

AB Panevėžio Statybos Trestas

Financial statements as at 31
December 2006

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Company details

AB Panevėžio Statybos Trestas

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Company code: 1477 32969
Registered: P.Puzino g. 1, LT – 35173, Panevėžys, Lithuania

Management

D. Gesevičius (General Director)

Board

R. Juodviršis (Chairman)
A. Bučas
G. Drobužas
V. Gražys

Auditor

KPMG Baltics, UAB

Banks

AB SEB Vilniaus Bankas
AB Bankas Hansabankas
DnB Nord Bankas
Nordea Bank Finland Plc

Independent Auditor's Report to the shareholders of AB Panevėžio Statybos Trestas

We have audited the accompanying financial statements of AB Panevėžio Statybos Trestas (the Company), which comprise the balance sheet as at 31 December 2006, the income statement, the statement of changes in equity and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 6-36.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

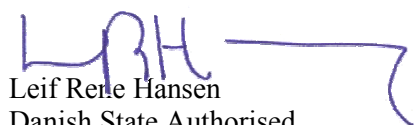
Opinion

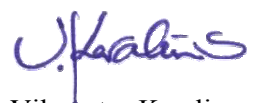
In our opinion, the financial statements give a true and fair view of the financial position of AB Panevėžio Statybos Trestas as at 31 December 2006, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on legal and other regulatory requirements

Furthermore, we have read the annual report for the year ended 31 December 2006 set out on pages 37–70 of the financial statements and have not identified any material inconsistencies between the financial information included in the annual report and the financial statements for the year ended 31 December 2006.

Vilnius, 12 April 2007
KPMG Baltics, UAB


Leif Rene Hansen
Danish State Authorised
Public Accountant


Vilmantas Karalius
ACCA and Lithuanian
Certified Auditor

Balance sheet

Litas	Note No.	2006	2005
ASSETS			
Non-current assets			
Intangible assets			
Patents, licences		14,605	41,581
Computer software		78,501	120,028
Total intangible non-current assets	5	93,106	161,609
Tangible non-current assets			
Property, plant and equipment:			
Land		211,729	290,298
Buildings and constructions		7,054,691	8,647,895
Machinery and equipment		3,924,136	2,796,367
Vehicles		2,516,635	2,109,926
Other property, plant and equipment		3,445,448	2,690,728
Construction in progress			29,492
Other tangible assets		35,758	51,409
Investment Property		1,151,840	1,218,920
Total tangible non-current assets	6	18,340,237	17,835,035
Financial assets			
Investments in subsidiaries and associates	7	11,810,282	6,045,082
Loans to subsidiaries and associates		167,111	
Amounts receivable after one year		164,469	246,083
Other financial assets		55,500	55,500
Total financial assets		12,197,362	6,346,665
Deferred tax assets		1,315,019	730,852
Total non-current assets		31,945,724	25,074,161
Current assets			
Inventories	8	1,238,318	1,411,841
Prepayments		33,011,646	2,609,523
Contracts in progress	9	8,981,044	2,800,344
Amounts receivable	10	58,194,192	19,488,502
Receivables from subsidiaries and associates	10	11,717,671	1,407,498
Other amounts receivable	10	111,126	752,157
Other current assets		2,343	1,671,580
Cash and cash equivalents		31,830,941,	24,946,114
Total current assets		145,087,281	55,087,559
TOTAL ASSETS		177,033,005	80,161,720

Balance sheet

Litas	Note No.	2006	2005
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	11	16,350,000	16,350,000
Revaluation reserve	12	3,396,968	4,245,220
Compulsory reserve	12	1,619,155	1,435,029
Retained earnings		26,045,786	7,752,722
Total equity		47,411,909	29,782,971
Long-term liabilities			
Leasing (financial lease) liabilities		3,221,039	2,582,732
Deferred tax liability		640,633	767,631
Total long-term liabilities		3,861,672	3,350,363
Short-term liabilities			
Current year portion of long-term debts		1,333,633	1,039,229
Short-term liabilities to credit institutions	14	11,975,347	
Trade payables		46,393,781	14,337,476
Amounts payable to subsidiary companies		1,300,310	
Prepayments received		45,832,157	22,702,742
Payable corporate income tax		3,493,841	470,281
Employment related liabilities	17	11,105,084	7,069,338
Provisions		247,194	189,642
Other amounts payable and short-term liabilities	16	1,891,193	1,219,678
Accrued expenses and deferred income	18	2,186,884	
Total current liabilities		125,759,424	47,028,386
TOTAL EQUITY AND LIABILITIES		177,033,005	80,161,720

The accompanying notes, set out in pages 12-36, are an integral part of these financial statements.

General Director

Dalius Gesevičius

Income statement

Litas	Note No.	2006	2005
Sales	19	322,065,308	157,742,702
Cost of sales	20	(284,527,468)	(137,770,387)
Gross profit		37,537,840	19,972,315
Operating expenses	21	(17,412,160)	(15,412,452)
Operating profit		20,125,680	4,559,863
Other operating income		2,160,166	441,967
Other operating expenses		(366,924)	(241,537)
Interest income	22	497,033	26,935
Other financial income	22	20,512	85,292
Interest expenses	22	(385,166)	(210,650)
Other financial expenses	22	(306,725)	(211,496)
Profit before taxation		21,744,576	4,450,374
Profit tax expenses	23	(4,116,253)	(767,855)
Net profit		17,628,323	3,682,519
Profit per share		1,08	0,23

The accompanying notes, set out in pages 12-36, are an integral part of these financial statements.

General Director



Dalius Gesevičius

Statement of changes in equity

Litas	Note No.	Paid share capital	Revaluation reserve	Legal reserve	Retained earnings	Total equity
Balance as at 31 December 2004		16,350,000	4,554,444	1,287,090	4,422,184	26,613,718
Net profit of the reporting period					3,682,519	3,682,519
Revaluation of tangible non-current assets			48,256			48,256
Decrease in revaluation reserve, net of deferred income tax liability			(358,649)		358,649	
Change of deferred tax liability			1,169			1,169
Dividends					(562,691)	(562,691)
Legal reserves formed				147,939	(147,939)	
Balance as at 31 December 2005		16,350,000	4,245,220	1,435,029	7,752,722	29,782,971
Net profit of reporting period					17,628,323	17,628,323
Decrease in revaluation reserve, net of deferred income tax liability			(848,252)		848,252	
Change of deferred tax liability					615	615
Legal reserves formed				184,126	(184,126)	
Balance as at 31 December 2006		16,350,000	3,396,968	1,619,155	26,045,786	47,411,909

The accompanying notes, set out in pages 12-36, are an integral part of these financial statements.

General Director

Dalius Gesevičius

Cash flow statement

Litas	2006	2005
CASH FLOW FROM OPERATING ACTIVITIES		
Net profit	17,628,323	3,682,519
Adjustments for:		
Depreciation and amortization	3,059,607	2,347,276
Profit (loss) from transfer of non-current assets	(1,175,220)	(10,949)
Other non-cash items	(299,963)	(359,755)
Net cash flow from operating activities until changes in the operating capital	19,212,747	5,659,091
Changes of short-term assets and liabilities		
Increase (decrease) in amounts receivable after one year	81,614	(153,908)
Decrease (increase) in inventories	173,523	3,325,219
(Increase) decrease in prepayments	(30,402,123)	(1,747,977)
Decrease (increase) in contracts in progress	(6,180,700)	3,225,670
Decrease (increase) in trade and other amounts receivable	(38,366,982)	7,774,568
Increase (decrease) in amounts receivable from subsidiaries	236,327	1,626,268
Increase (decrease) in trade payables and advances received	34,886,245	(4,520,659)
Increase (decrease) in amounts receivable and other assets	2,143,157	1,103,444
Increase in profit tax liability	3,023,560	(614,068)
Increase (decrease) in prepayments received	23,261,216	15,928,706
Increase (decrease) in employment related liabilities	4,035,746	1,237,247
Increase (decrease) in provisions	57,552	(1,235,388)
Increase (decrease) in other amounts payable and short-term liabilities	736,925	598,726
Net cash flow from operating activities after change in operating capital	12,898,807	32,206,939
Elimination of results of financial and investing activities	104,665	309,919
Net cash flow from operating activities	13,003,472	32,516,858
CASH FLOW FROM INVESTING ACTIVITIES		
Acquisition of tangible and intangible non-current assets	(2,156,777)	(1,441,480)
Transfer of non-current tangible assets	70,894	502,617
Loans issued	(11,103,000)	(269,799)
Loans recovered		751,781
Dividends and interest received	497,033	23,656
Acquisitions of investments	(2,910,000)	(55,100)
Net cash flow from investing activities	(15,601,850)	(488,325)

Cash flow statement

Litas	2006	2005
CASH FLOW FROM FINANCING ACTIVITIES		
Dividends paid	(6,928)	(542,990)
Decrease in financial liabilities	11,975,347	(6,251,939)
Interest paid	(385,166)	(210,650)
Leasing (financial lease) payments	(2,143,400)	(1,577,729)
Increase in other cash flow from financial activities	43,352	85,292
Decrease in other cash flow from financial activities		(17,617)
Net cash flow from financing activities	9,483,205	(8,515,633)
Increase (decrease) in net cash flow	6,884,827	23,512,900
NET CASH AND CASH EQUIVALENTS IN THE BEGINNING OF THE YEAR	24,946,114	1,433,214
NET CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	31,830,941	24,946,114

The accompanying notes, set out in pages 12-36, are an integral part of these financial statements.

General Director



Dalius Gesevičius

Notes

1 General information

AB Panevėžio Statybos Trestas (hereinafter "the Company") was established in 1957 and was known as Šiaures Lietuvos Statybos Trestas. In 1991 the Company was registered as State Capital Company. Later, on 30 October 1993 the Company was reorganized and registered as Joint Stock Company. Company code 147732969, VAT code LT477329610. Registration No. 013732, issued on 27 September 2004 by State Company Register Centre Panevėžys branch.

