AB Panevėžio Statybos Trestas Group

Consolidated financial statements as at 31 December 2006

Contents

Company details

AB Panevėžio Statybos Trestas

Telephone:	(8~45) 505 503
Telefax:	(8~45) 505 520
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 Group

We have audited the accompanying consolidated financial statements of AB Panevėžio Statybos Trestas (the Group), which comprise the consolidated balance sheet as at 31 December 2006, the consolidated income statement, the statement of consolidated changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, set out on pages 6-38.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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 2006 set out on pages 39-81 of the consolidated financial statements and have not identified any material inconsistencies between the financial information included in the annual report and the consolidated financial statements for the year ended 31 December 2006.

Vilnius, 12 April 2007
KPMG Baltics, UAB

Leif Rene Hansen	Vilmantas Karalius
Danish State Authorised	ACCA and Lithuanian
Public Accountant	Certified Auditor

Consolidated balance sheet

Litas	Note No.	2006	2005
ASSETS			
Non-current assets			
Intangible assets	**5**		
Goodwill		1,645,038	105,671
Patents, licences		14,605	41,581
Computer software		94,414	131,209
Other intangible assets		1,200	1,855
Total intangible non-current assets		**1,755,257**	**280,316**
Tangible non-current assets	**6**		
Land		211,729	290,298
Buildings and constructions		8,907,030	10,631,543
Machinery and equipment		5,677,196	3,271,788
Vehicles		3,190,039	2,502,865
Other property, plant and equipment		4,078,349	2,972,481
Construction in progress		542,168	119,978
Other tangible assets		79,163	87,565
Total tangible non-current assets		**22,685,674**	**19,876,518**
Financial assets			
Investments in subsidiaries and associates		2,887	
Amounts receivable after one year		331,580	246,083
Other financial assets		55,500	55,500
Total financial assets		**389,967**	**301,583**
Deferred tax assets		**2,177,297**	**753, 528**
Total non-current assets		**27,008,195**	**21,211,945**
Current assets			
Inventories	8	7,979,368	2,688,741
Prepayments		33,436,989	2,804,056
Contracts in progress	9	73,622,757	16,475,595
Amounts receivable	10	61,001,088	21,865,813
Other amounts receivable	10	1,763,710	942,596
Other current assets		303,229	1,571,580
Cash and cash equivalents		32,891,037	27,914,028
Total current assets		**210,998,178**	**74,262,409**
TOTAL ASSETS		**238,006,373**	**95,474,354**

Consolidated balance sheet (continued)

Litas	Note No.	2006	2005
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	11	16,350,000	16,350,000
Revaluation reserve	12	3,780,063	4,671,344
Legal reserve	12	1,619,155	1,435,029
Translation reserve		10,906	
Retained earnings		27,376,954	12,521,636
EQUITY SHARE ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT COMPANY		49,137,078	34,978,009
MINORITY INTEREST		4,692,136	738,910
Total equity		**53,829,214**	**35,716,919**
Long-term liabilities			
Leasing (financial lease) liabilities	15	4,436,867	2,704,620
Long-term liabilities to credit institutions	14	46,479,881	
Other financial liabilities	14		105,852
Deferred tax liability		1,018,308	852,054
Total long-term liabilities		**51, 935,056**	**3,662,526**
Short-term liabilities			
Current year portion of long-term debts	15	2,407,061	1,128,166
Short-term liabilities to credit institutions	14	12,015,347	2,407,985
Other financial liabilities	14	105,852	
Trade payables		50,446,870	18,432,087
Prepayments received		46,592,393	22,914,776
Payable corporate income tax		3,699,513	1,675,376
Employment related liabilities	17	12,441,229	7,869,610
Provisions		291,194	189,642
Other amounts payable and short-term liabilities	16	2,055,760	1,477,267
Accrued expenses and deferred income	16	2,186,884	
Total current liabilities		**132,242,103**	**56,094,909**
TOTAL EQUITY AND LIABILITIES		**238,006,373**	**95,474,354**

The accompanying notes, set out on pages 12-38, are an integral part of these consolidated financial statements.

General Director   D. Gesevičius   Dalius Gesevičius

Consolidated income statement

Litas	Note No.	2006	2005
Sales	18	339,512,297	191,589,890
Cost of sales	19	(296,836,915)	(159,557,572)
Gross profit		**42,675, 382**	**32,032,318**
Operating expenses	20	(23,634,457)	(20,214,681)
Operating profit		**19,040,925**	**11,817,637**
Other operating income		69,038	193,509
Other operating expenses		(493,341)	(756,897)
Interest income	21	70,773	10,536
Other financial income	21	345,674	89,728
Interest expenses	21	(1,656,145)	(581,292)
Other financial expenses	21	(252,466)	(221,595)
Profit before taxation		**17,124,458**	**10,551,626**
Profit tax expenses	22	(3,649,705)	(2,085,888)
Net profit		**13,474,753**	**8,465,738**
Attributable to:			
Equity holders of the parent		14,251,228	8,615,491
Minority interest		(776,475)	(149,753)
Profit per share	23	**0,82**	**0.52**

The accompanying notes, set out on pages 12-38, are an integral part of these consolidated financial statements.

General Director Dalius Gesevičius

Consolidated statement of changes in equity

Litas	Paid share capital	Revaluation reserve	Legal reserve	Translation reserve	Retained earnings	Equity share attributable to the shareholders of the parent company	Minority interest	Total equity
Balance as at 31 December 2004	**16,350,000**	**5,029,438**	**1,287,090**		**4,212,974**	**26,879,502**	**823,078**	**27,702,580**
Net profit for the reporting period					8,615,491	8,615,491	(149,753)	8,465,738
Revaluation of tangible non-current assets		48,256				48,256		48,256
Deferred tax liability related to revaluation of tangible fixed assets		(2,549)				(2,549)	(172)	(2,721)
Dividends					(562,691)	(562,691)		(562,691)
Increase in minority							65,757	65,757
Legal reserves formed			147,939		(147,939)			
Decrease in revaluation reserve, net of deferred tax liability		(403,801)			403,801			
Balance as at 31 December 2005	**16,350,000**	**4,671,344**	**1,435,029**		**12,521,636**	**34,978,009**	**738,910**	**35,716,919**
Net profit for the reporting period					14,251,228	14,251,228	(776,475)	13,474,753
Change of deferred tax liability					(306,542)	(306,542)	971	(305,571)
Increase in minority							5,363,600	5,363,600
Decrease in minority							(632,889)	(632,889)
Decrease in revaluation reserve, net of deferred tax liability		(891,281)			891,894	613	(1,981)	(1,368)
Recovered loss of previous years					202,864	202,864		202,864
Legal reserves formed			184,126		(184,126)			
Change of exchange rates				10,906		10,906		10,906
Balance as at 31 December 2006	**16,350,000**	**3,780,063**	**1,619,155**	**10,906**	**27,376,954**	**49,137,078**	**4,692,136**	**53,829,214**

The accompanying notes, set out on pages 12-38, are an integral part of these consolidated financial statements.

General Director Dalius Gesevičius

Consolidated cash flow statement

Litas	2006	2005
CASH FLOW FROM OPERATING ACTIVITIES		
Net profit	**13,474,753**	**8,465,738**
Adjustments for:		
Depreciation and amortization	3,650,966	2,721,376
Profit (loss) from transfer of non-current assets	1,595	(12,861)
Other non-cash items	3,817,582	2,599,208
Net cash flow from operating activities until changes in the operating capital	**20,944,896**	**13,773,461**
Decrease (increase) in inventories	(5,290,627)	3,662,121
(Increase) decrease in prepayments	(30,632,933)	(1,675,931)
Decrease (increase) in contracts in progress	(55,893,824)	6,159,350
Increase (decrease) in trade payables and advances received	33,605,554	(1,393,872)
Increase (decrease) in amounts receivable and other assets	(37,914,289)	9,001,480
Increase in profit tax liability	2,024,137	534,168
Increase (decrease) in prepayments received	23,677,617	13,885,732
Increase (decrease) in employment related liabilities	4,571,619	1,479,877
Increase (decrease) in provisions	101,552	(1,235,388)
Increase (decrease) in other amounts payable and short-term liabilities	643,903	713,367
Elimination of results of financial and investing activities	1,423,672	771,723
Net cash flow from operating activities	**(42,738,723)**	**45,676,088**
CASH FLOW FROM INVESTING ACTIVITIES		
Acquisition of tangible and intangible non-current assets	(4,007,824)	(1,880,106)
Transfer of non-current tangible assets	83,326	517,459
Loans issued	(3,000)	(169,799)
Dividends and interest received	70,773	10,536
Acquisitions of investments	(356,309)	
Net cash flow from investing activities	**(4,213,034)**	**(1,521,910)**

Consolidated cash flow statement

Litas	2006	2005
CASH FLOW FROM FINANCING ACTIVITIES		
Dividends paid	(6,928)	(542,990)
Decrease in financial liabilities		(16,602,556)
Interest paid	(1,725,825)	(581,292)
Increase of financial liabilities	56,087,243	
Leasing (financial lease) payments	(2,470,089)	(1,713,591)
Changes in other cash flow from financial activities	44,365	69,100
Net cash flow from financing activities	**51,928,766**	**(19,371,329)**
Increase (decrease) in net cash flow	**4,977,009**	**24,782,849**
NET CASH AND CASH EQUIVALENTS IN THE BEGINNING OF THE YEAR	**27,914,028**	**3,131,179**
NET CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**32,891,037**	**27,914,028**

The accompanying notes, set out on pages 12-38, are an integral part of these consolidated financial statements.

