduated from the Faculty of Law of Vilnius University and holds a Master's degree in Law. Previously, he worked as the Director (1990–1993) and Executive Director (1995–2000) of UAB Rubikon Prodimpeksas, and General Manger of UAB Rubikon (1993–1995). He also worked as a consultant for UAB Rubikon (1997–2007), UAB Rubicon City Service (2001–2003), and UAB Vilniaus Pramogų Parkas (2003–2004). At present, he works as a consultant for UAB Rubicon Group and is a member of the board of the company (since 2004). Darius Leščinskas holds the title to 146,432 shares of the Company and is also a shareholder of UAB Rubicon Group. In 2008, the Company did not pay any compensation or other amounts to this Board Member.



7.2. Management of the Company



As of December 31, 2008 and as of date of submission of this report, the key managers of the Company and of the Group are as follows:

Name and surname	Position within the Company	Began work
Žilvinas Lapinskas	General Manager	February 2004
Vytautas Turonis	Executive Manager for Lithuania	May 2004
Jonas Janukėnas	Foreign Markets Head	July 2002
Arūnas Kubilius	Financial and Administrative Director	May 2007
Oleg Vichtiuk	Director of Russian subsidiaries	August 2006

They do not control any shares of the Company.



Žilvinas Lapinskas

Žilvinas Lapinskas (born in 1976) is the General Manager of AB City Service (since 2004). He completed business administration studies at Kaunas Business College. Prior to coming to work at the Company, he worked as a sales administrator (1996–1997) and regional sales administrator (1997–1999) with UAB Rubikon Prodimpeksas. He started working in the Company in 1999 and worked as the Commercial Director (1999–2002) and the Facilities Management Department Head (2002–2004).

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

Vytautas Turonis

Vytautas Turonis (born in 1972) is the Executive Director of AB City Service (since 2008). He graduated from the International Business School of the Faculty of Economics of Vilnius University, where he was awarded the Bachelor's degree in International Business. He also undertook internship studies at Tampere University of Technology (Finland). He worked as the Marketing Manager of UAB Freiga (2002–2003), was the Vice-President of UAB CasLin Baltic (1999–2003), and the Marketing Manager of UAB Specialus Autotransportas (2003–2004). He started work in the Company as the Market Development Department Director (2004–2008).

Vytautas Turonis, the Market Development Department Director, was responsible for the Group's activities and development in Western Lithuania and for preparation for implementation of apartment building renovation projects; on taking up the position of Executive Director, he became responsible for the Group's activities throughout Lithuania.





Jonas Janukėnas

Jonas Janukėnas (born in 1976) is the Financial and Administrative Director of AB City Service (since 2007). He graduated from Vytautas Magnus University and holds a Master's degree in Business Administration. Prior to coming to work at the Company, he worked as the Senior Auditor and Risk Management Consultant at the Vilnius division of Andersen (1998–2001), the Financial Controller at UAB Litesko (2001–2002), and the Financial Director of UAB Litesko (2002–2007).

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

Arūnas Kubilius

Arūnas Kubilius (born in 1962) is the Foreign Markets Head of AB City Service (since 2007) and the General Manager of ОАО Сити Сервис (from 2008). He graduated from the Faculty of Mechanics of Vilnius Gediminas Technical University, where he was awarded the qualification of Mechanical Engineer. Previously, he worked as the Chief Engineer at the Healthcare Department of Vilnius Municipal Government (1986–1994), Director of UAB Gintaro Kambarys (1996–1999), and Head of the Real Estate and Other Facilities Management of UAB Hanner (2000–2002). He started to work within the Company as the Facilities Management Department Director (2002–2007).

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



Olegas Viktorovičius Vichtiukas

Oleg Viktorovich Vikhtiuk (Russian: Олег Викторович Вихтюк) (born in 1967) is the Development Director of ОАО Сити Сервис (since 2006). He holds a Ph.D. in Economics (2005), and also studied at the St. Petersburg University of Engineering and Economics, where he was awarded a qualification in the field of state and municipal administration (2003). Previously, he was the Vice-President of the North-Western Social and Political Technology Centre (2002–2003), the adviser for housing and communal facilities issues of the governor of St. Petersburg (2003), and the head of the Apartment Co-Owners Communities and Apartment Building Management Companies Department of the St. Petersburg Housing Committee (2003–2006).

OАО Сити Сервис Development Director Oleg Viktorovich Vikhtiuk is responsible for the Group's development in Russia.



8. Financial overview

	2008	2007	2006	Change 2008-2007 (thousand LTL)	Change (%)
Key financial indicators					
Sales	263,850	199,346	113,607	64,504	32%
Gross profit	46,551	34,189	18,812	12,362	36%
EBITDA	14,464	11,896	10,390	2,568	22%
Operating profit	12,440	10,472	7,544	1,968	19%
Net profit	8,686	9,361	7,528	(675)	(7)%
Factors that had a major impact on financial results					
Agreement acquisition losses	-	(703)	-	-	-
Effect of discounting of accounts receivable	(651)	-	-	-	-
Realisation of negative goodwill on OAO RSP acquisition	-	-	1,486	-	-
Currency Exchange loss	(1,710)	-	-	-	-
Operating profit prior to the factors having a major impact	12,440	11,175	7,544	1,265	11%
Net profit prior to the factors having a major impact	11,047	10,064	6,042	983	10%
Margins					
Gross profit margin	17.64%	17.15%	16.60%	0.5%	2.9%
Operating margin	4.7%	5.3%	6.60%	(0.5)%	(10.2)%
Net profit margin	3.3%	4.7%	6.60%	(1.4)%	(29.9)%
<i>Margins prior to the factors having a major impact:</i>					
Gross profit margin	17.64%	17.15%	16.60%	0.5%	2.9%
Operating margin	4.71%	5.61%	6.60%	(0.9)%	(15.9)%
Net profit margin	4.19%	5.05%	5.30%	(0.9)%	(17.1)%
Results and key financial indicators by geographical segments					
<i>Lithuania:</i>					
Sales	179,210	160,532	108,837	18,678	12%
Net profit	10,552	11,284	8,535	(732)	(6)%
Net profit margin	5.89%	7.03%	7.80%	(1.14)%	(16)%
Impairment of accounts receivable	(105)	(294)	(922)	189	(64)%
Impairment of accounts receivable and sales ratio (%)	0.06%	0.18%	0.85%	(0.12)%	(68)%
<i>Latvia</i>					
Sales	2,673	272	-	2,401	883%
Net profit	(575)	(443)	-	(132)	30%
Net profit margin	22%	(163)%	-	2	(113)%
<i>CIS states:</i>					
Sales	81,967	38,542	4,770	43,425	113%
Net profit	(1,291)	(1,480)	(1,007)	189	(13)%
Net profit (adjusted for currency exchange loss and accounts receivable discounting effect)	1,070	(777)	(1,007)	1,847	(238)%
Net profit margin	(1.6)%	(3.8)%	(21)%	2.26%	58.98%
Adjusted net profit margin	1.31%	(2.02)%	(21)%	3.32%	164.75%
Impairment of accounts receivable	(3000)	(1,451)	(131)	(1,549)	107%
Impairment of accounts receivable and sales ratio (%)	3.7%	3.8%	2.70%	(0.10)%	(2.78)%

A more comprehensive overview of the financial results of the Group and of the Company is presented in the explanatory notes to the 2008 consolidated annual financial statements.



9. Historical trading information

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

In 2008 trading in shares of City Service, AB corresponded with trends on Baltic and global equity markets.

City Service, AB and OMX Baltic Benchmark GI indexes development since 2007

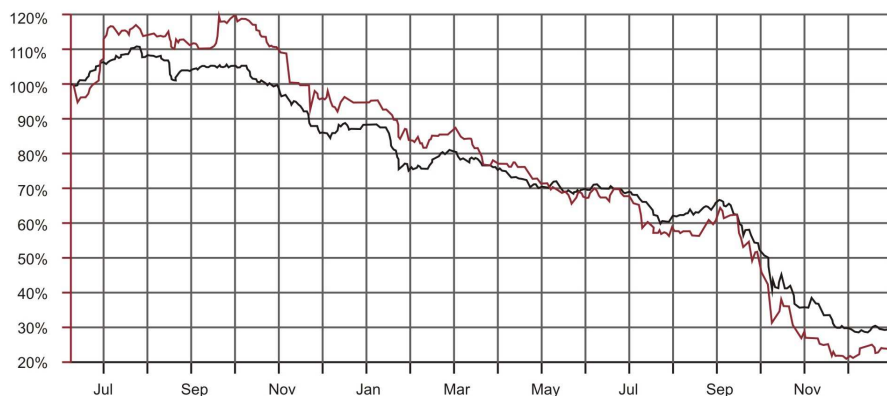
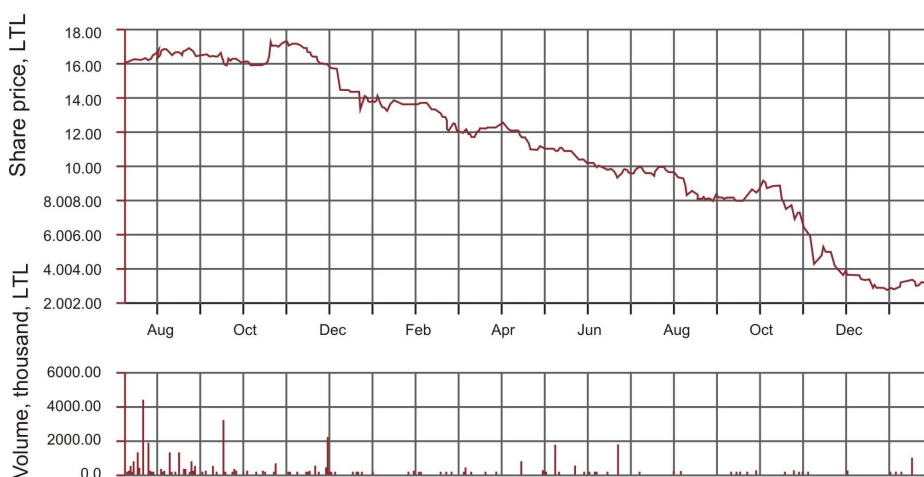


Chart data:

Index/Equity

- City Service
- OMX Baltic Benchmark GI

City Service, AB share price and volume since 2007



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

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

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

11. Data about issuers securities traded on regulated markets

In period from 1 January 2008 till 31 December 2008 all 19.110.000 ordinary registered shares of the Company were included into Official List of Vilnius Stock Exchange, nominal value of one share – LTL 1 each. ISIN Code of the shares is LT0000127375, trading code of the shares on Vilnius Stock Exchange – CTS1L.