During 2006 the Company had the following branches in Lithuania: Gerbusta and Pastatų Apdaila. These branches have an independent accounting from the parent company, but assets, liabilities and financial results are included in the financial statements of the Company. The Company has a representative office in Cerepovec, and two branches in St Petersburg and Kaliningrad. Financial year of the Company is the calendar year. The anticipated commercial-economic activities period is unlimited.

The main activity of the Company is design and construction of various buildings, structures, facilities, communications and other similar objects in Lithuania and abroad. The Company also rents out premises and equipment, resale of utility and communication services, sale of construction materials.

As at 31 December 2006 the Company employed 1,192 people (953 in 2005).

As at 31 December 2006 the Company consists of the parent company and 9 subsidiaries. Details of the Company's subsidiaries as at 31 December 2006 are as follows:

Name	Country	Address	Part of ownership	Activities
UAB Skydmedis	Lithuania	Pramonės st. 5, Panevėžys	100 %	Construction of wood houses
UAB Metalo Meistrai	Lithuania	Tinklų st. 7, Panevėžys	100 %	Production of metal constructions
UAB Vekada	Lithuania	Marijonų st. 36, Panevėžys	96 %	Electricity installation
TŪB Vilniaus Papėdė	Lithuania	Švitrigailos st. 8/14, Vilnius	69 %	Construction
UAB PST Investicijos	Lithuania	Konstitucijos pr. 7, Vilnius	67 %	Construction of real state
UAB Alinita	Lithuania	Dubysos g. 31, Klaipėda	100 %	Air conditioning equipment
UAB Verkių projektas	Lithuania	Konstitucijos pr. 7, Vilnius	100 %	Development of real estate
PS Trests SIA	Latvia	Vietalvas 5, Ryga	100 %	Construction
Baltilstroj OOO	Russia	Sovetskij pr. 43, Kaliningradas	100 %	Construction

2 Correspondence with the set standards

Financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

As at 12 April 2007 the Board approved and signed the financial statements.

3 Accounting policy

Basis of preparation

The accompanying financial statements are presented in the national currency of Lithuania the Litas (LTL), which is also the Company's functional currency. The financial statements have been prepared on the historical cost basis, except for real estate, which is stated at revaluated cost.

The preparation of financial statements in conformity with IFRS as adopted by the EU requires the management to make judgments and estimates based on assumptions that affect on the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. The mentioned assumptions and estimates form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Intangible assets (except for goodwill)

Expenses are recognised as intangible asset if the following requirements are met: it is reasonably expected to receive a benefit from this asset; the acquisition (production) cost can be credibly evaluated and distinguished from the value of other assets; the Company is able to dispose and control the asset or to limit the usage of the item.

Intangible assets are stated at acquisition cost, less accumulated amortization and impairment losses. Amortization is calculated using the straight-line method over the estimated useful lives of the related assets. The liquidation value is not calculated. In the income statement amortization expenses are distributed into depreciation, amortization and impairment loss expenses.

The groups of intangible assets and their amortization periods are determined as follows:

Assets group	Amortization period (years)
Licenses and patents	3
Computer software	3
Other intangible assets	4

Intangible assets exploitation and other later expenses are distributed to the periods when they occurred.

Gains and losses on disposal of non-current intangible assets are recognized in the income statement in the year of disposal.

The losses of impairment and disposals of intangible assets are classified to operating expenses.

Non-current tangible assets

Non-current tangible assets are such assets, which are under the Company's ownership and control; which are reasonably expected to bring economic benefits in future periods; which are going to be used longer than one year; which acquisition (production) cost can be reliably measured; and which acquisition value is exceeding 1,000 LTL.

Depreciation is calculated using the straight-line method. Liquidation value is equal 1 LTL. Depreciation costs are accounted as operating expenses or production costs and operating expenses.

The groups of non-current tangible assets and their useful lives are:

Groups of non-current tangible assets	Average useful lifetime (in years)
New buildings	8-25
Residential buildings	20-40
Other buildings	15-25
Machinery and equipment	5-10*
Devices (structures, bores)	8-15*
Electricity transmission and communication devices (except for computer network)	8
Furniture	6
Computer and communication equipment	3
Cars, not older than 5 years	6
Other cars	Up to 6*
Vehicles, trailers and semi trailers, buses not older than 5 years	5
Other vehicles, trailers, semi trailers and buses	5
Other non-current assets	4-6

*Depreciation rate for old cars, vehicles, trailers, semi trailers and buses is determined and approved by commission of management based on condition of such assets and estimated useful life. On purchase of buildings, useful life is determined individually. On purchase of machinery and equipment, depreciation rate is determined by the commission, which confirms the fact of such assets transfer to use.

Non-current tangible assets are stated at acquisition (production) cost, less accumulated depreciation and impairment losses, except for real estate, which are stated at fair value.

From the year 2005 the Company has changed the method of accounting, so buildings are stated at revaluation value, less accumulated depreciation and impairment loss. Revaluation value of buildings was determined by independent professional real estate appraisers. The excess of fair value over net book value, net of deferred tax, was recognized as revaluation reserve.

Gains and losses on disposal of non-current tangible assets are recognized in the income statement in the year of disposal.

Revaluation methods of real estate

Non-current tangible assets are initially recorded at their acquisition cost and subsequently revaluated and recorded at the revaluation amount less accumulated depreciation and impairment.

If a revaluation of non-current tangible assets is performed, such revaluation is done on a regular basis, not less than once in five years. Non-current tangible assets (all assets or a particular group of assets) the fair value of which continuously and significantly changes are revaluated more often.

In case of revaluation of one item of non-current tangible assets, the revaluation also applies to all groups of non-current tangible assets to which such asset item belongs. All assets attributed to one group are revaluated at the same time.

Revaluation is performed and recorded on an item by item basis. If revaluation of non-current tangible asset results in value increase, such increase is recorded as an increase in the value of non-current tangible assets and is included in the revaluation reserve. If revaluation of non-current tangible asset results in a value reduction, such reduction is recorded as a decline in the non-current tangible asset value and is recognized as impairment loss in the income statement, unless the value of such assets has previously been increased as a result of revaluation.

If an item of non-current tangible assets has previously been revaluated and the related revaluation reserve is outstanding, the reduction in its value is recorded as a decrease in the revaluation reserve. The amount of impairment in excess of the revaluation reserve of the asset is recognized as an impairment loss in the income statement.

If the revaluation of a non-current tangible asset results in a value increase, for assets where impairment has previously been recognized, the increase in value not exceeding previously recognized impairment is recorded as a reduction of impairment charge, the excess is charged to the revaluation reserve.

The revaluated asset's depreciation charge in subsequent periods is adjusted so, that the revaluated balance of the asset, after deduction of its liquidation value (if applicable), would be proportionally recognized as an expense throughout its remaining useful life.

When asset is disposed or written off the related revaluation reserve is released to retained earnings (accumulated deficit).

Non - current assets held for sale

Non - current assets are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use.

Investment property

Investment property is property, which is held to earn rentals and for capital appreciation. Investment property is initially measured at cost, after initial recognition, at revaluated cost less any accumulated depreciation and any accumulated impairment losses. Investment property is included within non-current tangible fixed assets and depreciated over their useful economic lives.

Impairment of assets (except depreciation)

At each balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Impairment amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its losses, the amount is recognized as an expense immediately, unless the relevant asset is carried at a revaluated amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that; the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized as income immediately, unless the relevant asset is carried at a revaluated amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Investments

Investments to associated and subsidiary companies are recognised in the financial statements of the Company at cost less impairment losses.

Investments available for sale are subsequently measured at fair value. Equity instruments that do not have the quoted market prices are subsequently measured at cost less impairment losses recognized. Gain and loss on equity instruments available for sale are included in the statement of income for the period.

Held to maturity investments are recognized at an amortized cost

Revenue recognition

Revenue from the rendering of services

Revenue are recognized when the transaction is finished or the stage of completion of the transaction at the balance sheet date can be measured reliably (see below).

Revenue from construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognized by reference to the stage of completion of the contract activity at the balance sheet date, as measured by the proportion of contract costs incurred for work performed to date and the estimated total contract costs. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer and contractor.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognized as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

Revenue from the sale of goods

Revenue from the sale of goods is recognized when significant risks related with sold goods and rewards of ownership of the goods are transferred to the buyer, and the amount of revenue can be measured reliably.

Interests

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Expenses recognition

Expenses are recognized on an accrual basis when related income is incurred.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the cost of those assets.

All other borrowing costs are recognised in the income statement in the period in which they are incurred.

Financial instruments

Financial assets and financial liabilities are recognized on the Company's balance sheet when the Company has become a party to the contractual provisions of the instrument.

Fair value of financial instruments

Fair value represents the amount at which an asset could be exchanged or a liability settled on an arm's length basis. Where, in the opinion of management, the fair value of financial assets and liabilities differ materially from their book value, such fair values are separately disclosed in the notes to the financial statements.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and short-term bank deposits with a maturity of three months or less. The carrying amount of these assets approximates their fair value.

Trade receivables

Trade receivables are measured at fair value. Appropriate allowances for estimated irrecoverable amounts are recognised in the statement of income when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted applying an effective interest rate.

Trade payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Company as lessor

When assets are held subject to a finance lease, the present value of the lease payments is recognized as a receivable. The difference between the gross receivable and the present value of the receivable is recognized as unearned finance income. Lease income is recognized over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

Assets held under operating lease are recorded as non-current tangible assets. Such assets are depreciated over their estimated useful lives. Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

The Company as lessee

Assets held under finance leases are recognized as assets of the Company at their fair value at the date of acquisition. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the statement of income over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Rentals payable under operating leases are charged to expenses on a straight-line basis over the term of the relevant lease.