General Director Dalius Gesevičius

Notes

1 General information

AB Panevėžio Statybos Trestas (herineafter "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 consolidated 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 and it's subsidiaries (hereinafter the Group) is design and construction of various buildings, structures, facilities, communications and other similar objects in Lithuania and abroad. The Group also rents out premises and equipment, resale of utility and communication services, sale of construction materials.

As at 31 December 2006 the Group employed 1,464 people (1,138 in 2005).

As at 31 December 2006 the Group 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
Baltilstroij OOO	Russia	Sovetskij pr. 43, Kaliningradas	100 %	Construction

2 Correspondence with the set standards

Consolidated 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 consolidated financial statements.

3 Accounting policy

Basis of preparation

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

The preparation of consolidated 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.

Principles of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group. In 2006 all the subsidiary companies of the Group finished implementation of computer program Navision for using a common plan of accounts. The Group plans computerization of consolidated financial statements.

All significant intra-group transactions, balances, income and expenses are eliminated on consolidation.

Business combinations
The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Company in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 Business Combinations are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations, which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in the statement of income in the period of acquisition.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognized.

Goodwill
Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition. Goodwill is initially recognized as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are assessed for impairment annually, or more frequently, and tested for impairment when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

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 Group 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 consolidated 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 consolidated 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 Group'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 Group 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 consolidated 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 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 consolidated 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 Group 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 Group 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 companies are recognised in the consolidated financial statements of the Group applying equity method.

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.

Investment securities with fixed maturity where management has both the intent and ability to hold to maturity are classified as held-to-maturity. Held to maturity investments are recorded at an amortized value using the effective interest rate method, less any provisions for impairment

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 to 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 consolidated income statement in the period in which they are incurred.

Financial instruments

Financial assets and financial liabilities are recognized on the Group's consolidated balance sheet when the Group 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 consolidated 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. Assets leases when the lessor holds a material risk part and the benefit of equity are classified as operating leases.

<u>The Group as lessor</u>

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 Group as lessee

Assets held under finance leases are recognized as assets of the Group at their fair value at the date of acquisition. The corresponding liability to the lessor is included in the consolidated 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 consolidated 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 Group 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 consolidated 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 Group 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 consolidated 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 Group'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 Group'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 Group's loans consist of loans with floating interest rate, which is related with LIBOR, VILIBOR. The Group did not use any financial instruments in order to control the risk of interest rate changes.

Foreign currencies exchange risk

The Group 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 Group makes monthly and annual cash flows forecasts.

Dividends

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

Reclassification

Some amounts in the consolidated 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 consolidated 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 Group's 2007 financial statements, will require extensive additional disclosures with respect to the Group'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 Group 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 Group'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 Group's 2007 financial statements, with retrospective application required. IFRIC 8 is not relevant for the Group's operations as the Group 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 Group's 2007 financial statements, with retrospective application required. The Group 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 Group'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 Group first applied the measurement criteria of IAS 36 and IAS 39 respectively (i.e., 1 January 2004). IFRIC 10 is not relevant for the Group's operations, as the Group has no investments in the equity financial instruments.

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- IFRIC 11 IFRS 2 – *Group 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 Group's operations as the Group 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 Group's operations.

Critical judgements and uncertainty

Key judgements in applying the entity's accounting policies

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

4 Correction of errors

The Group has written off capitalised rights to land rent amounting to 2,186,000 LTL, which are related with the residential buildings sold in 2005. Since the correction is related with 2005, the Group reduced the result of 2005 and equity as at 31 December 2005. The effect of this correction is presented below:

Litas	Total equity as at 31 December 2005	Net profit of 2005	Total assets as at 31 December 2005
Before correction	56,015,214	10,651,738	97,660,354
Correction	(2,186,000)	(2,186,000)	(2,186,000)
After correction	53,829,214	8,465,738	95,474,354

Correction does not affect the minority equity and result.

5 Intangible assets

Litas	Goodwill	Patents, licenses	Software	Other intangible assets	Total
Acquisition cost as at 1 January 2006	**105,671**	**129,077**	**299,180**	**6,848**	**540,776**
Changes of the financial year:					
acquisition of assets	1,539,367		23,935		1,563,302
cessions and written-off assets			(4,957)		(4,957)
Assets of acquired companies			15,691		15,691
Cost as at 31 December 2006	**1,645,038**	**129,077**	**333,849**	**6,848**	**2,114,812**
Amortisation as at 1 January 2006		**87,496**	**167,971**	**4,993**	**260,460**
Changes of the financial year:					
amortization of the financial year		26,976	67,262	655	94,893
financial year amortization of acquired companies			9,158		9,158
amortisation of cessions and written-off assets			(4,956)		(4,956)
transfers from one heading to another					
Accumulated amortization as at 31 December 2006		**114,472**	**239,435**	**5,648**	**359,555**
Balance as at 31 December 2005	**105,671**	**41,581**	**131,209**	**1,855**	**280,316**
Balance as at 31 December 2006	**1,645,038**	**14,605**	**94,414**	**1,200**	**1,755,257**

Litas	Land	Buildings and plants	Machinery and equipment	Vehicles	Other fixtures, fittings, tools and equipment	Construc-tion in progress	Other tangible assets	Total
Acquisition or revaluation value as at 1 January 2006	**290,298**	**18,019,430**	**8,825,357**	**5,726,525**	**6,884,680**	**119,978**	**410,360**	**40,276,628**
acquisition of assets	154,491	7,794	3,659,543	1,452,881	2,204,386	451,682	35,624	7,966,401
assets of acquired companies					267,798			267,798
cessions and written-off assets		(1,610,086)	(365,799)	(190,658)	(516,322)	(29,492)	(64,792)	(2,777,149)
reclassified as held for sale					(1,083)			(1,083)
assets of disposed companies				(7,600)	(4,011)		(1,985)	(13,596)
Cost as at 31 December 2006	**444,789**	**16,417,318**	**12,119,101**	**6,981,148**	**8,835,448**	**542,168**	**379,207**	**45,718,999**
Accumulated depreciation and impairment as at 1 January 2006		**7,387,887**	**5,553,569**	**3,223,660**	**3,912,199**		**322,795**	**20,400,110**
depreciation of financial year		483,182	1,194,552	669,651	1,178,892		34,149	3,560,426
depreciation of acquired companies					91,087			91,087
Impairment	233,060							233,060
recovery of impairment		(4,353)						(4,353)
depreciation of cessions to other persons and written-off assets		(356,608)	(306,216)	(102,075)	(424,860)		(56,900)	(1,246,659)
reclassification					(54)			(54)
depreciation of disposed companies assets				(127)	(165)			(292)
Accumulated depreciation as at 31 December 2006	**233,060**	**7,510,108**	**6,441,905**	**3,791,109**	**4,757,099**		**300,044**	**23,033,325**
Balance as at 31 December 2005	**290,298**	**10,631,543**	**3,271,788**	**2,502,865**	**2,972,481**	**119,978**	**87,565**	**19,876,518**
Balance as at 31 December 2006	**211,729**	**8,907,030**	**5,677,196**	**3,190,039**	**4,078,349**	**542,168**	**79,163**	**22,685,674**

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

Depreciated tangible non-current assets still in use:

Asset group name	Cost
Buildings and constructions	511,913
Machinery and equipment	3,888,928
Vehicles	2,435,304
Other property, plant and equipment	2,001,660
Other tangible assets	281,417
Total	**9,119,222**

Pledged non-current tangible assets:

Asset group name	Book value	Pledge expiration date
Buildings and constructions AB PST	4,948,020	2008 01 30
Buildings and constructions AB PST	2,272,321	2007 04 25
Buildings and constructions UAB Vekada	733,243	2007 04 27
Total	**7,953,584**	

As at 31 December 2006 the book value of assets purchased under finance lease amounted to 6,649,771 Litas (as at 31 December 2005 – 4,608,366 Litas).