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

12. The structure of the Company's share capital

In period from 1 January 2008 till 31 December 2008 authorised share capital of the Company was LTL 19,110,000. The share capital of the Company is divided into 19,110,000 registered ordinary shares, nominal value of LTL 1 each.

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

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

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

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

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

The property rights of the shareholders:

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

The non-property rights of the shareholders:

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



- other non-property rights prescribed by the laws of the Republic of Lithuania.

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

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

The General Meeting shall have the exclusive right to:

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

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

On the decision to increase share capital of the Company that was adopted after the report period

On 23 February 2008 Extraordinary General Shareholders Meeting of the Company was held and the decisions to increase the authorized share capital of the Company from shareholders' additional contributions was adopted. Considering the fact that the shareholders of the Company pursue expand Company's activity and obtain funds for the acquisitions of new facility management companies, shareholders of the Company decide to increase the authorized share capital of the Company from LTL 19,110,000 (EUR 5,534,638) to LTL 26,110,000 (EUR 7,561,978) by issuing 7,000,000 new ordinary registered shares with nominal value of LTL 1.00 (EUR 0,29) each. The shareholders decided to grant the pre-emptive right for the Company's shareholders that owned Company's shares on the end of the rights record day of the General Shareholders Meeting (9 March 2009) to acquire new issued shares proportionally to the nominal value of the owned Company shares.

On the day of submission of this report the above mentioned shareholders' decision is not implemented.



13. Shareholders of the Company

On 31 December 2008 the total number of shareholders of the Company was 1018.

On 31 December 2008 directly or together with the associated persons more than 5 percent of Company's share capital was owned by Rubicon group UAB, company code 300021944, address Konstitucijos av. 7, Vilnius, and below in the table listed individuals, who control Rubicon group UAB.

The distribution of the Company's shares among the shareholders on 31 December 2008:

	Number of shares held	Owned percentage of the share capital and votes, %
Rubicon group UAB	13,303,544	69.62%
Rubicon group UAB shareholders:		
Andrius Janukonis	146,434	0.766%
Darius Leščinskis	146,434	0.766%
Arūnas Mačiuitis	146,432	0.766%
Rimantas Bukauskas	146,432	0.766%
Gintautas Jaugielavičius	146,432	0.766%
Linas Samuolis	146,432	0.766%
Remigijus Lapinskas	146,432	0.766%
Other private and institutional shareholders*	4,781,428	25.02%
Total	19,110,000	100%

* Including 1,058,203 (5.5 percent) of Company shares controlled by AS Hansabank clients, legal code 10060701, address Liivalaia 8, Tallinn, Estonia, and 1,114,360 (5.8 percent) of Company shares controlled by Nordea Bank Finland PLC., company code 513752, address Fabianinkatu 29B, FIN-00020 Merita Helsinki, owned by non-related individuals and legal persons which own securities accounts in the said banks.

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

14.1. Shareholders with special control rights

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

14.2. Agreements between the shareholders

In the prospectus of public offering of the Company's shares contains the information that Rubicon group UAB and the related shareholders of the Company, i.e. seven individuals specified in the table above, will not offer for sale, will not sell or otherwise transfer and will not intend to transfer the Company's shares owned by the ownership right, except for the shares offered during public offering, without prior written consent of AB bank "Swedbank" implementing public offering of the Company's shares within the period of 360 days from the beginning of trade in the Company's shares on the Vilnius Stock Exchange (8 June 2007). The restriction ended in the begging of June 2008.



At the General Meeting of the Company of 28 March 2007, the shareholders took the decision to allocate at least 25 percent (twenty-five per cent) of the net profit of the financial year after (i) deduction of unappropriated loss of previous financial year (if any), and (ii) compulsory deductions to the reserve for payment of dividends each year during appropriation of the profit of the last reporting period (starting from appropriation of profit for 2007).

Except for the abovementioned agreements between the shareholders and in part "8. Restrictions on the transfer of securities and restrictions on voting" presented pledge, to the best knowledge of the Company and its management, there were no any other agreements between the shareholders, including the agreements which may impose restrictions on the transfer of securities and/or restrictions on voting rights within the year 2008.

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

The major shareholder of the Company, Rubicon group UAB, has pledged the part of its shares, i.e. 10,258,500 units, which constitutes 53.68 per cent of the authorized capital of the Company to the bank. The right to transfer, pledge or dispose of the abovementioned shares otherwise has been restricted. All other property and non-property rights of Rubicon group UAB, as the shareholder, are free from any encumbrances or restrictions.

To the best knowledge of the Company and its management, the transfer of the shares was free from any restrictions, except for the abovementioned restriction on the transfer of the Company's shares, in 2008.

To the best knowledge of the Company and its management, the voting rights were free from any other restrictions on the shares issued by the Company, except for those specified above, in 2008. To the best knowledge of the Company, all shareholders of the Company have the voting right in the General Meeting.

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

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

The amendments of Company's Articles of Association within year 2008

On 29 October 2008 Extraordinary General Shareholders Meeting of the Company adopted the decision to change the clause 2 "Company's objectives and activity" of Company's Articles of Association.

New version of the Company's Articles of Association was registered in Lithuanian register of enterprises on 4 November 2008, to get familiarized with it is possible on the Company's website www.cityservice.lt.



17. Bodies of the Company and its competence

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

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

17.1. Board of the Company

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

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

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

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

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

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



The Board shall analyse and assess the Company's draft annual financial statements and draft of profit/loss appropriation and shall submit them to the General Meeting. The Board shall determine the methods used by the Company to calculate the depreciation of tangible assets and the amortisation of intangible assets.

The Board shall be responsible for convocation of the General Meeting and its arrangement on time.

17.2. General Manager of the Company

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

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

The Manager of the Company shall be entitled to conclude contracts, agreements with third persons, undertake obligations and acquire rights on behalf of the Company at his own discretion.

The Manager of the Company is entitled and shall be responsible for:

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

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

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

19. Related party transactions

Related party transactions are provided in the Explanatory Note No. 30 to the Consolidated Annual Financial Statements for the year 2008.



20. Information on compliance with the Corporate Governance Code

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

21. Data on publicly disclosed information

Since 1 January 2008 till 31 December 2008 the Company publicly disclosed in NASDAQ OMX GlobeNewswire system the following information:

Announcement	Type	Language	Date
On the intentions to acquire Fervėja UAB	Notification on material event	Lt, En	2008-12-19 18:00:30 EET
City Service AB Group interim information for the nine months of 2008	Interim information	Lt, En	2008-11-17 18:00:30 EET
Decisions of the Extraordinary General Shareholders Meeting of City Service AB	Notification on material event	Lt, En	2008-10-29 16:58:30 EET
Draft decisions for the Extraordinary General Shareholders Meeting of City Service AB	Notification on material event	Lt, En	2008-10-17 16:45:30 EEST
Notice on Extraordinary General Shareholders Meeting of City Service AB	Notification on material event	Lt, En	2008-09-26 16:00:30 EEST
On City Service Group's financial forecast for 2008	Additional information	Lt, En	2008-09-22 14:30:30 EEST
CORRECTION: City Service AB announces Consolidated Interim Financial Statements for the six months of 2008	Interim information	Lt, En	2008-09-08 17:41:30 EEST
On City Service AB cooperation with Hansabankas	Other information	Lt, En	2008-09-01 18:23:30 EEST
City Service AB interim information for the six months of 2008	Interim information	Lt, En	2008-08-29 19:42:30 EEST
On acquisition of Vilko pėda UAB shares	Notification on material event	Lt, En	2008-08-28 23:00:30 EEST
On establishment of National association of building administrators	Notification on material event	Lt, En	2008-06-18 15:21:30 EEST



Announcement	Type	Language	Date
City Service Group consolidated results for first quarter of 2008	Interim information	Lt, En	2008-05-26 09:53:30 EEST
City Service AB presentation for investors	Other Information	Lt, En	2008-05-14 17:00:31 EEST
On plans of City Service Group for 2008	Notification on material event	Lt, En	2008-05-12 09:47:30 EEST
City Service AB signed an agreement with Pagėgiai municipality	Other information	Lt, En	2008-04-29 08:55:31 EEST
Decisions of the Ordinary General Shareholders Meeting of City Service AB	Notification on material event	Lt, En	2008-04-28 14:10:30 EEST
Supplemented comment on City Service Group annual information and consolidated audited results for the year 2007	Annual information	Lt, En	2008-04-21 12:19:30 EEST
City Service Group annual information and consolidated audited results for the year 2007	Annual information	Lt, En	2008-04-18 21:39:30 EEST
Draft decisions for the Ordinary General Shareholders Meeting of City Service AB	Notification on material event	Lt, En	2008-04-18 21:35:30 EEST
A subsidiary of City Service AB won a open tender by Latvenergo AS	Other information	Lt, En	2008-04-01 09:44:31 EEST
Notice on Ordinary General Shareholders Meeting of City Service AB, code 123905633, registration Konstitucijos av. 7, Vilnius	Notification on material event	Lt, En	2008-03-28 18:00:30 EET
On acquisition of Šilutės butų ūkis UAB shares	Notification on material event	Lt, En	2008-03-21 09:11:30 EET
On acquisition of Lazdynų būstas UAB shares	Notification on material event	Lt, En	2008-03-05 23:45:30 EET
Additional information on AB City Service group results of 2007	Additional information	Lt, En	2008-03-03 09:55:30 EET
City Service AB Group consolidated results for the year 2007	Interim information	Lt, En	2008-02-29 18:38:30 EET
City Service AB won a Kaunas municipality open tender	Other information	Lt, En	2008-02-04 09:44:30 EET
On a privatization of Šilutės butų ūkis UAB	Notification on material event	Lt, En	2008-01-14 10:03:30 EET



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

22.1. Reporting period of the consolidated annual report

This consolidated annual report is prepared for the period of the year 2008, ended on 31 December 2008.