Inventories

Inventories are stated at the lower of cost of purchase (production) or net realizable value.

The cost of purchase of inventories comprises the purchase price, all purchase-related taxes and charges (except for those to be recovered later), transportation, preparation for use and other costs directly attributable to the acquisition of inventories.

The cost of inventory is calculated using the FIFO method (which assumes that the items of inventory that were sold or used first are purchased first).

Appropriate consideration is given to deterioration, obsolescence and other factors when evaluating net realizable value.

Taxation

Income tax expense represents the sum of the tax currently payable and movements in deferred tax.

The charge for current tax is based on the result for the year as adjusted for items, which are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of the future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities in the financial statements and their respective tax bases. Deferred tax assets and liabilities are measured using currently enacted tax rates applied to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Foreign currencies

Transactions denominated in foreign currency are translated into LTL at the official Bank of Lithuania exchange rate on the date of the transaction, which approximates the prevailing market rates. Monetary assets and liabilities are translated at the rate of exchange on the balance sheet date. The applicable rates used for the principal currencies as of 31 December 2006 and 2005 were as follows:

2006	2005
1 USD = 2.6304 Lt	1 USD = 2.9102 Lt
1 EUR = 3.4528 Lt	1 EUR = 3.4528 Lt
1 RUB = 0.0997 Lt	1 RUB = 0.1013 Lt

All resulting gains and losses relating to cash are recorded in the statement of profit and loss in the period in which they arise. Gains and losses on translation are credited or charged to the income statement based on the foreign exchange rates prevailing at the year-end.

Business segment

A business segment is a distinguishable component of an enterprise that is engaged in providing an individual product or service or a group of related products or services that is subject to risk and returns that are different from those of other business segments.

Geographical segment

A geographical segment is a distinguishable component of an enterprise that is engaged in providing products or services within a particular economic environment and that is subject to risks and returns that are different from those of components operating in other economic environment.

Financial risk management policy

Credit risk

The Company's credit risk is primarily attributable to its trade receivables. Credit risk, or the risk of counterparties defaulting, are controlled by the application of credit limits and monitoring procedures. The Company's procedures are in force to ensure on a permanent basis that sales are made to customers with an appropriate credit history and do not exceed an acceptable credit exposure limit.

The credit risk on liquid funds is limited because the counter parties are banks with high credit ratings assigned by international credit-rating agencies.

Interest rate risk

The Company's loans consist of loans with floating interest rate, which is related with LIBOR, VILIBOR. The Company did not use any financial instruments in order to control the risk of interest rate changes.

Foreign currencies exchange risk

The Company uses derivative financial instruments in order to control foreign currencies exchange risk.

Liquidity risk

In order to maintain a sufficient amount of cash and control over the liquidity risk, the Company makes monthly and annual cash flows forecasts.

Dividends

Dividends are recorded in the Company's financial statements in the period when they are approved by the shareholders.

Reclassification

Some amounts in the financial statements of year 2005 were reclassified to conform to the 2006 basis of presentation.

Influence of adoption of standards, interpretations and amendments to published standards that are not yet effective to the financial statements

Some new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2006, and have not been applied in preparing these financial statements:

- IFRS 7 *Financial Instruments: Disclosures and the Amendment to IAS 1 Presentation of Financial Statements: Capital Disclosures* require extensive disclosures about the significance of financial instruments for an entity's financial position and performance, and qualitative and quantitative disclosures on the nature and extent of risks. IFRS 7 and amended IAS 1, which become mandatory for the Company's 2007 financial statements, will require extensive additional disclosures with respect to the Company's financial instruments and share capital. The standards are not expected to have any impact on the financial statements.
- IFRS 8 *Operating Segments* (effective from 1 January 2009). The Standard requires segment disclosure based on the components of the entity that management monitors in making decisions about operating matters. Operating segments are components of an entity about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The Company has not yet completed its analysis of the impact of the new Standard.
- IFRIC 7 *Applying the Restatement Approach* under IAS 29 *Financial Reporting in Hyperinflationary Economies* addresses the application of IAS 29 when an economy first becomes hyperinflationary and in particular the accounting for deferred tax. IFRIC 7, which becomes mandatory for the Company's 2007 financial statements, is not expected to have any impact on the consolidated financial statements.
- IFRIC 8 *IFRS 2 Share-based Payment* addresses the accounting for share-based payment transactions in which some or all of goods or services received cannot be specifically identified. IFRIC 8 will become mandatory for the Company's 2007 financial statements, with retrospective application required. IFRIC 8 is not relevant for the Company's operations as the Company has not entered into any share-based payments arrangements.
- IFRIC 9 *Reassessment of Embedded Derivatives* requires that a reassessment of whether embedded derivative should be separated from the underlying host contract should be made only when there are changes to the contract. IFRIC 9 becomes mandatory for the Company's 2007 financial statements, with retrospective application required. The Company has not yet determined the potential effect of the interpretation.
- IFRIC 10 *Interim Financial Reporting and Impairment* prohibits the reversal of an impairment loss recognised in a previous interim period in respect of goodwill, an investment in an equity instrument or a financial asset carried at cost. IFRIC 10 will become mandatory for the Company's 2007 financial statements, and will apply to goodwill, investments in equity instruments, and financial assets carried at cost prospectively from the date that the Company first applied the measurement criteria of IAS 36 and IAS 39 respectively (i.e., 1 January 2004). IFRIC 10 is not relevant for the Company's operations, as the Company has no investments in the equity financial instruments.

- IFRIC 11 IFRS 2 – *Company and Treasury Share Transactions* (effective for annual periods beginning on or after 1 March 2007). The Interpretation requires a share-based payment arrangement in which an entity receives goods or services as consideration for its own equity-instruments to be accounted for as an equity-settled share-based payment transaction, regardless of how the equity instruments needed are obtained. It also provides guidance on whether share-based payment arrangements, in which suppliers of goods or services of an entity are provided with equity instruments of the entity's parent, should be accounted for as cash-settled or equity-settled in the entity's financial statements. IFRIC 11 is not relevant to the Company's operations as the Company has not entered into any share-based payments arrangements.
- IFRIC 12 *Service Concession Arrangements* (effective from 1 January 2008). The Interpretation provides guidance to private sector entities on certain recognition and measurement issues that arise in accounting for public-to-private service concession arrangements. IFRIC 12 is not relevant to the Company's operations.

4 Critical judgements and uncertainty

Non-current assets depreciation rates

In making its judgement for the remaining useful life of non-current tangible assets, management considered the conclusions from the independent assets appraisal and employees responsible for technical maintenance of assets.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Revenue recognition

The Company uses the percentage-of-completion method in accounting for its sales of services. Use of the percentage-of-completion method requires the Company to estimate the services performed to date as a proportion of the total services to be performed.

5 Intangible assets

Litas	Patents, licenses	Software	Total
Acquisition cost as at 1 January 2006	129,077	255,704	384,781
Changes of the financial year:			
acquisition of assets		17,126	17,126
cessions and written-off assets		(3,007)	(3,007)
transfers from one heading to another			
Cost as at 31 December 2006	129,077	269,823	398,900
Amortisation as at 1 January 2006	87,496	135,676	223,172
Changes of the financial year:			
amortization of the financial year	26,976	58,652	85,628
amortisation of cessions and written-off assets		(3,006)	(3,006)
transfers from one heading to another			
Accumulated amortization as at 31 December 2006	114,472	191,322	305,794
Balance as at 31 December 2005	41,581	120,028	161,609
Balance as at 31 December 2006	14,605	78,501	93,106

6 Tangible non-current assets

Litas	Land	Buildings and plants	Machinery and equipment	Vehicles	Other fixtures, fittings, tools and equipment	Construc- tion in progress	Other tangible assets	Investment property	Total
Acquisition or revaluation value as at 1 January 2006	290,298	14,490,908	7,853,331	5,098,683	6,251,344	29,492	341,807	2,585,944	36,941,807
acquisition of assets	154,491	7,794	2,134,614	1,032,283	1,876,336		10,244		5,215,762
cessions and written-off assets reclassified as held for sale		(1,610,086)	(365,799)	(168,411)	(487,968)	(29,492)	(62,834)		(2,724,590)
Cost as at 31 December 2006	444,789	12,888,616	9,622,146	5,962,555	7,639,712	0	289,217	2,585,944	39,432,979
Accumulated depreciation and impairment as at 1 January 2006		5,843,013	5,056,964	2,988,757	3,560,616		290,398	1,367,024	19,106,772
depreciation of financial year impairment	233,060	351,873	947,261	554,097	1,039,336		18,684	67,080	2,978,331
reversals of impairment		(4,353)							(4,353)
depreciation of cessions to other persons and written-off assets reclassification		(356,608)	(306,215)	(96,934)	(405,688)		(55,623)		(1,221,068)
Accumulated depreciation as at 31 December 2006	233,060	5,833,925	5,698,010	3,445,920	4,194,264	0	253,459	1,434,104	21,092,742
Balance as at 31 December 2005	290,298	8,647,895	2,796,367	2,109,926	2,690,728	29,492	51,409	1,218,920	17,835,035
Balance as at 31 December 2006	211,729	7,054,691	3,924,136	2,516,635	3,445,448	0	35,758	1,151,840	18,340,237

The assets stated above are held for the Company's own use.

Depreciated tangible non-current assets still in use:

Asset group name	Cost
Buildings and constructions	488,792
Machinery and equipment	3,748,715
Vehicles	2,329,103
Other property, plant and equipment	1,698,406
Other tangible assets	244,522
Total	8,509,538

Pledged non-current tangible assets:

Asset group name	Book value	Pledge expiration date
Buildings and constructions	4,948,020	30 01 2008
Buildings and constructions	2,272,321	25 04 2007
Total	7,220,341	

As at 31 December 2006 the book value of assets purchased under finance lease amounted to 4,812,419 Litass (as at 31 December 2005 – 4,608,366 Litass).