7 Investments to subsidiaries (Litas)

As at 31 December the Group's investments comprised:

Subsidiary	Country	Address	Part of ownership	Net profit (loss) of 2006	Net profit (loss) of 2005
UAB Skydmedis	Lietuva	Pramonės g. 5, Panevėžys	100 proc.	47,453	117,581
UAB Metalo Meistrai	Lietuva	Tinklų g. 7, Panevėžys	100 proc.	292,697	199,545
UAB Vekada	Lietuva	Marijonų g. 36, Panevėžys	96 proc.	697,450	212,348
TŪB Vilniaus Papėdė	Lietuva	Švitrigailos g. 8/14, Vilnius	69 proc.	13	223
UAB PST investicijos	Lietuva	Konstitucijos pr. 7, Vilnius	67 proc.	(3,422,206)	6,523,777
UAB Alinita	Lietuva	Dubysos g. 31, Klaipėda	100 proc.	18,348	61,866
UAB Verkių projektas	Lietuva	Konstitucijos per. 7 Vilnius	100 proc.	(41,914).	
Total				**(2,408,159)**	**7,115,340**

PS Trests SIA and Baltilstroij OOO financial statements were not consolidated in the Groups financial statements as at 31 December 2006 and 2005 due to immateriality to the Group.

8 Inventories

Litas	2006	2005
Raw materials and consumables	3,618,173	1,516,101
Finished goods	390,758	256,447
Purchased goods held for resale	3,997,478	991,521
Write-down to net realizable value	(27,041)	(75,328)
Total inventories after write-down to net realizable value	**7,979,368**	**2,688,741**

9 Contracts in progress (Litas)

As at 31 December contracts in progress were as follows:

Litas	2006	2005
Advances to subcontractors	3,669,028	1,405,190
Inventories and payments	5,312,016	1,395,154
Acquisition of rights of land rent	11,892,503	714,000
Acquisition of land	44,533,383	11,981,772
Acquisition of buildings	3,597,983	
Other	4,617,844	979,479
Total	**73,622,757**	**16,475,595**

As at 31 December 2006 land lease rights in Kaliningrad of 11,179 tLTL and in Vilnius – of 714 tLTL are capitalized. The land lease rights were acquired on acquisition of subsidiaries. The land is intended to be used for real estate development.

10 Amounts receivable within 1 year and prepayments (Litas)

Litas	2006	2005
Trade receivables	59,684,391	24,485,275
Accrued income of unfinished projects	2,103,382	
Other amounts receivable	1,702,933	942,596
Provisions for doubtful debts	(725,908)	(2,619,462)
Total	**62,764,798**	**22,808,409**

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 Group‘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 Group'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 Group 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)

Litais	2006	2005
Amounts calculated during a year in connection with employment relations to:		
Management	2,900,228	1,927,023
Average annual number of management	38	31

14 Borrowings (Litas)

Loans received as at 31 December comprised:

Litas	Maturity	Interest rate (%)	31.12.2006	31.12.2005
AB DnB Nord Bankas issued to UAB "PST investicijos"	2008 04 27	6 months Vilibor + 1,0	10,953,312	
AB DnB Nord Bankas issued to UAB "Geležės projektai"	2008 04 19	6 months Vilibor + 1,05	19,718,014	
AB SEB Vilniaus Bankas issued to UAB "Audros rūmai"	2006	3 months Vilibor + 2,45		2,400,000
AB SEB Vilniaus Bankas issued to UAB "Kauno erdvė"	2008 05 27	6 months Vilibor + 1,1	5,293,261	
AB SEB Vilniaus Bankas issued to UAB "Sakališkės"	2008 10 01	6 months Vilibor + 1,15	2,280,984	
AB SEB Vilniaus Bankas issued to UAB "Audros rūmai"	2008	6 months Vilibor + 1,2	3,737,722	
AB Sampo Bankas issued to UAB "Smiltynų kalvos"	2008 05 29	6 months Vilibor + 1,55	4,496,588	
AB Bankas Hansabankas issued to UAB "Alinita"	2006	15,00		7,985
AB bankas Hansabankas issued to UAB "Alinita"	2007 09 18	5,50	40,000	
AB Bankas Hansabankas issued to AB "PST"	2007 04 25	6 months Vilibor + 1,0	10,000,000	
AB SEB Vilniaus Bankas issued to AB "PST"	2007 04 01	3 months Libor +1,1	1,975,347	
Issued by natural person to UAB "PST investicijos"	2007 03 22	Interest free	105,852	105,852
Total			**58,601,080**	**2,513,837**

The loans are repayable as follows:

Litas	2006	2005
Up to 1 year	1,212,199	2,407,985
From 2 to 5 years	46,479,881	105,852
Short-term liabilities	1,212,199	2,407,985
Payable after 12 month	46,479,881	105,852

15 Obligations under finance lease

As at 31 December 2006 the Group 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	
Litas	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
Amounts payable under finance leases:				
Within one year	2,634,584	2,407,061	1,246,580	1,128,166
In the second to fifth year inclusive	4,639,949	4,344,977	2,863,026	2,704,620
After 5 years	93,206	91,890		
Minimum lease payments	**7,367,739**	**6,843,928**	**4,109,606**	**3,832,786**
Less interest	(523,811)		(276,820)	
Present value of minimum lease payments	**6,843,928**	**6,843,928**	**3,832,786**	**3,832,786**

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

The Group‘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	1,977,079	1,304,105
Dividends payable	12,773	19,701
Deferred income of unfinished construction contracts	2,128,402	
Other	124,390	153,461
Total	**4,242,644**	**1,477,267**

17 Employment related liabilities (Litas)

Litas	2006	2005
Vacation rezerve (including social security contributions)	5,578,996	3,095,260
Accrued bonuses	2,007,495	895,765
Payable salary	2,640,127	2,052,414
Payable employment related taxes	2,214,611	1,826,171
Total	**12,441,229**	**7,869,610**

18 Segments reporting

Results of 2006 according to geographical segments.

Litas	Lithuania	Russia	Germany	Sweden	Iceland, Norway	Total
Income	314,625,330	20,438,326	277,949	109,769	4,060,923	339,512,297
Expenses	(295,972,126)	(20,127,191)	(273,658)	(108,074)	(3,990,323)	(320,471,372)
Operating profit	**18,653,204**	**311,135**	**4,291**	**1,695**	**70,600**	**19,040,925**
Assets per segment	**233,115,454**	**3,924,823**	**54,129**	**21,382**	**890,585**	**238,006,373**
Liabilities per segment	**180,426,850**	**3,009,516**	**41,506**	**16,395**	**682,892**	**184,177,159**

Results of 2005 according to geographical segments.:

Litas	Lithuania	Russia	Germany	Sweden	Iceland, Norway	Total
Income	175,522,099	12,219,105	521,809	574,118	2,752,759	191,589,890
Expenses	163,223,262	(12,800,010)	(508,242)	(559,191)	(2,681,548)	179,772,253
Operating profit	**12,298,837**	**(580,905)**	**13,567**	**14,927**	**71,211**	**11,817,637**
Assets per segment	**94,806,714**		**90,847**	**99,953**	**476,840**	**95,474,354**
Liabilities per segment	**59,348,912**		**55,588**	**61,161**	**291,774**	**59,757,,435**

For 2006 the Group‘s sales and expenses by business segments were as follows:

Litas	Constructions	Sales of real estate	Sales of finished goods	Other	Total
Income	330,489,003	457,908	5,738,086	2,827,300	339,512,297
Expenses	(308,921,449)	(3,381,033)	(5,673,763)	(2,495,127)	(320,471,372)
Operating profit	**21,567,554**	**2,923,125**	**64,323**	**332,173**	**19,040,925**
Assets per segment	**233,670,410**		**703,417**	**3,632,546**	**238,006,373**
Liabilities per segment	**180,852,385**		**539,373**	**2,785,401**	**184,177,159**