22.2. Issuer City Service AB, data and contacts

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

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

Addresses and contacts of the structural subdivisions:

Kaunas subdivision:

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

Klaipėda subdivision:

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

Šiauliai subdivision:

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

Panevėžys subdivision:

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

Utena subdivision:

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

Marijampolė subdivision:

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

Alytus subdivision:

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



22.3. City Service group, data and contacts

On 31 December 2008 the City Service group consists of City Service AB and the following subsidiaries (hereinafter referred to as „the Group“):

Company	Country	Share of the stock held by the Group as of 31 December 2006	Share of the stock held by the Group as of 31 December 2007	Share of the stock held by the Group as of 31 December 2008	Main activities
UAB Žaidas	Lithuania	99%	99%	99%	Administration of dwelling-houses
UAB Vingio valdos	Lithuania	100%	100%	100%	Administration of dwelling-houses
UAB Buitis be rūpesčių	Lithuania	100%	100%	100%	Administration of dwelling-houses
UAB Sostinės Naujienos	Lithuania	100%	100%	100%	Dormant
UAB Ažuolyno valda	Lithuania	100%	100%	100%	Administration of dwelling-houses
UAB Marių valdos	Lithuania	86%	100%	100%	Administration of dwelling-houses
UAB Pempininkų valdos	Lithuania	75%	87,3%	87,3%	Administration of dwelling-houses
* UAB Namų priežiūros centras	Lithuania	-	100%	100%	Administration of dwelling-houses
UAB Mūsų namų valdos	Lithuania	-	100%	100%	Administration of dwelling-houses
ОАО Сити Сервис	Russia	100%	100%	100%	Administration of dwelling-houses
ЗАО Сити Сервис	Russia	100%	100%	100%	Administration of dwelling-houses
** UAB Pašilaita	Lithuania	-	100%	100%	Administration of dwelling-houses
*** ОАО Спец РНУ (pilnas pavadinimas – ОАО Специализированное ремонтно-наладочное управление)	Russia	-	100%	100%	Construction and engineering
SIA Riga City Service	Latvia	100%	100%	100%	Administration of dwelling-houses
ZAT Kiev City Service	Ukraine	100%	100%	100%	Administration of dwelling-houses
UAB Sinsta	Lithuania	-	100%	100%	Dormant
UAB Atidumas	Lithuania	-	100%	100%	Dormant
UAB Ūkvedys	Lithuania	-	100%	100%	Administration of dwelling-houses
UAB „Lazdynų būstas“	Lithuania	-	-	100%	Administration of dwelling-houses
UAB „Vilko pėda“	Lithuania	-	-	100%	Administration of dwelling-houses
UAB Šilutės butų ūkis	Lithuania	-	19,82%	99,84%	Administration of dwelling-houses
**** UAB Šiaulių butų remonto tarnyba	Lithuania	-	100%	100%	Construction

* UAB Namų priežiūros centras is owned 100% by UAB Sinsta;

** UAB Pašilaita is owned 100% by UAB Namų priežiūros centras;

*** The management considers that the Company owns 100 % of the shares in ОАО Spec RNU as of 31 December 2008, because the Company retains a call option to reacquire ОАО Spec RNU, which was sold in December 2008 and exercises management control,

**** UAB Šiaulių butų remonto tarnyba is owned 100% by UAB Atidumas.

Subsidiaries operating in Vilnius and Kaunas, Lithuania

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

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

Name	UAB „Pašilaita“
Legal form:	Limited liability company
Date and place of registration:	9 July 1992, Board of Vilnius City
Company code:	121474935
The registered address of the company:	Medeinos st. 8A; LT-06112 Vilnius, Lithuania
The principal place of business:	Medeinos st. 8A; LT-06112 Vilnius, Lithuania



Information on bank account: LT627044060001677664, Swedbank AB
 Contacts of the company: phone (+370 5) 2474755, fax (+370 5) 2480444, e-mail –
 Website: centras@npc.lt
 Registration data about the company stored: Register of Enterprises of Republic of Lithuania, VĮ “Registru centras”

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

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

Name UAB „Lazdynų būstas“
 Legal form: Limited liability company
 Date and place of registration: 9 July 1992., Board of Vilnius City
 Company code: 121449348
 The registered address of the company: Architektų st. 13; LT-04118 Vilnius , Lietuva
 The principal place of business: Architektų st. 13; LT-04118 Vilnius , Lietuva
 Information on bank account: LT257300010000557453, Swedbank AB
 Contacts of the company: phone (+370 5) 2457447, fax (+370 5) 2447901,
 e-mail - darius.zabarskas@cityservice.lt
 Registration data about the company stored: Register of Enterprises of Republic of Lithuania, VĮ “Registru centras”

Name UAB „Sinsta“
 Legal form: Limited liability company
 Date and place of registration: 19 June 2007., Board of Vilnius City
 Company code: 300883852
 The registered address of the company: Konstitucijos av. 7, Vilnius , Lietuva
 The principal place of business: Konstitucijos av. 7, Vilnius , Lietuva
 Information on bank account: LT407300010111695709, Swedbank AB
 Contacts of the company: phone (+370 5) 239 49 00, fax (+370 5) 239 48 48,
 e-mail – edvinas.paulauskas@cityservice.lt
 Registration data about the company stored: Register of Enterprises of Republic of Lithuania, VĮ “Registru centras”

Subsidiaries operating in Klaipėda, Lithuania:

Name UAB „Buitis be rūpesčių“
 Legal form: Limited liability company
 Date and place of registration: 12 June 1992, Board of Klaipėda City
 Company code: 140524848
 The registered address of the company: Taikos av. 117, LT-94231, Klaipėda, Lithuania
 The principal place of business: Taikos av. 117, LT-94231, Klaipėda, Lithuania
 Information on bank account: LT 81730001000230293, Swedbank AB
 Contacts of the company: phone (+370 46) 363571, fax (+370 46)363571
 e-mail – birute.jevdokimenko@cityservice.lt
 Registration data about the company stored: Register of Enterprises of Republic of Lithuania, VĮ “Registru centras”

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



Name UAB „Vingio valdos“
 Legal form: Limited liability company
 Date and place of registration: 12 June 1992, Board of Klaipėda City
 Company code: 140524990
 The registered address of the company: I.Simonaitytės st. 29, LT-95131, Klaipėda, Lithuania
 The principal place of business: Taikos av. 117, LT-94231, Klaipėda, Lithuania
 Information on bank account: LT 35730001000230248, Swedbank AB
 Contacts of the company: phone (+370 46) 363571, fax (+370 46) 363571
 e-mail – birute.jevdokimenko@cityservice.lt
 Registration data about the company stored: Register of Enterprises of Republic of Lithuania, VĮ “Registru centras”

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

Name UAB „Marių valdos“
 Legal form: Limited liability company
 Date and place of registration: 2 June 1992, Board of Klaipėda City
 Company code: 140514359
 The registered address of the company: Minijos st. 130, LT-93244, Klaipėda, Lithuania
 The principal place of business: Minijos st. 130, LT-93244, Klaipėda, Lithuania
 Information on bank account: LT 25718050000467253, AB „Šiaulių bankas“
 Contacts of the company: phone (+370 46) 343103, fax (+370 46) 342702,
 e-mail – virginijus.dobrovolskas@cityservice.lt
 Registration data about the company stored: Register of Enterprises of Republic of Lithuania, VĮ “Registru centras”

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

Name UAB „Pempininkų valdos“
 Legal form: Limited liability company
 Date and place of registration: 12 June 1992, Board of Klaipėda City
 Company code: 140514544
 The registered address of the company: Šilutės rd. 40, LT-94137, Klaipėda, Lithuania
 The principal place of business: Šilutės rd. 40, LT-94137, Klaipėda, Lithuania
 Information on bank account: LT 627300010002300653, Swedbank AB
 Contacts of the company: phone/fax (+370 46) 341 811, e-mail – pemvaldos@takas.lt
 Registration data about the company stored: Register of Enterprises of Republic of Lithuania, VĮ “Registru centras”

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

Name UAB „Ažuolyno valda“
 Legal form: Limited liability company
 Date and place of registration: 16 August 1991, Board of Klaipėda City
 Company code: 140337065
 The registered address of the company: Kauno st. 5, LT-91156 Klaipėda, Lithuania
 The principal place of business: Kauno st. 5, LT-91156 Klaipėda, Lithuania
 Information on bank account: LT 864010042300585664, AB DnB NORD bankas
 Contacts of the company: phone/fax (+370 46) 383935,
 e-mail – virginijus.dobrovolskas@cityservice.lt
 Registration data about the company stored: Register of Enterprises of Republic of Lithuania, VĮ “Registru centras”