7 Investments to subsidiaries (Litass)

As at 31 December the Company's investments comprised:

Subsidiary	Country	Address	Part of ownership	Acquisition cost less impairment loss
UAB Skydmedis	Lithuania	Pramonės st. 5, Panevėžys	100 %	500,000
UAB Metalo Meistrai	Lithuania	Tinklų st. 7, Panevėžys	100 %	81,500
UAB Vekada	Lithuania	Marijonų st. 36, Panevėžys	96 %	776,482
TŪB Vilniaus Papėdė	Lithuania	Švitrigailos st. 8/14, Vilnius	69 %	10,000
UAB PST Investicijos	Lithuania	Konstitucijos pr. 7, Vilnius	67 %	7,692,300
UAB Alinita	Lithuania	Dubysos st. 31, Klaipėda	100 %	240,000
UAB Verkių projektas	Lithuania	Konstitucijos pr. 7, Vilnius	100 %	2,510,000
PS Trests SIA	Latvia	Vietalvas 5, Ryga	100 %	0
Balttilstroij OOO	Russia	Sovetskij pr. 43, Kaliningrad	100 %	0
Total				11,810,282

8 Inventories

Litas	2006	2005
Raw materials and consumables	1,200,748	449,227
Purchased goods held for resale	61,168	991,521
Write-down to net realizable value	(23,598)	(28,907)
Total inventories after write-down to net realizable value	1,238,318	1,411,841

9 Contracts in progress (Litas)

As at 31 December contracts in progress were as follows:

Litas	2006	2005
Advances paid to subcontractors	3,669,028	1,405,190
Inventory	5,312,016	1,395,154
Total	8,981,044	2,800,344

10 Amounts receivable within 1 year and prepayments (Litas)

Litas	2006	2005
Trade receivables	56,363,809	19,950,098
Amounts receivable from subsidiary companies	11,717,671	1,407,498
Accrued income of unfinished projects	2,103,382	
Other amounts receivable	111,126	752,157
Provisions for doubtful debts	(272,999)	(461,596)
Total	70,022,989	21,648,157

As at 31 December 2006 and 2005 retained amounts receivable in the amount of 11,667,725 Litas and 2,147,655 Litas respectively were accounted as trade amounts receivable. The retained amounts receivable are held according to agreements and are not paid until the satisfaction of conditions specified in the contract for the payment of such amounts or until defects have been rectified.

11 Share capital (Litas)

As at 31 December 2006 the Company's share capital consisted of 16,350,000 authorized ordinary shares at par value of LTL 1 each. All shares were fully paid.

As at 31 December 2006 and 2005 the Company's shareholders were:

Shareholders	2006		2005	
	Litas	%	Litas	%
AB Panevėžio Keliai	8,138,932	49,78	8,138,932	49,78
Hansabank clients	2,003,761	12,26	2,835,759	17,34
Suprema AS	585,250	3,58	669,198	4,09
AS Suprema Securities	–	–	598,649	3,66
Bank of New York AS	1,447,000	8,85	–	–
Nordea Bank Finland PLC	504,167	3,08	–	–
SEB Eesti Uhispank As	482,500	2,95	550,750	3,37
Remigijus Juodviršis	300,336	1,84	300,336	1,84
Other	2,888,054	17,66	3,256,376	19,92
Total	16,350,000	100,00	16,350,000	100,00

There were no movements in the share capital of the Company during the reporting year 2006.

12 Reserves (Litas)

Tangible fixed assets revaluation reserve consists of initial revaluations modified by subsequent increases and decreases. The revaluation was carried out on 31 December 2004 by an independent Lithuanian certified appraiser UAB Korporacija Matininkai. Revaluation results were accounted for on 31 December 2004.

The legal reserve is a compulsory reserve under Lithuanian legislation. Annual contributions of minimum 5% of the net distributable profit are required until the legal reserve reaches 10% of the registered share capital. The appropriation is restricted to reduction of the accumulated deficit.

13 Financial relations with the Management and other related parties (Litas)

Litas	2006	2005
Management	1,866,790	1,486,735
Average annual number of management	15	16

14 Borrowings (Litas)

The loans are repayable as follows:

Litas	Up to 1 year	From 1 to 2 years	From 2 to 5 years	After 5 years	total
AB SEB Vilniaus Bankas letter of credit	1,975,347				1,975,347
AB Hansabankas	10,000,000				10,000,000
Total	11,975,347				11,975,347

Credit line from AB Hansabankas, interest rate 6 months Vilibor+1%, credit line maturity date 25 April 2007

AB SEB Vilnius Bank credit's interest rate 3 months LIBOR+1,1%. Credit maturity date 31 July 2007.

15 Obligations under finance lease

As at 31 December 2006 the Company has outstanding obligations in connection with the acquisition of non-current assets under finance lease,

As at 31 December the future annual minimum obligations under finance leases were as follows:

	2006		2005	
	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
Litas				
Amounts payable under finance leases:				
Within one year	1,483,258	1,333,633	1,150,097	1,039,229
In the second to fifth year inclusive	3,402,288	3,221,039	2,734,318	2,582,732
Minimum lease payments	4,885,546	4,554,672	3,884,415	3,621,961
Less interest	(330,874)		(262,454)	
Present value of minimum lease payments	4,554,672	4,554,672	3,621,961	3,621,961

All lease obligations are denominated in Litas. The fair value of the Company's lease obligations approximates their carrying amount.

The Company's obligations under finance lease are secured by the lessors' title to the leased assets.

16 Other amounts payable and current liabilities

Litas	2006	2005
Taxes payable	1,841,884	1,113,859
Dividends payable	12,773	19,701
Other	36,536	86,118
Total	1,891,193	1,219,678

17 Employment related liabilities (Litas)

Litas	2006	2005
Vacation rezerve (including social security contributions)	4,897,137	2,762,147
Payable salary	2,356,826	1,819,839
Payable employment related taxes	1,843,626	1,592,554
Accrued bonuses	2,007,495	894,798
Total	11,105,084	7,069,338

18 Costs accrued and income of future periods

Litas	2006	2005
Obligation tax AB Hansabankas	9,323	0
Delayed interest payment charges	159	0
Audit costs	49,000	0
Deferred income of contracts in progress	2,128,402	0
Total	2,186,884	0

19 Segments reporting

Results of 2006 according to geographical segments.

Litas	Lithuania	Russia	Sweden	Iceland, Norway	Total
Income	301,626,982	20,438,326			322,065,308
Expenses	(281,812,437)	(20,127,191)			(301,939,628)
Operating profit	19,814,545	311,135			20,125,680
Assets per segment	177,033,005				177,033,005
Liabilities per segment	129,621,096				129,621,096

Results of 2005 according to geographical segments.:

Litas	Lithuania	Russia	Germany	Total
Income	146,094,456	11,648,246		157,742,702
Expenses	(140,938,920)	(12,243,919)		(153,182,839)
Operating profit	5,155,536	(595,673)		4,559,863
Assets per segment	80,161,720			80,161,720
Liabilities per segment	50,378,749			50,378,749

For 2006 the Company's sales and expenses by business segments were as follows:

Litas	Constructions	Sales of real estate	Sales of finished goods	Other	Total
Income	320,394,901			1,670,407	322,065,308
Expenses	(300,621,023)			(1,318,605)	(301,939,628)
Operating profit	19,773,878			351,802	20,125,680
Assets per segment	177,033,005				177,033,005
Liabilities per segment	129,621,096				129,621,096

For 2005 the Company's sales and expenses by business segments were as follows:

Litas	Constructions	Sales of real estate	Sales of finished goods	Other	Total
Income	144,795,895	7,813,939		5,132,868	157,742,702
Expenses	(141,846,339)	(6,681,138)		(4,655,362)	(153,182,839)
Operating profit	2,949,556	1,132,801		477,506	4,559,863
Assets per segment	55,849,967	24,311,753			80,161,720
Liabilities per segment	36,399,300	13,979,449			50,378,749

20 Cost of sales

Litas	2006	2005
Subcontractors' services	144,327,849	541,74,246
Materials	78,399,255	41,016,231
Payroll and related expenses	38,616,265	24,755,132
Depreciation and amortisation expenses	2,205,557	1,467,690
Other	20,978,542	16,357,088
Total	284,527,468	137,770,387

21 Operating expenses

Litas	2006	2005
Payroll and related expenses	8,186,573	6,624,367
Cost of sales	873,375	1,802,436
Purchased services	3,164,689	1,573,066
Advertising expenses	490,120,	962,223
Depreciation and amortization expenses	733,514	743,070
Taxes	379,542	626,136
Impairment losses	258,766	31,430
Materials consumed	115,943	111,281
Repair and maintenance expenses	511,761	384,750
Other	2,697,877	2,553,693
Total	17,412,160	154,124,52

22 Finance income and expenses (Lt)

Litas	2006	2005
Interest income	497,033	26,935
Fines and late payments	19,132	48,875
Other income	1,380	36,417
Total income from financial operations	517,545	112,227
Interest expenses	(385,166)	(210,650)
Currency exchange loss	(128,285)	(193,879)
Fines and late payments	7,952	(17,617)
Losses from written off investments	(201,280)	
Other expenses	14,888	
Total financial operations expenses	(691,891)	(422,146)
Financial income and expenses net	(174,346)	(309,919)

23 Income tax expenses

A reconciliation of income tax expense at the statutory rate to income tax (benefit) expense is as follows:

Litas	2006		2005	
	Litas	%	Litas	%
Current year profit	21,744,576		4,450,374	
Income tax at the statutory income tax rate	4,131,469	19.00	667,556	15.00
Effect of permanent differences	67,298	0.31	122,015	2.74
Effect of temporary differences	628,036	2.89	(501,912)	(11.28)
Income tax expenses	4,826,803	22.20	287,659	6.46

Income tax expenses

Litas	2006	2005
Deferred income tax asset	1,315,019	730,852
Valuation allowance		
Deferred income tax asset after valuation	1,315,019	730,852
Deferred income tax liability	(640,633)	(767,631)
Net deferred tax position	674,386	(36,779)

Income tax expenses comprised:

Litas	2006	2005
Current year income tax expenses	4,826,803	287,659
Changes of deferred income tax position	(711,165)	478,939
Corrections of previous periods income tax	615	1,257
	4,116,253	767,855

24 Earnings per share

For the purpose of calculating earnings per share the weighted average number of common shares outstanding during 2006 and 2005 as at 31 December was respectively 16,500,000.