For 2005 the Group‘s sales and expenses by business segments were as follows:

Litas	Constructions	Sales of real estate	Sales of finished goods	Other	Total
Income	144,221,537	34,758,084	6,195,795	6,414,474	191,589,890
Expenses	(139,730,473)	27,917,921	(5,971,850)	(6,152,009)	179,772,253
Operating profit	**4,491,064**	**6,840,163**	**223,945**	**262,465**	**11,817,637**
Assets per segment	**31,320,356**	**60,761,809**	**1,561,776**	**1,830,413**	**95,474,354**
Liabilities per segment	**19,164,626**	**38,517,162**	**955,636**	**1,120,011**	**59,757,435**

19 Cost of sales

Litas	2006	2005
Subcontractors' services	142,433,414	62,959,602
Materials	85,582,522	54,317,382
Salary and related expenses	43,587,086	28,999,281
Depreciation and amortisation expenses	2,568,161	1,696,948
Written off right to land		2,186,000
Other	22,665,732	9,398,359
Total	**296,836,915**	**159,557,572**

20 Operating expenses

Litas	2006	2005
Salary and related expenses	12,060,714	9,175,794
Cost of sales	946,274	2,448,211
Purchased services	3,619,696	2,139,935
Advertising expenses	645,176	1,118,773
Depreciation and amortization expenses	1,005,757	887,575
Taxes	498,140	874,705
Impairment losses	263,863	749,911
Materials consumed	226,677	693,278
Repair and maintenance expenses	640,446	356,968
Other	3,727,714	1,769,531
Total	**23,634,457**	**20,214,681**

21 Finance income and expenses (Lt)

Litas	2006	2005
Interest income	70,773	10,536
Fines and late payments	22,363	49,738
Influence of currency exchange fluctuations	318,615	
Other income	4,696	39,990
Total income from financial operations	416,447	100,264
Interest expenses	(1,656,145)	(581,292)
Currency exchange loss		(200,967)
Fines and late payments		(20,628)
Losses from written off investments	(201,280)	
Other expenses	(51,186)	
Total financial operations expenses	(1,908,611)	(802,887)
Financial income and expenses net	**(1,492,164)**	**(702,623)**

22 Income tax expenses

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

	2006		2005	
Litas	Litas	%	Litas	%
Current year profit	17,124,458		10,551,626	
Income tax at the statutory income tax rate	3,253,647	19,00	1,582,744	15,00
Effect of different tax rates on operations in other tax jurisdictions	100,674	0,59	311,397	2,95
Effect of expenses/income that are not taxable	294,769	1,72	111,543	1,06
Change in deferred tax valuation allowance			81,461	0,77
Adjustment of prior year income tax	615	-	(1,257)	(0,01)
Income tax expenses	**3,649,705**	**21,31**	**2,085,888**	**19,77**

Income tax expenses

Litas	2006	2005
Deferred income tax asset	2,177,297	753,528
Valuation allowance		
Deferred income tax asset after valuation	**2,177,297**	**753,528**
Deferred income tax liability	(1,018,308)	(852,054)
Net deferred tax position	**1,158,989**	**(98,526)**

Income tax expenses comprised:

Litas	2006	2005
Current year income tax expenses	(5,032,176)	(2,518,142)
Changes of deferred income tax position in the income statement	1,563,086	(430,997)
Corrections of previous periods income tax	(615)	(1,257)
	(3,649,705)	**(2,085,888)**

23 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 Group had no dilutive options outstanding during 2006 and 2005 or at 31 December 2006 and 2005.

24 Related party transactions

The Group‘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	Amounts owed by related parties	Amounts owed to related parties
AB Panevėžio Keliai	816,897	3,091,375	1,973	2,751,605
UAB Constructus	1,126,414		179,993	
Total	**1,943,311**	**3,091,375**	**181,966**	**2,751,605**

25 Contingent liabilities

The Company and the subsidiaries have pledged the following assets to the bank for the loans:

- Administration building and land rent right at Puzino st. 1, Panevėžys
- Administration building at Marijonų st. 36, warehouses, workshops at Pušaloto st. 126, Šventoji
- Land rent right to the land plot at H. Manto st. 7/M. Mažvydo st. 2, Klaipėda
- Land plot (7,45 ha) Padekaniškių village, Vilnius district
- Land plot (20,88 ha) Bajorų village, Kaunas district
- Land plot (13,99 ha) Ustronės village, Vilnius district
- Land plot (14,92 ha) Smiltynų village, Kaunas district
- UAB “Kauno erdvė”shares
- UAB “Sakališkės” shares
- UAB “Audros rūmai” shares
- AB “Panevėžio Statybos Trestas” funds in bank accounts
- UAB “Smiltynų Kalvos” funds in bank accounts
- UAB “Gėlužės projektai” funds in bank accounts

AB “Panevėžio Statybos Trestas” has a freezed cash in AB Bankas Hansabankas account amounting to 2,342 thousand Litas, which secures the performance of the Company‘s obligations according to the bank guarantee agreement issued by the Environment Projects Agency of the Environment Ministry of the Republic of Lithuania valid until 13 November 2008.

1 Consolidated annual report of AB Panevėžio Statybos Trestas for 2006

1.1.1 1. The reporting period

The annual report covers the year 2006.

1.1.2 2. The main data on the issuer

Name of the issuer	Joint Stock Company Panevėžio Statybos Trestas
Authorised capital	Litas 16,350,000
Address of the headquarters	P. Puzino g. 1, LT-35173 Panevėžys, Lithuania
Telephone	(8~45) 505 503
Fax	(8~45) 505 520
E-mail	pst@pst.lt
Legal – organisational form	Joint Stock Company
Date and place of registration	30 October 1993, Panevėžys
Registration No.	AB 9376
Code of the company's register	147732969
VAT code	LT477329610
Administrating body of the Legal Entities Register	Public Company Registrų Centras
Website	www.pst.lt

1.1.3 3. Objective review of the Company's status, implementation and development of activities and description of the main risks and uncertainties faced by the Company

AB Panevėžio Statybos Trestas (hereinafter referred to as the Company) remains one of the major construction companies in Lithuania.

The main activities of the Company comprise construction and design of various buildings, constructions, communications as well as other objects in Lithuania and outside Lithuania. In addition to this activity the Company is engaged in lease of premises and mechanisms, trade in construction materials etc.

As at 31 December 2006, the Company had the following branches – Gerbusta and Pastatų Apdaila. These branches have their own independent accounting, their data are consolidated when preparing financial statements. Branches Klaipstata, Darmesta and PST Būstas are accounted for in the main Company. With a view to diversify the portfolio of current and future projects, the Company pursues its activities in the Kaliningrad district and the city of Cherepovets.

Effective management of specialized subdivisions and processes, development of the staff competence on a continuous basis, updating of equipment and technologies resulted in good operational results of the Company. The activities in 2006 were successful.

The activities of the Company's designing bureau PST Projektai are successful. The bureau provides complex services to the constructors, makes the period of a project implementation shorter, provides for a possibility to implement all amendments to the project promptly. During previous year the designing services increased by a factor of 2.3.

In 2006, the group's income increased by 77% as compared to 2005 and reached Litas 339.5 million (Litas 191.6 million in 2005). The Company's income increased twice – up to Litas 322.1 million (Litas 157.7 million in 2005). The consolidated net profit of the Company increased by 59% up to Litas 13.5 million (Litas 8.47 million in 2005). The net profit of the Company increased even by a factor of 4.8, the net profit in 2006 amounted to Litas 17.6 million, in 2005 to Litas 3.7 million.

In 2006, the Company focused its attention on the quality of work, environment protection and labour safety. The Company implemented successfully and works according to the quality management system ISO 9001:2000, the environment management system LST EN ISO 14001:2004. Last year the Lithuanian national accreditation bureau accredited the Company's construction laboratory according to LST EN ISO/IEC 17025:2000 providing the right to carry out tests of construction materials.

Last year the Company started to implement a new labour motivation system for the staff. The new system is based on contributions of each position, each staff member and their impact on the total results of the Company.

During the reporting year the following major projects were completed: the 1st stage of the Panevėžys waste water treatment facilities, commercial buildings for trade – BIG trading center in Vilnius, trade center Senukai in Panevėžys etc.; other major objects were further developed – the 2nd stage of the waste water treatment facilities in Panevėžys, Šiauliai sport arena, reconstruction of the President's Office of the Republic of Lithuania, Panevėžys thermofication power station, Panevėžys production building ADAX.