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

Name UAB „Mūsų namų valdos“
 Legal form: Limited liability company
 Date and place of registration: 16 August 1991, Board of Klaipėda City
 Company code: 140336725
 The registered address of the company: S. Daukanto st. 37, Klaipėda, Lithuania



The principal place of business: S. Daukanto st. 37, Klaipėda, Lithuania
 Information on bank account: LT197300010002320730, AB "Swedbank"
 Contacts of the company: phone (+8 46) 412229, fax (+8 46) 412229
 e-mail – virginijus.dobrovolskas@cityservice.lt
 Registration data about the company stored: Register of Enterprises of Republic of Lithuania, VĮ "Registru centras"

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

Name UAB „Šilutės butų ūkis“
 Legal form: Limited liability company
 Date and place of registration: 13 November 1990.,
 Company code: 177000697
 The registered address of the company: Cintjoniškių st. 13; LT-99116 Šilutė, Lithuania
 The principal place of business: Cintjoniškių st. 13; LT-99116 Šilutė, Lithuania
 Information on bank account: LT517300010002585546, AB "Swedbank"
 Contacts of the company: Phone/fax (8 441) 62 050, e-mail - butuukis@takas.lt
 Registration data about the company stored: LR juridinių asmenų registras, VĮ „Registru centras“. Klaipėdos filialas.

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

Subsidiaries operating in Šiauliai, Lithuania:

Name UAB „Atidumas“
 Legal form: Limited liability company
 Date and place of registration: 1 June 1992, 13 March 1995 re-registered as UAB "Atidumas", Board of Šiauliai City
 Company code: 144619514
 The registered address of the company: Žemaitės st. 20, LT-77167 Šiauliai, Lithuania
 The principal place of business: Žemaitės st. 20, LT-77167 Šiauliai, Lithuania
 Information on bank account: LT 837300010002397954, AB "Swedbank"
 Contacts of the company: phone (+370 41) 525040, fax (+370 41) 526480
 e-mail – atidumas2@splius.lt
 Registration data about the company stored: Register of Enterprises of Republic of Lithuania, VĮ "Registru centras"

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

Name UAB „Ūkvedys“
 Legal form: Limited liability company
 Date and place of registration: 1 June 1992, 13 March 1995 re-registered as UAB "Ūkvedys", Board of Šiauliai City
 Company code: 144619471
 The registered address of the company: Žemaitės st. 20, LT-77167 Šiauliai, Lithuania
 The principal place of business: Žemaitės st. 20, LT-77167 Šiauliai, Lithuania
 Information on bank account: LT 65718000005467005, AB "Šiaulių bankas"
 Contacts of the company: phone (+370 41) 525040, fax (+370 41) 526480
 e-mail – ukvedys@splius.lt
 Registration data about the company stored: Register of Enterprises of Republic of Lithuania, VĮ "Registru centras"

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

Name UAB „Šiaulių butų remonto tarnyba“
 Legal form: Limited liability company
 Date and place of registration: 29 December 2001, Municipality of Šiauliai City
 Company code: 145823772
 The registered address of the company: Žemaitės st. 20, LT-77167 Šiauliai, Lithuania
 The principal place of business: Žemaitės st. 20, LT-77167 Šiauliai, Lithuania



Information on bank account: LT 197300010040236284, AB "Swedbank"
 Contacts of the company: phone (+370 41) 525042, fax (+370 41) 526480
 e-mail – tarnyba@splius.lt
 Registration data about the company stored: Register of Enterprises of Republic of Lithuania, VĮ "Registru centras"

Subsidiary operating in Alytus and Kaunas, Lithuania:

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

Subsidiaries operating in Latvia, Russia Federation, Ukraine:

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

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

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



Name
Legal form: **ОАО "Специализированное ремонтно-наладочное управление"**
Date and place of registration: public company with the limited liability
Company code: (открытое акционерное общество)
The registered address of the company: 2 June 2003, St. Petersburg, Russia
The principal place of business: 044030791
Contacts of the company: 195009, St. Petersburg, Бобруйская ул., д.5
phone (+7 812) 4585569, fax (+7 812) 4585569, e-mail –
specnu@rambler.ru
Registration data about the company stored: St. Petersburg Kalinin region Federal taxing inspection (Инспекция
Федеральной налоговой службы по Калининскому району Санкт-
Петербурга)

Name
Legal form: **ЗАТ „Київ Сіті Сервіс“**
Date and place of registration: Limited liability company
Company code: 16 August 2006, Municipality of Kiev City, Ukraine
The registered address of the company: 34576553
The principal place of business: Київ, вул. Патріса Лумумби, 15-А
Registration data about the company stored: Київ, вул. Патріса Лумумби, 15-А
Municipality of Kiev City



Annex 1

To City Service AB Consolidated annual report for year 2008

City Service AB disclosure on compliance with the Governance Code for the Companies listed on Vilnius Stock Exchange in 2008

City Service AB, 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 /NOT APPLICABLE	COMMENTARY
<p>Principle I: Basic Provisions</p> <p>The overriding objective of a company should be to operate in common interests of all the shareholders by optimizing over time shareholder value.</p>		
<p>1.1. A company should adopt and make public the company's development strategy and objectives by clearly declaring how the company intends to meet the interests of its shareholders and optimize shareholder value.</p>	<p>Yes</p>	<p>Main trends and objectives of development and of the Company were publicly announced and emphasized in 2007 and 2008 annual reports. The trends of development of the Company are also disclosed by the essential events and reports to investors about the activities of the Company announced by the Company, periodical reports, communications presented in the statements of the managers of the Company in the press.</p>
<p>1.2. All management bodies of a company should act in furtherance of the declared strategic objectives in view of the need to optimize shareholder value.</p>	<p>Yes</p>	<p>The Board of the Company has formed the long-term and short-term strategic objectives of the development of the activities of the Company. The Management of the Company, managers of respective fields make every effort for the implementation of these objectives – the structure of Company and divisions of the companies of the group is optimized, the qualification of responsible persons and specialists is raised.</p>
<p>1.3. A company's supervisory and management bodies should act in close co-operation in order to attain maximum benefit for the company and its shareholders.</p>	<p>Yes</p>	<p>The Board is formed in the Company, which represents the interests of shareholders of the Company. The Board of the Company takes the strategic decisions, adopts the strategy of activities of the Company, annual budget, etc. The decisions adopted by the Board shall be implemented by the General Manager of the Company, who is directly responsible to the Board as well as the responsible managers of respective fields, who are subordinate to him. The Board of the Company also performs the maintenance of the implementation of the above-mentioned strategic decisions. The Board representing the shareholders' interests holds sessions according to the need and continuously maintains the direct contact with the General Manager of the Company as well as the Manager of Finance and Administration.</p>



<p>1.4. A company's supervisory and management bodies should ensure that the rights and interests of persons other than the company's shareholders (e.g. employees, creditors, suppliers, clients, local community), participating in or connected with the company's operation, are duly respected.</p>	Yes	<p>The managing bodies of the Company seek, in their activities, to ensure the interests of all persons related to the activities of the Company. The Management of the Company as well as the managers of separate fields give much time to communication with clients, suppliers, separate owners (residents) of the blocks of flats, in order to find the most optimum solutions. The particularity of activities of the Company determines that the clients, local community are periodically informed about the activities of the Company, the issues important to the community, being dealt with.</p> <p>The Company follows the obligations undertaken and set out in the legal acts and it helps to maintain the long-term relationships with its business partners, ensure the long-term development of activities of the Company.</p> <p>The employees of the Company are continuously informed by the Management and managers of separate fields about the news in the activities of the Company, internal changes. The events are organized for the employees, the employees' opinion surveys are conducted, the motivational system is continuously improved.</p>
<p>Principle II: The corporate governance framework</p> <p>The corporate governance framework should ensure the strategic guidance of the company, the effective oversight of the company's management bodies, an appropriate balance and distribution of functions between the company's bodies, protection of the shareholders' interests.</p>		
<p>2.1. Besides obligatory bodies provided for in the Law on Companies of the Republic of Lithuania – a general shareholders' meeting and the chief executive officer, it is recommended that a company should set up both a collegial supervisory body and a collegial management body. The setting up of collegial bodies for supervision and management facilitates clear separation of management and supervisory functions in the company, accountability and control on the part of the chief executive officer, which, in its turn, facilitate a more efficient and transparent management process.</p>	No	<p>There is one collegiate managing body in the Company – Board of 4 (four) members. The Supervisory Board is not formed.</p> <p>The General Manager of the Company is responsible to the Board and periodically informs as well as accounts to the Board regarding the activities of the Company, course of implementation of strategic decisions. Members of the Board are not related to the daily activities of the Company and implementation of decisions; therefore, the Board may effectively ensure the function of control of activities.</p>
<p>2.2. A collegial management body is responsible for the strategic management of the company and performs other key functions of corporate governance. A collegial supervisory body is responsible for the effective supervision of the company's management bodies.</p>	Yes	<p>The Board performs these functions in the Company, as specified in Clause 2.1.</p>
<p>2.3. Where a company chooses to form only one collegial body, it is recommended that it should be a supervisory body, i.e. the supervisory board. In such a case, the supervisory board is responsible for the effective monitoring of the functions performed by the company's chief executive officer.</p>	No	<p>It is followed in part. The Board of the Company performs the functions of the Supervisory Board. In this period of activities of the Company, the Board is, beside its functions of strategic management, able to properly perform the supervision of implementation of adopted strategic decisions as well as the control of management of the Company; therefore, there is no objective need for forming the Supervisory Board. The Supervisory Board may be formed in the future, if needed.</p>



2.4. The collegial supervisory body to be elected by the general shareholders' meeting should be set up and should act in the manner defined in Principles III and IV. Where a company should decide not to set up a collegial supervisory body but rather a collegial management body, i.e. the board, Principles III and IV should apply to the board as long as that does not contradict the essence and purpose of this body. ¹	Yes	The order stipulated in principles is currently followed in part or its is still not relevant; however, the essential requirements provided for in the principles are not violated.
2.5. Company's management and supervisory bodies should comprise such number of board (executive directors) and supervisory (non-executive directors) board members that no individual or small group of individuals can dominate decision-making on the part of these bodies. ²	No	The Board of the Company is formed from 4 (four) members. The Board adopts the decisions with a majority vote; therefore, the votes of two members of the Board import on, whether the certain decisions will be adopted, or not.
2.6. Non-executive directors or members of the supervisory board should be appointed for specified terms subject to individual re-election, at maximum intervals provided for in the Lithuanian legislation with a view to ensuring necessary development of professional experience and sufficiently frequent reconfirmation of their status. A possibility to remove them should also be stipulated however this procedure should not be easier than the removal procedure for an executive director or a member of the management board.	Not applicable	The Supervisory Board is not formed in the Company.