The Company had no dilutive options outstanding during 2006 and 2005 or at 31 December 2006 and 2005.

25 Related party transactions

The Company's transactions with the related parties during 2006 and corresponding balances of amounts payable/receivable as at 31 December 2006 are presented below:

Litas	Sale of goods and services	Purchase of goods and services	Receivable from related parties	Payable to related parties
AB Panevėžio Keliai	743,435	3,090,775		2,648,016
UAB Constructus	256,593		121,208	
UAB PST Investicijos	1,863,398		11,656,611	
UAB Metalo Meistrai	5,510,502	7,154,451		139,143
UAB Skydmedis	244,034	350,608		71,148
UAB Vekada	83,013	2,101,965		390,019
UAB Verkių Projektas	2,500,000			
UAB Alinita	1,080		283	
TŪB Vilniaus Papėdė		18,790		700,000
PS Trest SIA			3,080	
OOO Baltilstroj			224,808	
Total	11,202,055	12,716,589	12,005,990	3,948,326

26 Contingent liabilities

According to the contracts with AB SEB Vilniaus Bankas letters of credit amounting to 13,307 thousand Litass, valid until July 2007 are issued. The amount used of these letters of credit as at 31 December 2006 amounted to 1,975 thousand Litass.

According to contracts with AB SEB Vilniaus Bankas the Company pledged funds in the accounts and requirement rights from AB Panevėžio Energija according to the contracting amounting to 3,465 thousand Litass.

The Company has real estate pledged to AB Bankas Hansabankas, the book value of which as at 31 December 2006 is 7,220 thousand Litass (refer to note 6), funds in accounts and rent rights to state land plot at Puzino st. 1, Panevėžys.

The Company has a freezed cash in AB Bankas Hansabankas account amounting to 2,342 thousand Litass, which secures performance of the Company's obligations according to the bank guarantee agreement, issued by Ministry of Environment of the Republic of Lithuania to the Agency of Environment Projects and which is valid until 13 November 2008.

27. Post balance sheet events

As at 22 February 2007 the Company acquired newly issued shares of UAB PST Investicijos amounting to 14,100 thousand Litass. Part of the shares emission price was paid by transferring 100% of UAB Verkių Projektas shares for 2,510 thousand Litass.

AB Panevėžio Statybos Trestas annual report for the year 2006

AB Panevėžio Statybos Trestas (hereinafter the Company) continues to maintain its leading position among construction companies in Lithuania. Beside preparation, management and construction of production, commercial and public purpose projects, the Company successfully continues the reconstruction projects of Panevėžys Thermoelectric Power Station and UAB Aukštaitijos Vandeny's savage cleaning plants in Panevėžys. These successfully performed projects had significant effect on the financial position of the Company. Seeking to diversify the portfolio of current and future projects, the Company continues its activities in the Kaliningrad area and Tchernopovets.

In 2006 the Company was devoting great attention to the quality of the works in execution, environment protection and labour safety.

Last year the chronicle of the Company was replenished by numerous and significant events: several exclusively huge construction objects were completed, important tenders were won, Company's management structure was optimised and new experience gained.

Efficient management of specialised divisions and processes, continuing upgrade of the employees' competences, modernisation of equipment and implementation of new technologies allowed the Company to attain better operational results:

The revenue of the Company of 2006 reached a record level of 322.1 million Litass and was 2 times higher than in 2005 (157.7 million Litass in 2005). The Company successfully achieved plans of 2006 to reach the turnover of 305 million Litass over the reporting period.

The following biggest projects were completed or continued during the reporting year: Panevėžys and Kėdainiai waste water treatment facilities, reconstruction works of underground passes for Lietuvos Geležinkeliai, commercial and production buildings in Panevėžys, reconstruction of the President's Office of the Republic of Lithuania, sports arena in Šiauliai and others.

The Company's profit, excluding interest, taxes, depreciation and amortization (EBITDA), increased 3.6 times up to 25,2 million Litass (in 2005 it was 7.0 million Litass) and the EBITDA margin reached 7.8 percent. Profit before income tax for the year 2006 was 21.7 million Litass (4.5 million Litass in 2005). The net profit for the reporting period compared to the previous year of 3.7 million Litass, grew up 4.7 times and comprised 17.6 million Litass. Net cash flow went up by more than 6.9 million Litass.

The authorised capital of AB Panevėžio Statybos Trestas consists of 16 350 000 ordinary registered shares of one Litas nominal value each. AB Panevėžio Keliai holds 49.8 per cent of AB Panevėžio Statybos Trestas shares.

As at 31 December 2006 AB Panevėžio Statybos Trestas managed 9 subsidiaries:

UAB PST Investicijos – the real estate development company in Vilnius region. AB Panevėžio Statybos Trestas holds 67 percent of UAB PST Investicijos shares, the total nominal value of which is 10,805,100 Litas.

UAB Vekada - The company specialises in carrying out electrical installation works and designing of electrical systems. AB Panevėžio Statybos Trestas AB holds 50,559 registered shares nominal value of 4 Litas each. The total nominal value amounts to 202,236 Litas or 95.6 percent of the authorised capital of this company.

UAB Skydmedis - This company produces and assembles prefabricated wooden panel houses, other wood products and process timber. AB Panevėžio Statybos Trestas is the holder of 100 percent of UAB Skydmedis shares, the nominal value of which is 12,500 Litas. In January 2006 the authorised capital of UAB Skydmedis was increased to 500,000 Litas. All shares of the company belong to AB Panevėžio Statybos Trestas.

UAB Metalo Meistrai - The company was established in 1999 and is engaged in designing and manufacturing of metal constructions. AB Panevėžio Statybos Trestas holds 100 percent of UAB Metalo Meistrai shares, nominal value of which is 12,500 Litas. In January 2006 UAB Metalo Meistrai authorised capital was increased up to 81,500 Litas. All shares of this company belong to AB Panevėžio Statybos Trestas.

TŪB Vilniaus Papėdė – The company was established in 2000. It was found for the period of Valdovų Rūmai construction and should finish their operations in 2009. The Company's activities are related only with Valdovų Rūmai construction. The Company's capital comprises 14,500 Litas. AB Panevėžio Statybos Trestas owns 69 % company's shares.

PS Trests SIA - The real estate development company in Latvia. AB Panevėžio Statybos Trestas holds 100 percent of PS Trests SIA shares, the nominal value of which is 13,175 Litas.

OOO Baltilstroij - This company performs construction works in Kaliningrad. AB Panevėžio Statybos Trestas holds 100 percent of OOO Baltilstroij shares, the nominal values of which is 1,177,672 Litas.

UAB Alinita - This company based in Klaipėda specialises in construction parts. AB Panevėžio Statybos Trestas holds 100 percent of UAB Alinita shares, the nominal value of which is 10,000 Litas.

UAB Verkių Projektas – The real estate development, management, rent and sales company in Vilnius registered 2 May 2006. AB Panevėžio Statybos Trestas holds 100 percent of UAB Verkių Projektas shares, the total nominal value of which is 2,510,000 Litas.

The Company has two branches (Kaliningrad and St Petersburg) in the Russian Federation and a representative office in the city of Tcherepovets.

29 September 2006 the registration of UAB Inžinerinės Veiklos Centras, the subsidiary company of AB Panevėžio Statybos Trestas was cancelled.

12 July 2006 the payment was made with the shares of UAB Audros Rūmai for the new shares emission of the subsidiary company UAB PST Investicijos.

Other branches of the Company:

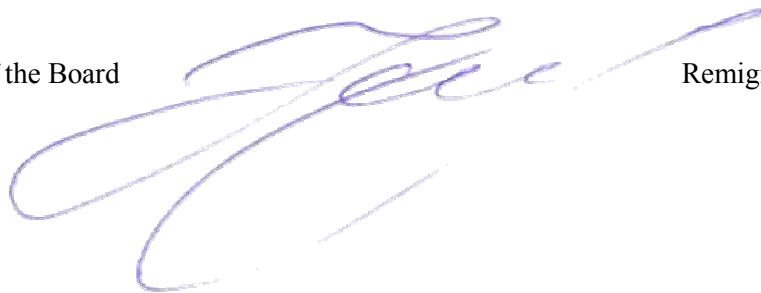
The branch Gerbusta in Panevėžys is the biggest of the Company's branches specialising in outdoor engineering systems and environment arrangement works. The branch Pastatų Apdaila in Panevėžys performs various building (interior and exterior) decoration works.

During this reporting year AB Panevėžio Statybos Trestas plans to increase the turnover by 17 % compared to the previous year.

We would like to express our gratitude to customers, partners, shareholders and employees for being supportive in attaining the Company's goals. We expect that your support and goodwill will help us to secure our business success in the future.

The Report on the Company's Activities for the year 2006 was approved by AB Board of Panevėžio Statybos Trestas on 12 April 2007.