Risk factors related to the Company's activities:

- Increase in prices of construction materials and mechanisms;
- Increase in prices of energy resources;
- Increase in remuneration;
- Labour force transition to the recovered global construction market;

- Increasing competition of the construction market participants;
- General economic situation of the Republic of Lithuania and neighboring countries:

The following companies comprise the group companies of AB Panevėžio Statybos Trestas:

Subsidiaries	**Type of activities**	**Share-holding held (%)**	**Headquarters address**
UAB Skydmedis	Production of wooden constructions	100	Pramonės g. 5, Panevėžys
UAB Metalo Meistrai	Production of metal constructions	100	Tinklų g. 7, Panevėžys
UAB Vekada	Electricity installation works	96	Marijonų g. 36, Panevėžys
TŪB Vilniaus Papėdė	Construction works	69	Švitrigailos g. 8, Vilnius
UAB Alinita	Air-conditioning equipment	100	Dubysos g. 31, Klaipėda
UAB Verkių Projektas	Development and sales of real estate	100	Konstitucijos pr. 7, Vilnius
PS TRESTS SIA	**CONSTRUCTION**	**100**	**VIETALVAS 5, RYGA**
BALTILSTROIJ OOO	**CONSTRUCTION**	**100**	**SOVETSKIJ PR. 43, KALININGRADAS**
UAB PST Investicijos	Construction of real estate	67	Konstitucijos pr. 7, Vilnius
UAB PST Investicijos subsidiaries:			
UAB Ateities Projektai	Development and sales of real estate	100	Konstitucijos pr. 7, Vilnius
UAB Sakališkės	Development and sales of real estate	100	Konstitucijos pr. 7, Vilnius
UAB Kauno Erdvė	Development and sales of real estate	100	Konstitucijos pr. 7, Vilnius
UAB Gėlužės Projektai	Development and sales of real estate	100	Konstitucijos pr. 7, Vilnius
UAB Audros Rūmai	Construction of real estate	100	Konstitucijos pr. 7, Vilnius
UAB Realtus	Development and sales of real estate	100	Konstitucijos pr.7, Vilnius
OOO ISK Baltevromarket	Investment construction company	100	Sovetskij per.43, Kaliningrad
UAB Smiltynų Kalvos	Development and sales of real estate	100	Konstitucijos pr.7, Vilnius

Financial statements of PS Trests SIA and Baltilstroij OOO were not consolidated in the Group consolidated financial statements due to insignificance to the Group.

UAB Skydmedis was established and initiated activities as of 17 June 1999. The company produces and assembles prefabricated wooden panel houses. During 2006 the company's sales amounted to Litas 7.2 million and exceeded the sales volumes in 2005 by 9%. The net profitability ratio is 0.7%. In the second half of the year a new production unit was established in the company, the investment to which reached Litas 0.3 million and increased the production capacities by more than 30%. The company's products, i.e. wooden prefabricated panel houses are sold and assembled in the Scandinavian countries: Iceland, Sweden, Norway as well as in Germany and Latvia. In 2006 the company's export reached 93.1% of all the products. The Company's investment plans include installation of automotive flow production line which would allow increasing of production capacities by 2.5. In 2006 the staff of the company was 70. In 2006 the authorised capital of UAB Skydmedis was increased from Litas 12.5 thousand to Litas 500 thousand. The share capital was divided into 1 thousand ordinary shares with the value of Litas 500 each. The sole shareholder is AB Panevėžio Statybos Trestas holding 100% of thre shares.

UAB Metalo Meistrai was established on 16 June 1999 and started its activities on 1 July 1999. The company is engaged in manufacturing of metal constructions and construction parts. Other activities include rent of small size scaffoldings. The goods produced by the company are used for construction of industrial, commercial and dwelling objects. In 2006, the company produced 1600 tons of metal constructions. The major objects are as follows: trade center BIG in Vilnius, plant Adax in Panevėžys, expansion of Malsena. During the reporting period the company obtained the national certificate for production of metal constructions. In 2006 the turnover of the company was Litas 8,064 thousand, i.e. higher by 47.9% as compared to 2005. Net profit amounts to 3.6%. The staff of the company was 44 in 2006. In 2007 due to forecasted growth of the construction market the increase in turnover is planned to be of 15% and in net profitability of 5%.

During the reporting year the authorised capital increased by Litas 69,000 and as at the end of 2006 it amounted to Litas 81,500. The share capital consists of 163 ordinary shares with the nominal value of Litas 500 each. The sole shareholder is AB Panevėžio Statybos Trestas holding 100% of the shares.

UAB „Vekada" was established on 1 January 1963 as Elektros Montavimo Valdyba (Electricity Installation Board) and reregistered as UAB Vekada on 16 May 1994. The company's activities include electricity installation works in industrial, commercial, dwelling objects. Last year the company expanded geography of its activities. It provides services in Vilnius, Visaginas, Marijampolė, Alytus, Šiauliai and other Lithuanian towns and districts. As compared to 2005, the annual turnover increased twice.

The major objects are as follows: SBA furniture plant in Visaginas, trade center RIMI in Marijampolė, Panevėžys waste water treatment facilities, multi-apartment dwelling houses with commercial premises in Klaipėda and Panevėžys, reconstruction of RIMI trade center in Kėdainiai. As a subcontractor of AB PST the company performed electricity installation works for Litas 2 million 284 thousand. Major objects are as follows: reconstruction of the administration building at Geležinkelio g. 16, Vilnius, the Royal Palace (Valdovų Rūmai) in Vilnius, a production building at Ramygalos g. 194, Panevėžys. Based on the financial results, it should be noted that the scope of the works performed amounts to Litas 8.89 million (Litas 4.44 million in 2005). The net profitability ratio is 7.9%.

In 2007 due to the forecasted development of the construction market, the company plans an increase in income of 15% and in net profitability of 5%. The company is also planning to increase the number of employees: from 60 in the reporting year to 70-75 next year. The authorised capital and the composition of the shareholders did not change in the reporting year, i.e. as previously, the authorised capital of Litas 211,488 is divided to 52,872 ordinary shares with the nominal value of 4 Litas each. The main shareholder is AB Panevėžio Statybos Trestas holding 95.6% of the shares, the remaining part of the shares are held by individuals.

TŪB Vilniaus Papėdė – the partnership was established in 2000 in the period of construction of the Royal Palace and should terminate its activities in 2009. The company's activities are related only to construction of the Royal Palace. As of the beginning of the construction the works performed in the complex of the Royal Palace amount to Litas 72.4 million, including investigation, design works for Litas 18.4 million. The partnership does not generate profit by its activities, it only distributes costs and only insignificant profit is calculated according to regulations of bank interest and taxable profits.

The partnership's capital consists of contributions of the incorporators, in total Litas 14,500, including AB Panevėžio Statybos Trestas of Litas 10,000 or 69%. Other incorporators are also legal entities.

In 2007, it is planned to assign Litas 37.1 million (including VAT) as follows: Litas 2.5 million to investigation works, Litas 2.0 million to designing works, Litas 32.6 million to construction works. During this year all general construction works of the blocks should be finalized, the yard cellar established, decoration works performed in the southern and western blocks, special parts assembled.

UAB PST Investicijos was established on 23 December 1998. The shares of the Company are held by several individuals (8.4%) and legal persons (91.6%). Currently, the Company's authorised capital amounts to Litas 16,168,700 and consists of 161,687 ordinary registered shares with the nominal value of Litas 100. In 2006, the Company's authorised capital was increased twice: on 16 March 2006 – from the Company's funds up to Litas 6,232,800; on 14 July 2006 by additional contributions of shareholders up to Litas 16,168,700. AB Panevėžio Statybos Trestas holds 67% of the company's shares. The company is engaged in development and sale of real estate. UAB PST Investicijos participates in real estate projects itself or through its subsidiaries. Such development of activities (by establishing a separate subsidiary for a project) was chosen with a view to estimate the result of the project as precisely as possible.

In 2006, the Company established several secondary companies: UAB Kauno Erdvė, UAB Sakališkės, UAB Ateities Projektai, UAB Smiltynų Kalvos. Furthermore, during the reporting year the company acquired 100% of UAB Audros Rūmai, UAB Gėlužio Projektai, UAB Realtus and OOO Baltevromarket. On the other hand the secondary company UAB Realtus has a secondary company OOO Olovka and 50% of UAB Novigo shares.