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

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



<p>2.7. Chairman of the collegial body elected by the general shareholders' meeting may be a person whose current or past office constitutes no obstacle to conduct independent and impartial supervision. Where a company should decide not to set up a supervisory board but rather the board, it is recommended that the chairman of the board and chief executive officer of the company should be a different person. Former company's chief executive officer should not be immediately nominated as the chairman of the collegial body elected by the general shareholders' meeting. When a company chooses to depart from these recommendations, it should furnish information on the measures it has taken to ensure impartiality of the supervision.</p>	<p>Yes</p>	<p>The Chairman of the Board of the Company and the head of the Company – General Manager are different persons. The Chairman of the Board of the Company has not been the head of the Company. The Chairman of the Board of the Company is not related to the daily activities of the Company.</p>
<p>Principle III: The order of the formation of a collegial body to be elected by a general shareholders' meeting</p> <p>The order of the formation a collegial body to be elected by a general shareholders' meeting should ensure representation of minority shareholders, accountability of this body to the shareholders and objective monitoring of the company's operation and its management bodies.³</p>		
<p>3.1. The mechanism of the formation of a collegial body to be elected by a general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure objective and fair monitoring of the company's management bodies as well as representation of minority shareholders.</p>	<p>Yes</p>	<p>The mechanism of formation of the Board, that meets the requirements of the Law on Companies of the Republic of Lithuania, ensures the objective supervision of managing bodies.</p>
<p>3.2. Names and surnames of the candidates to become members of a collegial body, information about their education, qualification, professional background, positions taken and potential conflicts of interest should be disclosed early enough before the general shareholders' meeting so that the shareholders would have sufficient time to make an informed voting decision. All factors affecting the candidate's independence, the sample list of which is set out in Recommendation 3.7, should be also disclosed. The collegial body should also be informed on any subsequent changes in the provided information. The collegial body should, on yearly basis, collect data provided in this item on its members and disclose this in the company's annual report.</p>	<p>Not applicable</p>	<p>The main shareholder of the Company, who delegated his members to the Board, ensures that the members have the competence and experience necessary for their work.</p>

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



3.3. Should a person be nominated for members of a collegial body, such nomination should be followed by the disclosure of information on candidate's particular competences relevant to his/her service on the collegial body. In order shareholders and investors are able to ascertain whether member's competence is further relevant, the collegial body should, in its annual report, disclose the information on its composition and particular competences of individual members which are relevant to their service on the collegial body.	Not applicable	The main shareholder of the Company, who delegated his members to the Board, ensures that the members have the competence and experience necessary for their work.
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.	Yes	The composition of the Board of the Company and the number of members meets the scopes of activities of the Company and the size of the existing structure. The members of the Board of the Company have sufficient experience in the fields, where the Company performs its main activities; also, all members have versatile knowledge in the fields of finance, economy, investment management, management, maintenance of technologies and engineering systems, keep trace of innovations in these fields.
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.	Not applicable	No event occurred in the Company, with the member of the Board becoming the person not familiar with the activities, structure as well as strategic objectives of the Company. Skills as well as knowledge of the members of the Board are continuously updated and enhanced, with the members performing their functions in the Board.
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 ⁴ number of independent ⁵ members.	No	The issue on the independent members and their sufficient number in the collegiate managing body maybe discussed in the future.

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

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



<p>3.7. A member of the collegial body should be considered to be independent only if he is free of any business, family or other relationship with the company, its controlling shareholder or the management of either, that creates a conflict of interest such as to impair his judgment. Since all cases when member of the collegial body is likely to become dependant are impossible to list, moreover, relationships and circumstances associated with the determination of independence may vary amongst companies and the best practices of solving this problem are yet to evolve in the course of time, assessment of independence of a member of the collegial body should be based on the contents of the relationship and circumstances rather than their form. The key criteria for identifying whether a member of the collegial body can be considered to be independent are the following:</p> <ol style="list-style-type: none"> 1) He/she is not an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) of the company or any associated company and has not been such during the last five years; 2) He/she is not an employee of the company or some any company and has not been such during the last three years, except for cases when a member of the collegial body does not belong to the senior management and was elected to the collegial body as a representative of the employees; 3) He/she is not receiving or has been not receiving significant additional remuneration from the company or associated company other than remuneration for the office in the collegial body. Such additional remuneration includes participation in share options or some other performance based pay systems; it does not include compensation payments for the previous office in the company (provided that such payment is no way related with later position) as per pension plans (inclusive of deferred compensations); 4) He/she is not a controlling shareholder or representative of such shareholder (control as defined in the Council Directive 83/349/EEC Article 1 Part 1); 	Not applicable	According to the comment of Clause 3.6., it is still not relevant.
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<p>5) He/she does not have and did not have any material business relations with the company or associated company within the past year directly or as a partner, shareholder, director or superior employee of the subject having such relationship. A subject is considered to have business relations when it is a major supplier or service provider (inclusive of financial, legal, counseling and consulting services), major client or organization receiving significant payments from the company or its group;</p> <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</p>	<p>Yes</p>	<p>It is expected that the Board of the Company will have such right and possibility.</p>
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<p>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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<p>3.9. Necessary information on conclusions the collegial body has come to in its determination of whether a particular member of the body should be considered to be independent should be disclosed. When a person is nominated to become a member of the collegial body, the company should disclose whether it considers the person to be independent. When a particular member of the collegial body does not meet one or more criteria of independence set out in this Code, the company should disclose its reasons for nevertheless considering the member to be independent. In addition, the company should annually disclose which members of the collegial body it considers to be independent.</p>	Not applicable	As specified in Clause 3.6., the issue on the independent members and their sufficient number in the collegiate managing body shall be discussed in the future.
<p>3.10. When one or more criteria of independence set out in this Code has not been met throughout the year, the company should disclose its reasons for considering a particular member of the collegial body to be independent. To ensure accuracy of the information disclosed in relation with the independence of the members of the collegial body, the company should require independent members to have their independence periodically re-confirmed.</p>	Not applicable	There are no independent members in the Board.
<p>3.11. In order to remunerate members of a collegial body for their work and participation in the meetings of the collegial body, they may be remunerated from the company's funds.⁶ The general shareholders' meeting should approve the amount of such remuneration.</p>	Not applicable	The members of the Board of the Company have not still been being rewarded from the funds of the Company; therefore, this provision is not relevant to the Company.

Principle IV: The duties and liabilities of a collegial body elected by the general shareholders' meeting

The corporate governance framework should ensure proper and effective functioning of the collegial body elected by the general shareholders' meeting, and the powers granted to the collegial body should ensure effective monitoring⁷ of the company's management bodies and protection of interests of all the company's shareholders.

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

⁷ See Footnote 3.



<p>4.1. The collegial body elected by the general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure integrity and transparency of the company's financial statements and the control system. The collegial body should issue recommendations to the company's management bodies and monitor and control the company's management performance.⁸</p>	<p>Yes</p>	<p>The member of the Board of the Company, who is responsible for the finance supervision of the Company, continuously maintains the contact and regularly meets with the Chief Accountant of the Company to discuss the financial state of the Company as well as the last occurred essential financial changes, if any.</p> <p>The Chairman of the Board of the Company continuously maintains the contact and regularly meets with the General Director of the Company to discuss the changes occurred or occurring in the activities of the Company, essential issues of organization of activities, development of activities of the Company.</p> <p>The Board of the Company analyzes and assesses the material about the activities and finance of the Company, received from the General Manager as well as Chief Accountant of the Company, if necessary, gives recommendations and suggestions.</p>
<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>According to the information of the Company, all members of the Board of the Company act responsibly as well in goodwill in favour of the Company as well as shareholders, seek to retain their independence in adopting the decisions and taking into account the interests of the third persons.</p>