Chairman of the Board



Remigijus Juodviršis

Appendix of annual report

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

The public limited liability company „*Panevėžio statybos trestas*“, 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
Principle I: Basic Provisions		
The overriding objective of a company should be to operate in common interests of all the shareholders by optimizing over time shareholder value.		
1.1. A company should adopt and make public the company's development strategy and objectives by clearly declaring how the company intends to meet the interests of its shareholders and optimize shareholder value.	Yes	The company's strategy and objectives are made public in the website http://www.pst.lt and notices for the Vilnius Stock Exchange and in the periodic notices to the BNS news agency, notices in the newspapers, at the press conferences.
1.2. All management bodies of a company should act in furtherance of the declared strategic objectives in view of the need to optimize shareholder value.	Yes	
1.3. A company's supervisory and management bodies should act in close co-operation in order to attain maximum benefit for the company and its shareholders.	Yes	The board of the company is responsible not only for the strategic management of the company but also analyses and evaluates the material on all items of the company activities presented by the managers: implementation of activity strategy, activity arrangement, financial status, etc.
1.4. A company's supervisory and management bodies should ensure that the rights and interests of persons other than the company's shareholders (e.g. employees, creditors, suppliers, clients, local community), participating in or connected with the company's operation, are duly respected.	Yes	

Principle II: The corporate governance framework		
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.		
2.1. Besides obligatory bodies provided for in the Law on Companies of the Republic of Lithuania – a general shareholders' meeting and the chief executive officer, it is recommended that a company should set up both a collegial supervisory body and a collegial management body. The setting up of collegial bodies for supervision and management facilitates clear separation of management and supervisory functions in the company, accountability and control on the part of the chief executive officer, which, in its turn, facilitate a more efficient and transparent management process.	No	The collegial management body – the board and one-person management body – managing director are set up in the company. The collegial supervisory body – supervisory board is not formed.
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.	No	The supervision of the company's activities and the responsibility and control of the chief executive officer are ensured by the board analyzing and evaluating the material on all items of the company activities presented by the chief executive officer.
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.	No	One collegial management body is formed – the board that effectively supervises the functions performed by the company's chief executive officer.
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	Yes	

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

body. ¹		
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	Yes	The company board is made of 5 members and this number is considered to be sufficient.
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.	No	The supervisory board is not formed.
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.	Yes	The chairman of the board is not and has never been the chief executive officer of the company.
<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>		

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.

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

<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 the board formation ensures that the minority shareholders were properly represented in the board.</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>Yes</p>	<p>The company collects and discloses all information about the members of the collegial body, their professional background, qualification, conflicts of interests in the periodic reports of the company that are published.</p>
<p>3.3. Should a person be nominated for members of a collegial body, such nomination should be followed by the disclosure of information on candidate's particular competences relevant to his/her service on the collegial body. In order shareholders and investors are able to ascertain whether member's competence is further relevant, the collegial body should, in its annual report, disclose the information on its composition and particular competences of individual members which are relevant to their service on the collegial body.</p>	<p>Yes</p>	
<p>3.4. In order to maintain a proper balance in terms of the current qualifications possessed by its members, the collegial body should determine its desired composition with regard to the company's structure and activities, and have this periodically evaluated. The collegial body should ensure that it is composed of members who, as a whole, have the required diversity of knowledge, judgment and experience to complete their tasks properly. The members of the audit committee, collectively, should have a recent knowledge and relevant experience in the fields of finance, accounting and/or audit for the stock exchange listed companies.</p>	<p>Yes</p>	<p>The board is formed considering the company's structure and activities, the experience of its members, diversity of knowledge related to the company activities allow doing the work properly.</p>

all management bodies of the company, but only of the single-person body of management, i.e. the company's chief executive officer. This note shall apply in respect of item 3.1 as well.

<p>3.5. All new members of the collegial body should be offered a tailored program focused on introducing a member with his/her duties, corporate organization and activities. The collegial body should conduct an annual review to identify fields where its members need to update their skills and knowledge.</p>	Yes	<p>The new members are introduced with the company and the regulations of the company board. The members of the board constantly participate at various refresher courses and seminars where they collect information about the essential changes in the legal acts regulating the company's activities.</p>
<p>3.6. In order to ensure that all material conflicts of interest related with a member of the collegial body are resolved properly, the collegial body should comprise a sufficient⁴ number of independent⁵ members.</p>	No	<p>Historically the company exhibits the situation that the sufficiency of the independent members has not been considered. As the trading of the company shares takes place actively and the minority shareholders take an active part in the management of the company, the company will seek implementation of this principle.</p>

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

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

<p>3.7. A member of the collegial body should be considered to be independent only if he is free of any business, family or other relationship with the company, its controlling shareholder or the management of either, that creates a conflict of interest such as to impair his judgment. Since all cases when member of the collegial body is likely to become dependant are impossible to list, moreover, relationships and circumstances associated with the determination of independence may vary amongst companies and the best practices of solving this problem are yet to evolve in the course of time, assessment of independence of a member of the collegial body should be based on the contents of the relationship and circumstances rather than their form. The key criteria for identifying whether a member of the collegial body can be considered to be independent are the following:</p> <ol style="list-style-type: none"> 1) He/she is not an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) of the company or any associated company and has not been such during the last five years; 2) He/she is not an employee of the company or some any company and has not been such during the last three years, except for cases when a member of the collegial body does not belong to the senior management and was elected to the collegial body as a representative of the employees; 3) He/she is not receiving or has been not receiving significant additional remuneration from the company or associated company other than remuneration for the office in the collegial body. Such additional remuneration includes participation in share options or some other performance based pay systems; it does not include compensation payments for the previous office in the company (provided that such payment is no way related with later position) as per pension plans (inclusive of deferred compensations); 4) He/she is not a controlling shareholder or representative of such shareholder (control as defined in the Council Directive 83/349/EEC Article 1 Part 1); 	<p>No</p>	<p>Three members of the board are the members of the board of the largest shareholder – the associated company; the fourth is authorized to represent one of the members in the board of the largest shareholder of the associated company.</p>
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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>		
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<p>3.8. The determination of what constitutes independence is fundamentally an issue for the collegial body itself to determine. The collegial body may decide that, despite a particular member meets all the criteria of independence laid down in this Code, he cannot be considered independent due to special personal or company-related circumstances.</p>		
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<p>3.9. Necessary information on conclusions the collegial body has come to in its determination of whether a particular member of the body should be considered to be independent should be disclosed. When a person is nominated to become a member of the collegial body, the company should disclose whether it considers the person to be independent. When a particular member of the collegial body does not meet one or more criteria of independence set out in this Code, the company should disclose its reasons for nevertheless considering the member to be independent. In addition, the company should annually disclose which members of the collegial body it considers to be independent.</p>	No	
<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>	No	
<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>	Yes	<p>The company plans to remunerate the members of the board for their work from the company's funds. The general meeting of the shareholders will approve the amount of such remuneration.</p>
<p>Principle IV: The duties and liabilities of a collegial body elected by the general shareholders' meeting</p> <p>The corporate governance framework should ensure proper and effective functioning of the collegial body elected by the general shareholders' meeting, and the powers granted to the collegial body should ensure effective monitoring⁷ of the company's management bodies and protection of interests of all the company's shareholders.</p>		

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>Once a quarter the board hear out the report of the chief executive officer and the finance director of the company, analyzes their activity and evaluates its effectiveness and provides recommendations, if required. The board analyzes, evaluates the draft of annual financial accountability of the company and draft profit (loss) allocation, and presents them to the general meeting of the shareholders.</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>4.3. Each member should devote sufficient time and attention to perform his duties as a member of the collegial body. Each member of the collegial body should limit other professional obligations of his (in particular any directorships held in other companies) in such a manner they do not interfere with proper performance of duties of a member of the collegial body. In the event a member of the collegial body should be present in less than a half⁹ of the meetings of the collegial body throughout the financial year of the company, shareholders of the company should be notified.</p>	<p>Yes</p>	<p>The members of the company board participated at the meetings of the board and each member gave enough time to perform the duties of a board member.</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.

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>4.4. Where decisions of a collegial body may have a different effect on the company's shareholders, the collegial body should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed on the company's affairs, strategies, risk management and resolution of conflicts of interest. The company should have a clearly established role of members of the collegial body when communicating with and committing to shareholders.</p>	<p>Yes</p>	
<p>4.5. It is recommended that transactions (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions), concluded between the company and its shareholders, members of the supervisory or managing bodies or other natural or legal persons that exert or may exert influence on the company's management should be subject to approval of the collegial body. The decision concerning approval of such transactions should be deemed adopted only provided the majority of the independent members of the collegial body voted for such a decision.</p>	<p>Yes</p>	
<p>4.6. The collegial body should be independent in passing decisions that are significant for the company's operations and strategy. Taken separately, the collegial body should be independent of the company's management bodies¹⁰. Members of the collegial body should act and pass decisions without an outside influence from the persons who have elected it. Companies should ensure that the collegial body and its committees are provided with sufficient administrative and financial resources to discharge their duties, including the right to obtain, in particular from employees of the company, all the necessary information or to seek independent legal, accounting or any other advice on issues pertaining to the competence of the collegial body and its committees.</p>	<p>Yes</p>	