UAB PST Investicijos owns a land plot of 7,765 square meters located at Šeškinės g. 4, Vilnius, including: 4,807 square meters owned by UAB PST Investicijos under the private ownership right; 2,958 square meters held by UAB PST Investicijos under the sublease right; 9,051 square meters held by UAB PST Investicijos under the sublease right on which two 16 floors dwelling houses with underground parking have been built. The company plans to build a multifunctional commercial building with trading space on the ground floor and offices on the rest 8 floors on the non-occupied part of the land plot.

Development of real estate consists of several stages and takes a few years. During the first year preparatory works are performed – occupancy of the land plot by buildings is coordinated with the municipality, designers for the conception forecasted are chosen, financial resources are searched, the market is monitored seeking to establish whether the economic environment is favourable for the concept chosen. In the sense of income generation, this activity – development of real estate – is deemed to be seasonal: acquisition of goods, services and generation of income do not coincide. During the first years of activities the companies engaged in real estate development suffer losses.

The company plans to participate actively in development of projects of its subsidiaries – UAB Sakališkės and UAB Gėlužės Projektai, UAB Ateities Projektai, UAB Smiltynų Kalvos, UAB Kauno Erdvė. The company also plans to seek possibilities to sell some projects more profitable or acquire new perspective projects.

UAB Alinita was established on 8 December 1997. The main activities of the company are design works of ventilation, air-conditioning and installation of ventilation, air-conditioning, heating, internal sewerage, water supply, electricity installation and automation. The company has effective certificates for implementation of such activities. In 2006, the staff of the company was 39.

In 2006 the company planned to perform works for Litas 2,150 thousand and actually performed for Litas 2,984 thousand. In 2006 the company signed an annual agreement for maintenance of ventilation system with AB Baltijos Laivų Statykla and UAB Aldasta regarding installation of ventilation, heating, internal sewerage, water supply, automation in a multi-apartment dwelling house. The company's authorised capital is Litas 10,000. It is divided into 100 ordinary registered shares with a nominal value of Litas 100. The sole shareholder holding 100% of the shares is AB Panevėžio Statybos Trestas.

UAB Verkių Projektas was established and started its activities on 2 May 2006. The company's activities include development of real estate, rent and sales. One person is employed in the company. As the company just starts its activities, it had no income in 2006. The authorised capital of the company is Litas 2,510,000 which is divided into 25,100 ordinary shares. The nominal value per share is Litas 100.

1.1.4 4. Analysis of financial and non-financial operating results, information related to environment and personnel

Operating results of the group companies of AB Panevėžio Statybos Trestas and the parent company in 2005 to 2006 are as follows:

Group		Names	Parent company	
2006	**2005**		**2006**	**2005**
339,512	191,590	Income	322,065	157,743
296,837	159,558	Cost	284,527	137,770
42,675	32,032	Gross profit	37,538	19,972
12,57	16,72	Gross profit margin (%)	11,66	12,66
21,632	13,855	Profit before taxes, interest, depreciation and amortisation **EBITDA**	25,189	7,008
3,97	4,42	Net profit margin (%)	5,47	2,33
0,82	0,52	Profit per share (Litas)	1,08	0,23
25,03	23,7	Return of equity **(ROE)**	37,18	12,36
5,66	8,88	Average return of assets or profitability of assets **(ROA)**	9,96	4,59
12,74	21,50	Return of investments **(ROI)**	34,38	11,11
1,60	1,32	Current liquidity ratio	1,15	1,17
3,29	2,18	Bookkeeping value of a shares	2,90	1,82
18,41	26,92	Ratio of share price and profit **(P/E)**	14,00	62,2
4,59	6,42	Ratio of share price and bookkeeping value **(P/BV)**	5,21	7,69
277,03	206,20	Business value, Litas million	230,03	206,54
0,83	1,09	Ration of business value and sales **(EV/S)**	0,71	1,31

In 2006, group sales have increased significantly – even to Litas 340 million. Major part of the sales comprises construction and assembling works the profitability of which is lower as compared to real estate development.

In 2006 the major part of income and net profit in the group of AB Panevėžio Statybos Trestas is earned by the parent company. Activities of the subsidiaries were also successful.

The main operating income according to business segments was generated from construction assembling works. Income of the parent company from assembling works in 2006 amounted to 99% (92% in 2005). In 2006 the group income from construction assembling works amounted to 97.36%, real estate to 0.13%, finished goods to 1.7%. In 2005, construction assembling works amounted to 75%, income from real estate to 18% and other activities to 7%.

	Group		**Parent company**	
	2006	2005	2006	2005
Construction works	330,489	144,222	320,395	144,796
Real estate	458	34,758		7,814
Finished goods	5,738	6,196		
Other	2,827	6,415	1,671	5,133

Income from the main activities according to geographical segments (thousand Litas):

	Group		**Parent company**	
	2006	2005	2006	2005
Lithuania	314,625	175,522	301,627	146,095
Russian Federation	20,438	12,219	20,438	11,648
Germany	278	522		
Sweden	110	574		
Iceland, Norway	4,061	2,753		

In 2006, the activities of the parent company were mainly performed in Lithuania and amounted to 93.7% of all the works performed by the company (92.6% in 2005). The group income in Lithuania amounted to 93%, in 2005 to 91.6%.

Information on loans:

Beneficiary	**Issuer of the credit line**	**Maturity**	**Credit amount**
AB Panevėžio Statybos Trestas	AB Hansabankas	2008	10 000 000
AB Panevėžio Statybos Trestas	AB SEB Vilniaus Bankas	2007	1 975 347
UAB PST Investicijos	AB Bankas NORD/LB	2008	10 953 312
UAB PST Investicijos subsidiaries			
UAB Sakališkės	AB SEB Vilniaus Bankas	2008	2 280 984
UAB Kauno Erdvė	AB SEB Vilniaus Bankas	2008	5 293 261
UAB Gėlužės Projektai	AB DnB NORD Bankas	2008	24 200 000
UAB Audros Rūmai	AB SEB Vilniaus Bankas		3 373 722
UAB Smiltynų Kalvos	AB Sampo Bankas	2008	4 496 588

With development of the construction market, the number of the staff members in the parent company and the group increased significantly in 2006. As at 31 December 2006, the number of staff members in the group of AB Panevėžys Statybos Trestas was 1464 (1138 in 2005). As at 31 December 2006, the number of the staff members in the Company was 1192 (953 in 2005).

Groups of employees	Listed number	With university education	With higher non-university education	With college (middle) education	With secondary school education	Average monthly salary
Management	41	34	0	6	1	5,268
Specialists	307	209	7	71	20	2,694
Workers	1 116	16	2	207	891	1,962

With the increase of the scope of work, an increase in staff of the group and the Company is expected. Labour contracts do not provide for any special rights or obligations of employees or part of employees.

1.1.5 5. References and additional explanations on the data presented in the annual financial statements

All financial data presented in this annual report have been estimated based on International Financial reporting Standards (IFRS) and are presented in the Lithuanian national currency Litas.

1.1.6 6. The authorised capital of the Company and its composition

As at 31 December 2006, the Company's authorised capital of Litas 16,350,000 was divided into 16,350,000 ordinary registered shares with the nominal value of Litas 1.00. All the shares are immaterial and fully paid. The title to the shares is evidenced by a record in the securities account. The shares are listed in the Vilnius Stock Exchange, as of 3 July 2006 the shares of the Company are included in the official list of securities.

As at 31 December 2006, the Company had 799 shareholders having or holding over 5% of the Company's authorised capital:

Name, surname of shareholder (name of the company, type, address of the headquarters, code of the Company Register)	Number of ordinary registered share held by shareholders under ownership right	Share of the authorised capital held (%)	Part of votes granted by the shares held under the ownership right (%)	Part of votes owned by the shareholder along with acting persons (%)
AB Panevėžio keliai, S. Kerbedžio g. 7, Panevėžys, Company code 147710353.	8,138,932	49.78	49.78	---
Bank of New York as custodian or trustee One Wall Street, New York, NY 10286, JAV GSP181305	1,447,000	8.85	8.85	---
Hansabank clients Liivalaia street 8 Talinas, Estonia Company code: 10060701	2,003,761	12.26	12.26	---

On 7 February 2006, agreement No. 3792 was signed with AB bank Nord/LB Lietuva, located at Basanavičiaus g. 26, Vilnius, which is authorised to perform accounting of the securities issued and management of personal security accounts.