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



<p>4.3. Each member should devote sufficient time and attention to perform his duties as a member of the collegial body. Each member of the collegial body should limit other professional obligations of his (in particular any directorships held in other companies) in such a manner they do not interfere with proper performance of duties of a member of the collegial body. In the event a member of the collegial body should be present in less than a half⁹ of the meetings of the collegial body throughout the financial year of the company, shareholders of the company should be notified.</p>	Yes	<p>The members of the Board of the Company, each individually and all collectively, pay sufficient time and attention to have the function attributed to the competence of the Board duly performed.</p> <p>The members of the Board take part in the sessions, the time of which is agreed among the members so that all members of the Board could take part in the session.</p>
<p>4.4. Where decisions of a collegial body may have a different effect on the company's shareholders, the collegial body should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed on the company's affairs, strategies, risk management and resolution of conflicts of interest. The company should have a clearly established role of members of the collegial body when communicating with and committing to shareholders.</p>	Yes	<p>The Board of the Company seeks, in its work, to conduct in good faith and impartially with all shareholders of the Company, and according to the data available in the Company, there has been no case, so far, that it were vice versa. The Chairman of the Board of the Company is, by adjusting as well as coordinating the interactions with the General Manager of the Company, obliged and authorized to, in the name of the Board, communicate with the shareholders, inform the shareholders about the activities, strategy, other essential matters of the Company; also to give official binding clarifications.</p>
<p>4.5. It is recommended that transactions (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions), concluded between the company and its shareholders, members of the supervisory or managing bodies or other natural or legal persons that exert or may exert influence on the company's management should be subject to approval of the collegial body. The decision concerning approval of such transactions should be deemed adopted only provided the majority of the independent members of the collegial body voted for such a decision.</p>	Yes	<p>All transactions specified in this recommendation, if they are not insignificant due to the low value, are concluded upon the decision as well as acceptance of the Board of the Company. Following the provisions of the Law on Companies of the Republic of Lithuania as well as the Company's Articles of Association, the decisions of the Board may be adopted only in case of the required quorum and majority.</p>

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



<p>4.6. The collegial body should be independent in passing decisions that are significant for the company's operations and strategy. Taken separately, the collegial body should be independent of the company's management bodies¹⁰. Members of the collegial body should act and pass decisions without an outside influence from the persons who have elected it. Companies should ensure that the collegial body and its committees are provided with sufficient administrative and financial resources to discharge their duties, including the right to obtain, in particular from employees of the company, all the necessary information or to seek independent legal, accounting or any other advice on issues pertaining to the competence of the collegial body and its committees.</p>	Yes	<p>The Board of the Company adopts the decisions, following only the interests of the Company; therefore, the independence of the members in adopting the decisions significant to the activities and strategy of the Company, shall be assessed according to the interests of the Company and its shareholders.</p> <p>The members of the Board are provided with all possibilities and they have the right to all resources necessary to duly perform the obligations, including the possibilities to apply to the independent external legal, accounting or other specialists. The General Manager of the Company ensured that the managers or employees of the separate fields of the Company provide directly the Board or through the General Manager with the required information to the members of the Board, so that they could duly perform their functions and deal with the issues attributed to their competence.</p>
<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>	Not applicable	<p>According to the fact that the shares of the Company were included in the Main List of NASDAQ OMX Vilnius Stock Exchange in June 2007, the issue on independent members in the collegiate managing body, as well as the issues of influence of the members provided for in this recommendation, need of committees, their quantity as well as scope of functions shall be discussed in the future.</p> <p>According to the existing scopes of the activities of the Company, results as well as objective needs, and to the fact that the Board of the Company consists of 4 (four) members, i.e. small number of members, the functions of committees may, for some time in the future, be entrusted to the Board itself.</p>

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



<p>4.8. 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>	No	The committees were not formed according to the circumstances set out in Clause 4.7.
<p>4.9. Committees established by the collegial body should normally be composed of at least three members. In companies with small number of members of the collegial body, they could exceptionally be composed of two members. Majority of the members of each committee should be constituted from independent members of the collegial body. In cases when the company chooses not to set up a supervisory board, remuneration and audit committees should be entirely comprised of non-executive directors. Chairmanship and membership of the committees should be decided with due regard to the need to ensure that committee membership is refreshed and that undue reliance is not placed on particular individuals.</p>	No	The committees were not formed according to the circumstances set out in Clause 4.7.
<p>4.10. Authority of each of the committees should be determined by the collegial body. Committees should perform their duties in line with authority delegated to them and inform the collegial body on their activities and performance on regular basis. Authority of every committee stipulating the role and rights and duties of the committee should be made public at least once a year (as part of the information disclosed by the company annually on its corporate governance structures and practices). Companies should also make public annually a statement by existing committees on their composition, number of meetings and attendance over the year, and their main activities. Audit committee should confirm that it is satisfied with the independence of the audit process and describe briefly the actions it has taken to reach this conclusion.</p>	No	The committees were not formed according to the circumstances set out in Clause 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	The committees were not formed according to the circumstances set out in Clause 4.7.
<p>4.12. Nomination Committee. 4.12.1. Key functions of the nomination committee should be the following:</p> <ul style="list-style-type: none"> • Identify and recommend, for the approval of the collegial body, candidates to fill board vacancies. The nomination committee should evaluate the balance of skills, knowledge and experience on the management body, prepare a description of the roles and capabilities required to assume a particular office, and assess the time commitment expected. Nomination committee can also consider candidates to members of the collegial body delegated by the shareholders of the company; • Assess on regular basis the structure, size, composition and performance of the supervisory and management bodies, and make recommendations to the collegial body regarding the means of achieving necessary changes; • Assess on regular basis the skills, knowledge and experience of individual directors and report on this to the collegial body; • Properly consider issues related to succession planning; • Review the policy of the management bodies for selection and appointment of senior management. <p>4.12.2. Nomination committee should consider proposals by other parties, including management and shareholders. When dealing with issues related to executive directors or members of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) and senior management, chief executive officer of the company should be consulted by, and entitled to submit proposals to the nomination committee.</p>	No	The appointment committee was not formed according to the circumstances set out in Clause 4.7.



<p>4.13. Remuneration Committee.</p> <p>4.13.1. Key functions of the remuneration committee should be the following:</p> <ul style="list-style-type: none"> • Make proposals, for the approval of the collegial body, on the remuneration policy for members of management bodies and executive directors. Such policy should address all forms of compensation, including the fixed remuneration, performance-based remuneration schemes, pension arrangements, and termination payments. Proposals considering performance-based remuneration schemes should be accompanied with recommendations on the related objectives and evaluation criteria, with a view to properly aligning the pay of executive director and members of the management bodies with the long-term interests of the shareholders and the objectives set by the collegial body; • Make proposals to the collegial body on the individual remuneration for executive directors and member of management bodies in order their remunerations are consistent with company's remuneration policy and the evaluation of the performance of these persons concerned. In doing so, the committee should be properly informed on the total compensation obtained by executive directors and members of the management bodies from the affiliated companies; • Make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies; • Assist the collegial body in overseeing how the company complies with applicable provisions regarding the remuneration-related information disclosure (in particular the remuneration policy applied and individual remuneration of directors); • Make general recommendations to the executive directors and members of the management bodies on the level and structure of remuneration for senior management (as defined by the collegial body) with regard to the respective information provided by the executive directors and members of the management bodies. <p>4.13.2. With respect to stock options and other share-based incentives which may be granted to directors or other employees, the committee should:</p> <ul style="list-style-type: none"> • Consider general policy regarding the granting of the above mentioned schemes, in particular stock options, and make any related proposals to the collegial body; • Examine the related information that is given in the company's annual report and documents intended for the use during the shareholders meeting; • Make proposals to the collegial body regarding the choice between granting options to subscribe shares or granting options to purchase shares, specifying the reasons for its choice as well as the consequences that this choice has. <p>4.13.3. Upon resolution of the issues attributable to the competence of the remuneration committee, the committee should at least address the chairman of the collegial body and/or chief executive officer of the company for their opinion on the remuneration of other</p>	No	The salary committee was not formed according to the circumstances set out in Clause 4.7.
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<p>executive directors or members of the management bodies.</p>		
<p>4.14. Audit Committee.</p> <p>4.14.1. Key functions of the audit committee should be the following:</p> <ul style="list-style-type: none"> • Observe the integrity of the financial information provided by the company, in particular by reviewing the relevance and consistency of the accounting methods used by the company and its group (including the criteria for the consolidation of the accounts of companies in the group); • At least once a year review the systems of internal control and risk management to ensure that the key risks (inclusive of the risks in relation with compliance with existing laws and regulations) are properly identified, managed and reflected in the information provided; • Ensure the efficiency of the internal audit function, among other things, by making recommendations on the selection, appointment, reappointment and removal of the head of the internal audit department and on the budget of the department, and by monitoring the responsiveness of the management to its findings and recommendations. Should there be no internal audit authority in the company, the need for one should be reviewed at least annually; • Make recommendations to the collegial body related with selection, appointment, reappointment and removal of the external auditor (to be done by the general shareholders' meeting) and with the terms and conditions of his engagement. The committee should investigate situations that lead to a resignation of the audit company or auditor and make recommendations on required actions in such situations; • 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 	<p>No</p>	<p>The audit committee was not formed according to the circumstances set out in Clause 4.7.</p> <p>Audit Committee is planned to establish in year 2009.</p>