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

<p>4.7. Activities of the collegial body should be organized in a manner that independent members of the collegial body could have major influence in relevant areas where chances of occurrence of conflicts of interest are very high. Such areas to be considered as highly relevant are issues of nomination of company's directors, determination of directors' remuneration and control and assessment of company's audit. Therefore when the mentioned issues are attributable to the competence of the collegial body, it is recommended that the collegial body should establish nomination, remuneration, and audit committees. Companies should ensure that the functions attributable to the nomination, remuneration, and audit committees are carried out. However they may decide to merge these functions and set up less than three committees. In such case a company should explain in detail reasons behind the selection of alternative approach and how the selected approach complies with the objectives set forth for the three different committees. Should the collegial body of the company comprise small number of members, the functions assigned to the three committees may be performed by the collegial body itself, provided that it meets composition requirements advocated for the committees and that adequate information is provided in this respect. In such case provisions of this Code relating to the committees of the collegial body (in particular with respect to their role, operation, and transparency) should apply, where relevant, to the collegial body as a whole.</p>	<p>No</p>	<p>The collegial body of the company's management is a board performing the functions of the nomination, remuneration and control committees. The board of the company selects the candidate for the chief executive officer - managing director of the company and the candidates for the other managers of the company. It constantly evaluates their experience, professional capabilities and implementation of the company's strategic goals, hears out the reports. The board of the company selects the candidate for the external audit and provides proposals to the general shareholders' meeting for approval. It also ensures the efficiency of the functions of internal audit.</p>
<p>4.8. The key objective of the committees is to increase efficiency of the activities of the collegial body by ensuring that decisions are based on due consideration, and to help organize its work with a view to ensuring that the decisions it takes are free of material conflicts of interest. Committees should present the collegial body with recommendations concerning the decisions of the collegial body. Nevertheless the final decision shall be adopted by the collegial body. The recommendation on creation of committees is not intended, in principle, to constrict the competence of the collegial body or to remove the matters considered from the purview of the collegial body itself, which remains fully responsible for the decisions taken in its field of competence.</p>	<p>Not applicable</p>	<p>The committees are not formed.</p>
<p>4.9. Committees established by the collegial body should normally be composed of at least three members. In companies with small number of members of the collegial body, they could exceptionally be composed of two members. Majority of the members of each committee should be constituted from independent members of the collegial body. In cases when the company chooses not to</p>	<p>Not applicable</p>	<p>The committees are not formed.</p>

<p>set up a supervisory board, remuneration and audit committees should be entirely comprised of non-executive directors. Chairmanship and membership of the committees should be decided with due regard to the need to ensure that committee membership is refreshed and that undue reliance is not placed on particular individuals.</p>		
<p>4.10. Authority of each of the committees should be determined by the collegial body. Committees should perform their duties in line with authority delegated to them and inform the collegial body on their activities and performance on regular basis. Authority of every committee stipulating the role and rights and duties of the committee should be made public at least once a year (as part of the information disclosed by the company annually on its corporate governance structures and practices). Companies should also make public annually a statement by existing committees on their composition, number of meetings and attendance over the year, and their main activities. Audit committee should confirm that it is satisfied with the independence of the audit process and describe briefly the actions it has taken to reach this conclusion.</p>	<p>Not applicable</p>	<p>The committees are not formed.</p>
<p>4.11. In order to ensure independence and impartiality of the committees, members of the collegial body that are not members of the committee should commonly have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or demand participation in the meeting of particular officers or experts. Chairman of each of the committees should have a possibility to maintain direct communication with the shareholders. Events when such are to be performed should be specified in the regulations for committee activities.</p>	<p>Not applicable</p>	<p>The committees are not formed.</p>

<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>	<p>Not applicable</p>	<p>The committees are not formed.</p>
<p>4.13. Remuneration Committee. 4.13.1. Key functions of the remuneration committee should be the following:</p> <ul style="list-style-type: none"> • Make proposals, for the approval of the collegial body, on the remuneration policy for members of management bodies and executive directors. Such policy should address all forms of compensation, including the fixed remuneration, performance-based remuneration schemes, pension arrangements, and termination payments. Proposals considering performance-based remuneration schemes should be accompanied with recommendations on the related objectives and evaluation criteria, with a view to properly aligning the pay of executive director and members of the management bodies with the long-term interests of the shareholders and the objectives set by the collegial body; • Make proposals to the collegial body on the individual remuneration for executive directors and member of management bodies in order their remunerations are consistent with company's remuneration policy and the evaluation of the performance of these persons concerned. In doing so, the committee should be properly informed on the total compensation obtained by executive directors and members of the management bodies from the affiliated companies; 	<p>Not applicable</p>	<p>The committees are not formed.</p>

<ul style="list-style-type: none">• 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 executive directors or members of the management bodies.</p>		
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<p>4.14. Audit Committee.</p> <p>4.14.1. Key functions of the audit committee should be the following:</p> <ul style="list-style-type: none"> • Observe the integrity of the financial information provided by the company, in particular by reviewing the relevance and consistency of the accounting methods used by the company and its group (including the criteria for the consolidation of the accounts of companies in the group); • At least once a year review the systems of internal control and risk management to ensure that the key risks (inclusive of the risks in relation with compliance with existing laws and regulations) are properly identified, managed and reflected in the information provided; • Ensure the efficiency of the internal audit function, among other things, by making recommendations on the selection, appointment, reappointment and removal of the head of the internal audit department and on the budget of the department, and by monitoring the responsiveness of the management to its findings and recommendations. Should there be no internal audit authority in the company, the need for one should be reviewed at least annually; • Make recommendations to the collegial body related with selection, appointment, reappointment and removal of the external auditor (to be done by the general shareholders' meeting) and with the terms and conditions of his engagement. The committee should investigate situations that lead to a resignation of the audit company or auditor and make recommendations on required actions in such situations; • Monitor independence and impartiality of the external auditor, in particular by reviewing the audit company's compliance with applicable guidance relating to the rotation of audit partners, the level of fees paid by the company, and similar issues. In order to prevent occurrence of material conflicts of interest, the committee, based on the auditor's disclosed inter alia data on all remunerations paid by the company to the auditor and network, should at all times monitor nature and extent of the non-audit services. Having regard to the principals and guidelines established in the 16 May 2002 Commission Recommendation 2002/590/EC, the committee should determine and apply a formal policy establishing types of non-audit services that are (a) excluded, (b) permissible only after review by the committee, and (c) permissible without referral to the committee; • 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</p>	<p>Not applicable</p>	<p>The committees are not formed.</p>
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<p>and/or activities carried out through special purpose vehicles (organizations) and justification of such operations.</p> <p>4.14.3. The audit committee should decide whether participation of the chairman of the collegial body, chief executive officer of the company, chief financial officer (or superior employees in charge of finances, treasury and accounting), or internal and external auditors in the meetings of the committee is required (if required, when). The committee should be entitled, when needed, to meet with any relevant person without executive directors and members of the management bodies present.</p> <p>4.14.4. Internal and external auditors should be secured with not only effective working relationship with management, but also with free access to the collegial body. For this purpose the audit committee should act as the principal contact person for the internal and external auditors.</p> <p>4.14.5. The audit committee should be informed of the internal auditor's work program, and should be furnished with internal audit's reports or periodic summaries. The audit committee should also be informed of the work program of the external auditor and should be furnished with report disclosing all relationships between the independent auditor and the company and its group. The committee should be timely furnished information on all issues arising from the audit.</p> <p>4.14.6. The audit committee should examine whether the company is following applicable provisions regarding the possibility for employees to report alleged significant irregularities in the company, by way of complaints or through anonymous submissions (normally to an independent member of the collegial body), and should ensure that there is a procedure established for proportionate and independent investigation of these issues and for appropriate follow-up action.</p> <p>4.14.7. The audit committee should report on its activities to the collegial body at least once in every six months, at the time the yearly and half-yearly statements are approved.</p>		
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<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>	<p>No</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>	<p>Yes</p>	

<p>5.2. It is recommended that meetings of the company's collegial bodies should be carried out according to the schedule approved in advance at certain intervals of time. Each company is free to decide how often to convene meetings of the collegial bodies, but it is recommended that these meetings should be convened at such intervals, which would guarantee an interrupted resolution of the essential corporate governance issues. Meetings of the company's supervisory board should be convened at least once in a quarter, and the company's board should meet at least once a month¹¹.</p>	<p>Yes</p>	<p>The meeting of the company's collegial body – the board takes place based on the periodicity approved in advance and in accordance with the planned agenda.</p>
<p>5.3. Members of a collegial body should be notified about the meeting being convened in advance in order to allow sufficient time for proper preparation for the issues on the agenda of the meeting and to ensure fruitful discussion and adoption of appropriate decisions. Alongside with the notice about the meeting being convened, all the documents relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body are present or certain issues of great importance to the company require immediate resolution.</p>	<p>Yes</p>	<p>Each member of the board can introduce himself/herself to the documents of the meeting, reports, and draft decisions three days prior to the meeting day.</p>
<p>5.4. In order to co-ordinate operation of the company's collegial bodies and ensure effective decision-making process, chairpersons of the company's collegial bodies of supervision and management should closely co-operate by co-coordinating dates of the meetings, their agendas and resolving other issues of corporate governance. Members of the company's board should be free to attend meetings of the company's supervisory board, especially where issues concerning removal of the board members, their liability or remuneration are discussed.</p>	<p>Not applicable</p>	<p>The supervisory board is not formed.</p>
<p>Principle VI: The equitable treatment of shareholders and shareholder rights</p> <p>The corporate governance framework should ensure the equitable treatment of all shareholders, including minority and foreign shareholders. The corporate governance framework should protect the rights of the shareholders.</p>		

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

<p>6.1. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all their holders.</p>	<p>Yes</p>	<p>The company's capital is comprised from ordinary registered shares granting equal personal and non-property rights to their owners.</p>
<p>6.2. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.</p>	<p>Yes</p>	
<p>6.3. Transactions that are important to the company and its shareholders, such as transfer, investment, and pledge of the company's assets or any other type of encumbrance should be subject to approval of the general shareholders' meeting.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.</p>	<p>No</p>	<p>The Articles of Association do not assign the decision making to the general shareholders' meeting if they are related to the long-term assets the balance sheet value of which is higher than 1/10 of the company's authorized capital, investment transfer, rent, mortgage, purchase, etc.</p>
<p>6.4. Procedures of convening and conducting a general shareholders' meeting should ensure equal opportunities for the shareholders to effectively participate at the meetings and should not prejudice the rights and interests of the shareholders. The venue, date, and time of the shareholders' meeting should not hinder wide attendance of the shareholders. Prior to the shareholders' meeting, the company's supervisory and management bodies should enable the shareholders to lodge questions on issues on the agenda of the general shareholders' meeting and receive answers to them.</p>	<p>Yes</p>	<p>The place, date and time of the general shareholders' meeting are chosen in a manner ensuring the possibilities to all shareholders to attend the shareholders' meeting actively. The shareholders are informed about the convening of the general shareholders' meeting in public and no later than 10 days prior to the meeting the shareholders are allowed to familiarize themselves to the draft resolutions.</p>