Trade in the central market of Vilnius Stock Exchange:

Period		Price per share			Turnover in the session, Litas	
		Highest	Lowest	Last session	Highest	Lowest
01 01 2005	31 03 2005	7.15	1.72	6.99	4,044,703.75	0.00
01 04 2005	30 06 2005	7.46	6.20	7.20	1,302,845.60	0.00
01 07 2005	30 09 2005	9.05	6.75	8.65	3,505,082.72	0.00
01 10 2005	31 12 2005	14.00	8.66	14.00	14,315,400.00	0.00
01 01 2006	31 03 2006	14.00	12.15	13.08	5,624,209.2	0.00
01 04 2006	30 06 2006	13.16	9.00	10.50	2,547,030.00	0.00
01 07 2006	30 09 2006	12.55	10.20	12.10	15,762,150.00	0.00
01 10 2006	31 12 2006	15.60	12.10	15.10	18,025,671.57	0.00

Period		Total turnover	
		units	Litas
01 01 2005	31 03 2005	3,491,931	18,709,187
01 04 2005	30 06 2005	807,045	5,193,393
01 07 2005	30 09 2005	2,042,766	15,725,330
01 10 2005	31 12 2005	3,755,358	39,089,760
01 01 2006	31 03 2006	2,233,399	28,603,271
01 04 2006	30 06 2006	1,671,304	20,149,657
01 07 2006	30 09 2006	5,289,296	56,429,677
01 10 2006	31 12 2006	5,417,979	73,785,248

1.1.7 7. Number of own shares acquired or disposed during the reporting period, their nominal value and part of the authorised capital represented by these shares

During the reporting period the Company neither issued nor disposed own shares.

1.1.8 8. Information on consideration paid for shares acquired or disposed, if any

During the reporting period the Company neither issued nor disposed own shares.

1.1.9 9. Reason for acquisition of own shares during the reporting period

During the reporting period the Company neither issued nor disposed own shares.

1.1.10 10. Information on the branches and representative offices

The major branch of AB Panevėžio Statybos Trestas in Panevėžys is Gerbusta which specializes in construction of the engineering network and landscape management works. Another branch in Panevėžys Pastatų Apdaila performs interior and outside decoration works. The purpose of other branches Klaipstata, Darmesta and PST Būstas is development of dwelling houses in Lithuania and the Russian Federation. The Company has establishments in the Russian Federation – a branch in Kaliningrad and a representative office in Cherepovets. Both the branch and the representative office are engaged in construction assembling works.

1.1.11 11. Significant events occurred after the end of the previous financial year

There were no significant events after the end of the previous financial years which could have had impact on the financial situation of the group of AB Panevėžio Statybos Trestas.

1.1.12 12. Operational plans and forecasts

In 2007, AB Panevėžio Statybos Trestas plans to maintain the leadership in the market and forecasts further growth developing construction assembling and real estate shares.

In 2007, the Group forecasts turnover of Litas 410 million and net profit of Litas 15.6 million.

1.1.13 13. When the company uses financial derivatives and when it is important for valuation of the company's assets, equity, liabilities, financial position and operational results, the company shall disclose purposes of the financial risk management, hedging measures, used for transactions of the main groups which are accounted as to hedged transactions, and the degree of price risk, credit risk, liquidity risk and cash flow risk.

The Company has not used financial derivatives which are important for valuation of the Company's assets, liabilities, financial status and operational results.

WE ARE GRATEFUL TO OUR CLIENTS, PARTNERS, SHAREHOLDESR, EMPLOYEES WHO HAVE CONTRIBUTED TO THE ACHIEVEMENT OF THE COMPANY'S OBJECTIVES. WE HOPE THAT YOUR SUPPORT AND BENEVOLNCE WILL ENSURE BUSINESS SUCCESS IN FUTURE AS WELL.

Chairman of the Board Remigijus Juodviršis

Appendix to the Consolidated 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 body.[1]	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

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 departure from these recommendations, it should furnish information on the measures it has taken to ensure impartiality of the supervision.	Yes	The chairman of the board is not and has never been the chief executive officer of the company.

Principle III: The order of the formation of a collegial body to be elected by a general shareholders' meeting

The order of the formation a collegial body to be elected by a general shareholders' meeting should ensure representation of minority shareholders, accountability of this body to the shareholders and objective monitoring of the company's operation and its management bodies.[3]

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

3.1. The mechanism of the formation of a collegial body to be elected by a general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure objective and fair monitoring of the company's management bodies as well as representation of minority shareholders.	Yes	The mechanism of the board formation ensures that the minority shareholders were properly represented in the board.
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.	Yes	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.
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.	Yes	
3.4. In order to maintain a proper balance in terms of the current qualifications possessed by its members, the collegial body should determine its desired composition with regard to the company's structure and activities, and have this periodically evaluated. The collegial body should ensure that it is composed of members who, as a whole, have the required diversity of knowledge, judgment and experience to complete their tasks properly. The members of the audit committee, collectively, should have a recent knowledge and relevant experience in the fields of finance, accounting and/or audit for the stock exchange listed companies.	Yes	The 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.

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.	Yes	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.
3.6. In order to ensure that all material conflicts of interest related with a member of the collegial body are resolved properly, the collegial body should comprise a sufficient[4] number of independent[5] members.	No	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.

[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.

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: 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);	No	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.

5) He/she does not have and did not have any material business relations with the company or associated company within the past year directly or as a partner, shareholder, director or superior employee of the subject having such relationship. A subject is considered to have business relations when it is a major supplier or service provider (inclusive of financial, legal, counseling and consulting services), major client or organization receiving significant payments from the company or its group; 6) He/she is not and has not been, during the last three years, partner or employee of the current or former external audit company of the company or associated company; 7) He/she is not an executive director or member of the board in some other company where executive director of the company or member of the board (if a collegial body elected by the general shareholders' meeting 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; 8) He/she has not been in the position of a member of the collegial body for over than 12 years; 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.		

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.		

3.9. Necessary information on conclusions the collegial body has come to in its determination of whether a particular member of the body should be considered to be independent should be disclosed. When a person is nominated to become a member of the collegial body, the company should disclose whether it considers the person to be independent. When a particular member of the collegial body does not meet one or more criteria of independence set out in this Code, the company should disclose its reasons for nevertheless considering the member to be independent. In addition, the company should annually disclose which members of the collegial body it considers to be independent.	No	
3.10. When one or more criteria of independence set out in this Code has not been met throughout the year, the company should disclose its reasons for considering a particular member of the collegial body to be independent. To ensure accuracy of the information disclosed in relation with the independence of the members of the collegial body, the company should require independent members to have their independence periodically re-confirmed.	No	
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.	Yes	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.
Principle IV: The duties and liabilities of a collegial body elected by the general shareholders' meeting **The corporate governance framework should ensure proper and effective functioning of the collegial body elected by the general shareholders' meeting, and the powers granted to the collegial body should ensure effective monitoring[7] of the company's management bodies and protection of interests of all the company's shareholders.**		

[6] It is notable that currently it is not yet completely clear, in what form members of the supervisory board or the board may be remunerated for their work in these bodies. The Law on Companies of the Republic of Lithuania (*Official Gazette*, 2003, No 123-5574) provides that members of the supervisory board or the board may be remunerated for their work in the supervisory board or the board by payment of annual bonuses (tantiems) in the manner prescribed by Article 59 of this Law, i.e. from the company's profit. The current wording, contrary to the wording effective before 1 January 2004, eliminates the exclusive requirement that annual bonuses (tantiems) should be the *only* form of the company's compensation to members of the supervisory board or the board. So it seems that the Law contains no prohibition to remunerate members of the supervisory board or the board for their work in other forms, besides bonuses, although this possibility is not expressly stated either.
[7] See Footnote 3.

4.1. The collegial body elected by the general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure integrity and transparency of the company's financial statements and the control system. The collegial body should issue recommendations to the company's management bodies and monitor and control the company's management performance.[8]	Yes	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.
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).	Yes	
4.3. Each member should devote sufficient time and attention to perform his duties as a member of the collegial body. Each member of the collegial body should limit other professional obligations of his (in particular any directorships held in other companies) in such a manner they do not interfere with proper performance of duties of a member of the collegial body. In the event a member of the collegial body should be present in less than a half[9] of the meetings of the collegial body throughout the financial year of the company, shareholders of the company should be notified.	Yes	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.

[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.