<p>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;</p> <ul style="list-style-type: none"> • Review efficiency of the external audit process and responsiveness of management to recommendations made in the external auditor's management letter. <p>4.14.2. All members of the committee should be furnished with complete information on particulars of accounting, financial and other operations of the company. Company's management should inform the audit committee of the methods used to account for significant and unusual transactions where the accounting treatment may be open to different approaches. In such case a special consideration should be given to company's operations in offshore centers and/or activities carried out through special purpose vehicles (organizations) and justification of such operations.</p> <p>4.14.3. The audit committee should decide whether participation of the chairman of the collegial body, chief executive officer of the company, chief financial officer (or superior employees in charge of finances, treasury and accounting), or internal and external auditors in the meetings of the committee is required (if required, when). The committee should be entitled, when needed, to meet with any relevant person without executive directors and members of the management bodies present.</p> <p>4.14.4. Internal and external auditors should be secured with not only effective working relationship with management, but also with free access to the collegial body. For this purpose the audit committee should act as the principal contact person for the internal and external auditors.</p> <p>4.14.5. The audit committee should be informed of the internal auditor's work program, and should be furnished with internal audit's reports or periodic summaries. The audit committee should also be informed of the work program of the external auditor and should be furnished with report disclosing all relationships between the independent auditor and the company and its group. The committee should be timely furnished information on all issues arising from the audit.</p> <p>4.14.6. The audit committee should examine whether the company is following applicable provisions</p>		
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<p>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	<p>The practice has not so far being formed in the Company for the Board of the Company to perform the assessment of its activities as well as to separately inform the shareholders about it, as the controlling shareholder, by appointing the members of the Board, already knows the experience, competence and determination of each member to act only for the interests of the Company.</p>
<p>Principle V: The working procedure of the company's collegial bodies</p> <p>The working procedure of supervisory and management bodies established in the company should ensure efficient operation of these bodies and decision-making and encourage active co-operation between the company's bodies.</p>		



<p>5.1. The company's supervisory and management bodies (hereinafter in this Principle the concept 'collegial bodies' covers both the collegial bodies of supervision and the collegial bodies of management) should be chaired by chairpersons of these bodies. The chairperson of a collegial body is responsible for proper convocation of the collegial body meetings. The chairperson should ensure that information about the meeting being convened and its agenda are communicated to all members of the body. The chairperson of a collegial body should ensure appropriate conducting of the meetings of the collegial body. The chairperson should ensure order and working atmosphere during the meeting.</p>	Yes	<p>The Company implements this recommendation in a full scope. The Board of the Company is both <i>de jure</i> and <i>de facto</i> managed by the Chairman of the Board. Following the work procedure of the Board, the Chairman convenes the sessions of the Board, organized the work of the Board, has, without the separate decision of the members, the right to chair in the sessions of the Board; also, have other authorities set out in the work regulation of the Board and/or separately mentioned in the separate clauses of this report.</p>
<p>5.2. It is recommended that meetings of the company's collegial bodies should be carried out according to the schedule approved in advance at certain intervals of time. Each company is free to decide how often to convene meetings of the collegial bodies, but it is recommended that these meetings should be convened at such intervals, which would guarantee an interrupted resolution of the essential corporate governance issues. Meetings of the company's supervisory board should be convened at least once in a quarter, and the company's board should meet at least once a month¹¹.</p>	Yes	<p>The sessions of the Board of the Company are arranged in a respective periodicity, although no schedule confirmed in advance, with a provision of specific dates. It is actually held not rarer than twice per calendar month.</p> <p>The continuous dealing with the essential issues on the management of the Company is ensured not only by the regular sessions of the Board; but, also by the work of the separate members of the Board in the field attributed to them, in receiving and analyzing the information important for the activities of the Company, preparing for the sessions of the Board.</p>
<p>5.3. Members of a collegial body should be notified about the meeting being convened in advance in order to allow sufficient time for proper preparation for the issues on the agenda of the meeting and to ensure fruitful discussion and adoption of appropriate decisions. Alongside with the notice about the meeting being convened, all the documents relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body are present or certain issues of great importance to the company require immediate resolution.</p>	Yes	<p>The work procedure of the Board of the Company ensures the compliance with this recommendation. All members of the Board take part in most sessions.</p>

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



5.4. In order to co-ordinate operation of the company's collegial bodies and ensure effective decision-making process, chairpersons of the company's collegial bodies of supervision and management should closely co-operate by co-coordinating dates of the meetings, their agendas and resolving other issues of corporate governance. Members of the company's board should be free to attend meetings of the company's supervisory board, especially where issues concerning removal of the board members, their liability or remuneration are discussed.	No	Only one collegiate managing body – the Board is formed in the Company.
<p>Principle VI: The equitable treatment of shareholders and shareholder rights</p> <p>The corporate governance framework should ensure the equitable treatment of all shareholders, including minority and foreign shareholders. The corporate governance framework should protect the rights of the shareholders.</p>		
6.1. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all their holders.	Yes	The authorized capital of the Company consists only of the ordinary nominal intangible shares which grant the equal property and non-property rights to the shareholders of the Company.
6.2. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.	Yes	<p>The Company's Articles of Association where the rights granted to the investors by the shares already issued by the Company, are publicly accessed and the rights set out in them meet the rights, which are set out in the Law on Companies of the Republic of Lithuania.</p> <p>The Company has not, upon the inclusion of its shares in the Main List of NASDAQ OMX Vilnius Stock Exchange, issued new shares; however, in case of issuance, will, in the future, follow the recommendation provided for in this Clause.</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. ¹² All shareholders should be furnished with equal opportunity to familiarize with and participate in the decision-making process when significant corporate issues, including approval of transactions referred to above, are discussed.	Yes	The shareholders of the Company approve only those transactions of the Company, for the approval of which, the exclusive rights for the General Meeting of Shareholders are provided for according to the Law on Companies of the Republic of Lithuania, as well as the Company's Articles of Association. With a full-scope implementation of this recommendation, the risk would arise due to the effective management and decision-making of the Company.

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



<p>6.4. 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>	Yes	<p>The information about the General Meetings of Shareholders is announced through the information system of NASDAQ OMX Globe Newswire in Lithuanian and English languages; also, in the daily indicated in the Company's Articles of Association, web site of the Company. The sessions are held in Vilnius, at the building where the Company is registered. The sessions are convened on the working day and at the premises where the shareholders would be provided with the conditions to duly take part in the meeting. One may become familiar with the material of the meeting not later than 10 days before the day of the meeting at the premises of the Company, the draft decisions are also presented through the information system of NASDAQ OMX Globe Newswire in Lithuanian and English.</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 advance¹³. It is recommended that the minutes of the general shareholders' meeting after signing them and/or adopted resolutions should be also placed on the publicly accessible website of the company. Seeking to ensure the right of foreigners to familiarize with the information, whenever feasible, documents referred to in this recommendation should be published in English and/or other foreign languages. Documents referred to in this recommendation may be published on the publicly accessible website of the company to the extent that publishing of these documents is not detrimental to the company or the company's commercial secrets are not revealed.</p>	Yes	<p>The Company announces to the General Meeting of Shareholders the prepared draft decisions not later 10 days before the day of the meeting through the information system of NASDAQ OMX Globe Newswire in Lithuanian and English.</p> <p>The decisions adopted by the General Meeting of Shareholders are announced not later than within one day from the day of their adoption through the information system of NASDAQ OMX Globe Newswire in Lithuanian and English.</p> <p>Such possibilities of the public announcement are from now provided also in the web site of the Company.</p>
<p>6.6. Shareholders should be furnished with the opportunity to vote in the general shareholders' meeting in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.</p>	Yes	<p>The shareholders of the Company may implement the right to take part in the General Meeting of Shareholders both in person and through the representative, if the person has the due authority or the contract on transfer of the voting right was concluded with him according to the order established by the legal acts. Upon shareholders' request, the Company provides the shareholders with the conditions to vote by fulfilling the general voting-paper, as set out in the Law on Companies.</p>

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



<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>	No	<p>So far, there has not been any objective need and possibilities to execute the recommendation of this Clause. In the future, the issue on provision of such possibility will be discussed in the Company, by taking into account the necessary financial resources, existing legal regulation as well as objective distribution of the shareholders of the Company and their wishes.</p>
<p>Principle VII: The avoidance of conflicts of interest and their disclosure</p> <p>The corporate governance framework should encourage members of the corporate bodies to avoid conflicts of interest and assure transparent and effective mechanism of disclosure of conflicts of interest regarding members of the corporate bodies.</p>		
<p>7.1. Any member of the company's supervisory and management body should avoid a situation, in which his/her personal interests are in conflict or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory and management body should, within reasonable time, inform other members of the same collegial body or the company's body that has elected him/her, or to the company's shareholders about a situation of a conflict of interest, indicate the nature of the conflict and value, where possible.</p>	Yes	<p>The members of the Board elected by the main shareholder of the Company before the inclusion of the shares of the Company in the Main List of NASDAQ OMX Vilnius Stock Exchange, act for the interests of the Company and their own competence as well as personal traits allow to claim that they conduct so that the conflicts of interest would not arise and they did not occur in their practice, so far.</p>
<p>7.2. Any member of the company's supervisory and management body may not mix the company's assets, the use of which has not been mutually agreed upon, with his/her personal assets or use them or the information which he/she learns by virtue of his/her position as a member of a corporate body for his/her personal benefit or for the benefit of any third person without a prior agreement of the general shareholders' meeting or any other corporate body authorized by the meeting.</p>	Yes	<p>The members of the Board of the Company have not concluded the transactions with the Company, including those of low value or concluded under non-standard conditions.</p>



7.3. Any member of the company's supervisory and management body may conclude a transaction with the company, a member of a corporate body of which he/she is. Such a transaction (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions) must be immediately reported in writing or orally, by recording this in the minutes of the meeting, to other members of the same corporate body or to the corporate body that has elected him/her or to the company's shareholders. Transactions specified in this recommendation are also subject to recommendation 4.5.	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	The Law on Companies of the Republic of Lithuania requires that the member of the Board has no right to vote, when the session of the Board deals with the question related with its activity in the Board or that of its liability. The members of the Board of the Company know this provision and apply it broader than required by the Law, i.e. abstain from voting or refuse voting, when it is related to his person and the Company, or another conflict of interests may arise.
<p>Principle VIII: Company's remuneration policy</p> <p>Remuneration policy and procedure for approval, revision and disclosure of directors' remuneration established in the company should prevent potential conflicts of interest and abuse in determining remuneration of directors, in addition it should ensure publicity and transparency both of company's remuneration policy and remuneration of directors.</p>		
8.1. A company should make a public statement of the company's remuneration policy (hereinafter the remuneration statement). This statement should be part of the company's annual accounts. Remuneration statement should also be posted on the company's website.	No	The Company has not prepared the salary policy report; therefore, it cannot execute this recommendation. Brief information about the past period, payments of the Company to the members of members of the issuer's managing bodies, Senior Management is announced according to the order established by the legal acts. To the opinion of the Company and the Board of the Company, according to the competitive environment and economic conditions of activities in the Lithuanian market and other markets where the Company operates, such information is off-the-record (confidential); currently, to be considered as the trade secret of the Company. The issue on the need for and preparation of the salary policy report recommended by the Code is expected to start dealing with in the future, with the change of market conditions.
8.2. Remuneration statement should mainly focus on directors' remuneration policy for the following year and, if appropriate, the subsequent years. The statement should contain a summary of the implementation of the remuneration policy in the previous financial year. Special attention should be given to any significant changes in company's remuneration policy as compared to the previous financial year.	Not applicable	The Company has no salary policy report due to the reasons specified in Clause 8.1.