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>6.5. It is recommended that documents on the course of the general shareholders' meeting, including draft resolutions of the meeting, should be placed on the publicly accessible website of the company in advance¹³. It is recommended that the minutes of the general shareholders' meeting after signing them and/or adopted resolutions should be also placed on the publicly accessible website of the company. Seeking to ensure the right of foreigners to familiarize with the information, whenever feasible, documents referred to in this recommendation should be published in English and/or other foreign languages. Documents referred to in this recommendation may be published on the publicly accessible website of the company to the extent that publishing of these documents is not detrimental to the company or the company's commercial secrets are not revealed.</p>	<p>No</p>	
<p>6.6. Shareholders should be furnished with the opportunity to vote in the general shareholders' meeting in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.</p>	<p>Yes</p>	<p>Each shareholder can participate in the meeting in person or delegating the participation to some other person.</p>
<p>6.7. With a view to increasing the shareholders' opportunities to participate effectively at shareholders' meetings, the companies are recommended to expand use of modern technologies in voting processes by allowing the shareholders to vote in general meetings via terminal equipment of telecommunications. In such cases security of telecommunication equipment, text protection and a possibility to identify the signature of the voting person should be guaranteed. Moreover, companies could furnish its shareholders, especially foreigners, with the opportunity to watch shareholder meetings by means of modern technologies.</p>	<p>No</p>	
<p>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>		

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>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>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>7.3. Any member of the company's supervisory and management body may conclude a transaction with the company, a member of a corporate body of which he/she is. Such a transaction (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions) must be immediately reported in writing or orally, by recording this in the minutes of the meeting, to other members of the same corporate body or to the corporate body that has elected him/her or to the company's shareholders. Transactions specified in this recommendation are also subject to recommendation 4.5.</p>	Yes	
<p>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.</p>	Yes	
<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>		
<p>8.1. A company should make a public statement of the company's remuneration policy (hereinafter the remuneration statement). This statement should be part of the company's annual accounts. Remuneration statement should also be posted on the company's website.</p>	No	<p>The company follows the remuneration policy for the directors approved by the board.</p>

<p>8.2. Remuneration statement should mainly focus on directors' remuneration policy for the following year and, if appropriate, the subsequent years. The statement should contain a summary of the implementation of the remuneration policy in the previous financial year. Special attention should be given to any significant changes in company's remuneration policy as compared to the previous financial year.</p>	No	Recommendations provided in item 8.1 are not followed.
<p>8.3. Remuneration statement should leastwise include the following information:</p> <ul style="list-style-type: none"> • Explanation of the relative importance of the variable and non-variable components of directors' remuneration; • Sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration; • Sufficient information on the linkage between the remuneration and performance; • The main parameters and rationale for any annual bonus scheme and any other non-cash benefits; • A description of the main characteristics of supplementary pension or early retirement schemes for directors. 	No	Recommendations provided in item 8.1 are not followed.
<p>8.4. Remuneration statement should also summarize and explain company's policy regarding the terms of the contracts executed with executive directors and members of the management bodies. It should include, inter alia, information on the duration of contracts with executive directors and members of the management bodies, the applicable notice periods and details of provisions for termination payments linked to early termination under contracts for executive directors and members of the management bodies.</p>	No	Recommendations provided in item 8.1 are not followed.
<p>8.5. The information on preparatory and decision-making processes, during which a policy of remuneration of directors is being established, should also be disclosed. Information should include data, if applicable, on authorities and composition of the remuneration committee, names and surnames of external consultants whose services have been used in determination of the remuneration policy as well as the role of shareholders' annual general meeting.</p>	No	

<p>8.6. Without prejudice to the role and organization of the relevant bodies responsible for setting directors' remunerations, the remuneration policy or any other significant change in remuneration policy should be included into the agenda of the shareholders' annual general meeting. Remuneration statement should be put for voting in shareholders' annual general meeting. The vote may be either mandatory or advisory.</p>	No	Recommendations provided in item 8.1 are not followed.
<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 	No	The annual prospectus – statement of the company discloses information about the remuneration to the chairman of board and head of administration – managing director during the reporting period. It also includes the loans, warranties and guarantees given to the mentioned persons.

<p>during the relevant financial year;</p> <ul style="list-style-type: none"> • When the pension scheme is defined-contribution scheme, detailed information on contributions paid or payable by the company in respect of that director during the relevant financial year. <p>8.7.4. The statement should also state amounts that the company or any subsidiary company or entity included in the consolidated annual financial statements of the company has paid to each person who has served as a director in the company at any time during the relevant financial year in the form of loans, advance payments or guarantees, including the amount outstanding and the interest rate.</p>		
<p>8.8. Schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements should be subject to the prior approval of shareholders' annual general meeting by way of a resolution prior to their adoption. The approval of scheme should be related with the scheme itself and not to the grant of such share-based benefits under that scheme to individual directors. All significant changes in scheme provisions should also be subject to shareholders' approval prior to their adoption; the approval decision should be made in shareholders' annual general meeting. In such case shareholders should be notified on all terms of suggested changes and get an <u>explanation on the impact of the suggested changes</u>.</p>	No	
<p>8.9. The following issues should be subject to approval by the shareholders' annual general meeting:</p> <ul style="list-style-type: none"> • Grant of share-based schemes, including share options, to directors; • Determination of maximum number of shares and main conditions of share granting; • The term within which options can be exercised; • The conditions for any subsequent change in the exercise of the options, if permissible by law; • All other long-term incentive schemes for which directors are eligible and which are not available to other employees of the company under similar terms. Annual general meeting should also set the deadline within which the body responsible for remuneration of directors may award compensations listed in this article to individual directors. 		
<p>8.10. Should national law or company's Articles of Association allow, any discounted option arrangement under which any rights are granted to subscribe to shares at a price lower than the market value of the share prevailing on the day of the price determination, or the average of the market values over a number of days preceding the date when the exercise price is determined, should also be subject to the shareholders' approval.</p>		

<p>8.11. Provisions of Articles 8.8 and 8.9 should not be applicable to schemes allowing for participation under similar conditions to company's employees or employees of any subsidiary company whose employees are eligible to participate in the scheme and which has been approved in the shareholders' annual general meeting.</p>		
<p>8.12. Prior to the annual general meeting that is intended to consider decision stipulated in Article 8.8, the shareholders must be provided an opportunity to familiarize with draft resolution and project-related notice (the documents should be posted on the company's website). The notice should contain the full text of the share-based remuneration schemes or a description of their key terms, as well as full names of the participants in the schemes. Notice should also specify the relationship of the schemes and the overall remuneration policy of the directors. Draft resolution must have a clear reference to the scheme itself or to the summary of its key terms. Shareholders must also be presented with information on how the company intends to provide for the shares required to meet its obligations under incentive schemes. It should be clearly stated whether the company intends to buy shares in the market, hold the shares in reserve or issue new ones. There should also be a summary on scheme-related expenses the company will suffer due to the anticipated application of the scheme. All information given in this article must be posted on the company's website.</p>		
<p>Principle IX: The role of stakeholders in corporate governance</p> <p>The corporate governance framework should recognize the rights of stakeholders as established by law and encourage active co-operation between companies and stakeholders in creating the company value, jobs and financial sustainability. For the purposes of this Principle, the concept "stakeholders" includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interest in the company concerned.</p>		
<p>9.1. The corporate governance framework should assure that the rights of stakeholders that are protected by law are respected.</p>	<p>Yes</p>	
<p>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>No</p>	

9.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.	No	
<p>Principle X: Information disclosure and transparency</p> <p>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>		

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<p>10.5. Information should be disclosed in such a way that neither shareholders nor investors are discriminated with regard to the manner or scope of access to information. Information should be disclosed to all simultaneously. It is recommended that notices about material events should be announced before or after a trading session on the Vilnius Stock Exchange, so that all the company's shareholders and investors should have equal access to the information and make informed investing decisions.</p>	<p>Yes</p>	<p>The company presents the information through the information disclosure system used by the Vilnius Stock Exchange in the Lithuanian and English languages at the same time. The company does not disclose any information that might have effect on the price of its securities in the comments, interviews or any other ways before such information is announced through the information system of the exchange.</p>
<p>10.6. Channels for disseminating information should provide for fair, timely and cost-efficient access to relevant information by users. It is recommended that information technologies should be employed for wider dissemination of information, for instance, by placing the information on the company's website. It is recommended that information should be published and placed on the company's website not only in Lithuanian, but also in English, and, whenever possible and necessary, in other languages as well.</p>	<p>Yes</p>	
<p>10.7. It is recommended that the company's annual reports and other periodical accounts prepared by the company should be placed on the company's website. It is recommended that the company should announce information about material events and changes in the price of the company's shares on the Stock Exchange on the company's website too.</p>	<p>Yes</p>	

Principle XI: The selection of the company's auditor		
The mechanism of the selection of the company's auditor should ensure independence of the firm of auditor's conclusion and opinion.		
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	The audit of annual financial statement and annual report is conducted by the independent audit company.
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	
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.	Not applicable	In the year 2006 the company's firm of auditors has not rendered any non-audit services to the company and has not been paid for this by the company. Both the candidate of the audit company and the specific auditor are agreed with the Securities Commission.