<p>8.3. Remuneration statement should leastwise include the following information:</p> <ul style="list-style-type: none"> • Explanation of the relative importance of the variable and non-variable components of directors' remuneration; • Sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration; • Sufficient information on the linkage between the remuneration and performance; • The main parameters and rationale for any annual bonus scheme and any other non-cash benefits; • A description of the main characteristics of supplementary pension or early retirement schemes for directors. 	Not applicable	The Company has no salary policy report due to the reasons specified in Clause 8.1.
<p>8.4. Remuneration statement should also summarize and explain company's policy regarding the terms of the contracts executed with executive directors and members of the management bodies. It should include, inter alia, information on the duration of contracts with executive directors and members of the management bodies, the applicable notice periods and details of provisions for termination payments linked to early termination under contracts for executive directors and members of the management bodies.</p>	Not applicable	The Company has no salary policy report due to the reasons specified in Clause 8.1.
<p>8.5. 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>	Not applicable	
<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>	Not applicable	The Company has no salary policy report due to the reasons specified in Clause 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"> • The total amount of remuneration paid or due to the director for services performed during the relevant financial year, inclusive of, where relevant, attendance fees fixed by the annual general shareholders meeting; • The remuneration and advantages received from any undertaking belonging to the same group; • The remuneration paid in the form of profit sharing and/or bonus payments and the reasons why such bonus payments and/or profit sharing were granted; • If permissible by the law, any significant additional remuneration paid to directors for special services outside the scope of the usual functions of a director; • Compensation receivable or paid to each former executive director or member of the management body as a result of his resignation from the office during the previous financial year; • Total estimated value of non-cash benefits considered as remuneration, other than the items covered in the above points. <p>8.7.2. As regards shares and/or rights to acquire share options and/or all other share-incentive schemes, the following information should be disclosed:</p> <ul style="list-style-type: none"> • The number of share options offered or shares granted by the company during the relevant financial year and their conditions of application; • The number of shares options exercised during the relevant financial year and, for each of them, the number of shares involved and the exercise price or the value of the interest in the share incentive scheme at the end of the financial year; • The number of share options unexercised at the end of the financial year; their exercise price, the exercise date and the main conditions for the exercise of the rights; • All changes in the terms and conditions of existing share options occurring during the financial year. <p>8.7.3. The following supplementary pension schemes-related information should be disclosed:</p> <ul style="list-style-type: none"> • When the pension scheme is a defined-benefit scheme, changes in the directors' accrued benefits under that scheme during the relevant financial year; • When the pension scheme is defined-contribution scheme, detailed information on contributions paid or payable by the company in respect of that director during the relevant financial year. <p>8.7.4. The statement should also state amounts that the company or any subsidiary company or entity included in the consolidated annual financial statements of the company has paid to each person</p>	<p>Not applicable</p>	<p>The Company has no salary policy report due to the reasons specified in Clause 8.1..</p>
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<p>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>	Not applicable	The Company has and had no practice to reward the directors in shares, etc.
<p>8.9. The following issues should be subject to approval by the shareholders' annual general meeting:</p> <ul style="list-style-type: none"> • Grant of share-based schemes, including share options, to directors; • Determination of maximum number of shares and main conditions of share granting; • The term within which options can be exercised; • The conditions for any subsequent change in the exercise of the options, if permissible by law; • All other long-term incentive schemes for which directors are eligible and which are not available to other employees of the company under similar terms. <p>Annual general meeting should also set the deadline within which the body responsible for remuneration of directors may award compensations listed in this article to individual directors.</p>	Not applicable	



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.		
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.	Not applicable	
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.	Not applicable	
<p>Principle IX: The role of stakeholders in corporate governance</p> <p>The corporate governance framework should recognize the rights of stakeholders as established by law and encourage active co-operation between companies and stakeholders in creating the company value, jobs and financial sustainability. For the purposes of this Principle, the concept "stakeholders" includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interest in the company concerned.</p>		
9.1. The corporate governance framework should assure that the rights of stakeholders that are protected by law are respected.	Yes	The Company performs its activities and is managed, following the legal acts of the Republic of Lithuania, legal normative acts of municipal institutions, according to the reasonable and lawful interests of the community and



<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>the third persons, which do not contradict with and do not cause the threat to violate the reasonable and lawful interests of the Company.</p> <p>All persons concerned or the third persons may become familiar with the announceable public information about the activities of the Company publicly at the web site of NASDAQ OMX Vilnius Stock Exchange, web site of the Company, to apply in oral or written form to the public relations agent of the Company or the management of the Company.</p> <p>The employees of the Company have the possibility to take part in purchasing the shares in the share capital of the Company through NASDAQ OMX Vilnius Stock Exchange.</p>
<p>9.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.</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.



<p>10.1. The company should disclose information on:</p> <ul style="list-style-type: none"> • The financial and operating results of the company; • Company objectives; • Persons holding by the right of ownership or in control of a block of shares in the company; • Members of the company's supervisory and management bodies, chief executive officer of the company and their remuneration; • Material foreseeable risk factors; • Transactions between the company and connected persons, as well as transactions concluded outside the course of the company's regular operations; • Material issues regarding employees and other stakeholders; • Governance structures and strategy. <p>This list should be deemed as a minimum recommendation, while the companies are encouraged not to limit themselves to disclosure of the information specified in this list.</p> <p>10.2. It is recommended that consolidated results of the whole group to which the company belongs should be disclosed when information specified in item 1 of Recommendation 10.1 is under disclosure.</p> <p>10.3. It is recommended that information on the professional background, qualifications of the members of supervisory and management bodies, chief executive officer of the company should be disclosed as well as potential conflicts of interest that may have an effect on their decisions when information specified in item 4 of Recommendation 10.1 about the members of the company's supervisory and management bodies is under disclosure. It is also recommended that information about the amount of remuneration received from the company and other income should be disclosed with regard to members of the company's supervisory and management bodies and chief executive officer as per Principle VIII.</p> <p>10.4. It is recommended that information about the links between the company and its stakeholders, including employees, creditors, suppliers, local community, as well as the company's policy with regard to human resources, employee participation schemes in the company's share capital, etc. should be disclosed when information specified in item 7 of Recommendation 10.1 is under disclosure.</p>	<p>Yes</p>	<p>The information about the Company specified in this Clause is announced through the information system of NASDAQ OMX Vilnius Stock Exchange; the reports (periodical information) of the Company, prepared according to the order established by the legal acts of the Republic of Lithuania; also, at the web site of the Company.</p> <p>By presenting the information specified in this Clause, the Company presents the consolidated information of both the Company and the whole group of companies.</p>
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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.	Yes	The information specified in this Clause is announced through the information system of NASDAQ OMX Vilnius Stock Exchange in Lithuanian and English. All essential events and information to investors are presented not during the trade session, except few cases, when it was necessary to perform already at the beginning of the trade.
10.6. Channels for disseminating information should provide for fair, timely and cost-efficient access to relevant information by users. It is recommended that information technologies should be employed for wider dissemination of information, for instance, by placing the information on the company's website. It is recommended that information should be published and placed on the company's website not only in Lithuanian, but also in English, and, whenever possible and necessary, in other languages as well.	Yes	The Company ensures the impartial, timely and inexpensive access to the information, by announcing it in Lithuanian and English at its web site as well as through the information system of NASDAQ OMX Vilnius Stock Exchange.
10.7. It is recommended that the company's annual reports and other periodical accounts prepared by the company should be placed on the company's website. It is recommended that the company should announce information about material events and changes in the price of the company's shares on the Stock Exchange on the company's website too.	Yes	This recommendation is implemented with a full scope.
<p>Principle XI: The selection of the company's auditor</p> <p>The mechanism of the selection of the company's auditor should ensure independence of the firm of auditor's conclusion and opinion.</p>		
11.1. An annual audit of the company's financial 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.	Yes	This recommendation is implemented in part, the independent audit company assesses the annual report as well as annual financial statements. In the meantime, the legal acts of the Republic of Lithuania do not require auditing the interim financial statements; also, it would cause the additional costs as well as time costs.
11.2. It is recommended that the company's supervisory board and, where it is not set up, the company's board should propose a candidate firm of auditors to the general shareholders' meeting.	Yes	This recommendation is implemented with a full scope.



11.3. It is recommended that the company should disclose to its shareholders the level of fees paid to the firm of auditors for non-audit services rendered to the company. This information should be also known to the company's supervisory board and, where it is not formed, the company's board upon their consideration which firm of auditors to propose for the general shareholders' meeting.	Yes	The audit company provided the Company with the consultations on tax issues during 2008.
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