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.	Yes	
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.	Yes	
4.6. The collegial body should be independent in passing decisions that are significant for the company's operations and strategy. Taken separately, the collegial body should be independent of the company's management bodies[10]. 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.	Yes	

[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.

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.	No	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.
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.	Not applicable	The committees are not formed.
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	Not applicable	The committees are not formed.

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.		
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.	Not applicable	The committees are not formed.
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.	Not applicable	The committees are not formed.

4.12. Nomination Committee. 4.12.1. Key functions of the nomination committee should be the following: • 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. 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.	Not applicable	The committees are not formed.
4.13. Remuneration Committee. 4.13.1. Key functions of the remuneration committee should be the following: • 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;	Not applicable	The committees are not formed.

• 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. 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: • 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. 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.		

4.14. Audit Committee. 4.14.1. Key functions of the audit committee should be the following: • 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. 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	Not applicable	The committees are not formed.

and/or activities carried out through special purpose vehicles (organizations) and justification of such operations. 4.14.3. The audit committee should decide whether participation of the chairman of the collegial body, chief executive officer of the company, chief financial officer (or superior employees in charge of finances, treasury and accounting), or internal and external auditors in the meetings of the committee is required (if required, when). The committee should be entitled, when needed, to meet with any relevant person without executive directors and members of the management bodies present. 4.14.4. Internal and external auditors should be secured with not only effective working relationship with management, but also with free access to the collegial body. For this purpose the audit committee should act as the principal contact person for the internal and external auditors. 4.14.5. The audit committee should be informed of the internal auditor's work program, and should be furnished with internal audit's reports or periodic summaries. The audit committee should also be informed of the work program of the external auditor and should be furnished with report disclosing all relationships between the independent auditor and the company and its group. The committee should be timely furnished information on all issues arising from the audit. 4.14.6. The audit committee should examine whether the company is following applicable provisions regarding the possibility for employees to report alleged significant irregularities in the company, by way of complaints or through anonymous submissions (normally to an independent member of the collegial body), and should ensure that there is a procedure established for proportionate and independent investigation of these issues and for appropriate follow-up action. 4.14.7. The audit committee should report on its activities to the collegial body at least once in every six months, at the time the yearly and half-yearly statements are approved.		

4.15. Every year the collegial body should conduct the assessment of its activities. The assessment should include evaluation of collegial body's structure, work organization and ability to act as a group, evaluation of each of the collegial body member's and committee's competence and work efficiency and assessment whether the collegial body has achieved its objectives. The collegial body should, at least once a year, make public (as part of the information the company annually discloses on its management structures and practices) respective information on its internal organization and working procedures, and specify what material changes were made as a result of the assessment of the collegial body of its own activities.	No	
Principle V: The working procedure of the company's collegial bodies **The working procedure of supervisory and management bodies established in the company should ensure efficient operation of these bodies and decision-making and encourage active co-operation between the company's bodies.**		
5.1. The company's supervisory and management bodies (hereinafter in this Principle the concept 'collegial bodies' covers both the collegial bodies of supervision and the collegial bodies of management) should be chaired by chairpersons of these bodies. The chairperson of a collegial body is responsible for proper convocation of the collegial body meetings. The chairperson should ensure that information about the meeting being convened and its agenda are communicated to all members of the body. The chairperson of a collegial body should ensure appropriate conducting of the meetings of the collegial body. The chairperson should ensure order and working atmosphere during the meeting.	Yes	

5.2. It is recommended that meetings of the company's collegial bodies should be carried out according to the schedule approved in advance at certain intervals of time. Each company is free to decide how often to convene meetings of the collegial bodies, but it is recommended that these meetings should be convened at such intervals, which would guarantee an interrupted resolution of the essential corporate governance issues. Meetings of the company's supervisory board should be convened at least once in a quarter, and the company's board should meet at least once a month[11].	Yes	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.
5.3. Members of a collegial body should be notified about the meeting being convened in advance in order to allow sufficient time for proper preparation for the issues on the agenda of the meeting and to ensure fruitful discussion and adoption of appropriate decisions. Alongside with the notice about the meeting being convened, all the documents relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body are present or certain issues of great importance to the company require immediate resolution.	Yes	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.
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.	Not applicable	The supervisory board is not formed.

Principle VI: The equitable treatment of shareholders and shareholder rights

The corporate governance framework should ensure the equitable treatment of all shareholders, including minority and foreign shareholders. The corporate governance framework should protect the rights of the shareholders.

[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.

6.1. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all their holders.	Yes	The company's capital is comprised from ordinary registered shares granting equal personal and non-property rights to their owners.
6.2. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.	Yes	
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.	No	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.
6.4. Procedures of convening and conducting a general shareholders' meeting should ensure equal opportunities for the shareholders to effectively participate at the meetings and should not prejudice the rights and interests of the shareholders. The venue, date, and time of the shareholders' meeting should not hinder wide attendance of the shareholders. Prior to the shareholders' meeting, the company's supervisory and management bodies should enable the shareholders to lodge questions on issues on the agenda of the general shareholders' meeting and receive answers to them.	Yes	The 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.

[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.

6.5. It is recommended that documents on the course of the general shareholders' meeting, including draft resolutions of the meeting, should be placed on the publicly accessible website of the company in advance[13]. 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.	No	
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.	Yes	Each shareholder can participate in the meeting in person or delegating the participation to some other person.
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.	No	

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

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

[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).

7.1. Any member of the company's supervisory and management body should avoid a situation, in which his/her personal interests are in conflict or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory and management body should, within reasonable time, inform other members of the same collegial body or the company's body that has elected him/her, or to the company's shareholders about a situation of a conflict of interest, indicate the nature of the conflict and value, where possible.	Yes	
7.2. Any member of the company's supervisory and management body may not mix the company's assets, the use of which has not been mutually agreed upon, with his/her personal assets or use them or the information which he/she learns by virtue of his/her position as a member of a corporate body for his/her personal benefit or for the benefit of any third person without a prior agreement of the general shareholders' meeting or any other corporate body authorized by the meeting.	Yes	
7.3. Any member of the company's supervisory and management body may conclude a transaction with the company, a member of a corporate body of which he/she is. Such a transaction (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions) must be immediately reported in writing or orally, by recording this in the minutes of the meeting, to other members of the same corporate body or to the corporate body that has elected him/her or to the company's shareholders. Transactions specified in this recommendation are also subject to recommendation 4.5.	Yes	
7.4. Any member of the company's supervisory and management body should abstain from voting when decisions concerning transactions or other issues of personal or business interest are voted on.	Yes	
Principle VIII: Company's remuneration policy **Remuneration policy and procedure for approval, revision and disclosure of directors' remuneration established in the company should prevent potential conflicts of interest and abuse in determining remuneration of directors, in addition it should ensure publicity and transparency both of company's remuneration policy and remuneration of directors.**		
8.1. A company should make a public statement of the company's remuneration policy (hereinafter the remuneration statement). This statement should be part of the company's annual accounts. Remuneration statement should also be posted on the company's website.	No	The company follows the remuneration policy for the directors approved by the board.

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.	No	Recommendations provided in item 8.1 are not followed.
8.3. Remuneration statement should leastwise include the following information: • 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.
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.	No	Recommendations provided in item 8.1 are not followed.
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.	No	

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.	No	Recommendations provided in item 8.1 are not followed.
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. 8.7.1. The following remuneration and/or emoluments-related information should be disclosed: • 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. 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: • 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. 8.7.3. The following supplementary pension schemes-related information should be disclosed: • 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.

during the relevant financial year; • When the pension scheme is defined-contribution scheme, detailed information on contributions paid or payable by the company in respect of that director during the relevant financial year. 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.		
8.8. Schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements should be subject to the prior approval of shareholders' annual general meeting by way of a resolution prior to their adoption. The approval of scheme should be related with the scheme itself and not to the grant of such share-based benefits under that scheme to individual directors. All significant changes in scheme provisions should also be subject to shareholders' approval prior to their adoption; the approval decision should be made in shareholders' annual general meeting. In such case shareholders should be notified on all terms of suggested changes and get an explanation on the impact of the suggested changes.	No	
8.9. The following issues should be subject to approval by the shareholders' annual general meeting: • 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.		
8.10. Should national law or company's Articles of Association allow, any discounted option arrangement under which any rights are granted to subscribe to shares at a price lower than the market value of the share prevailing on the day of the price determination, or the average of the market values over a number of days preceding the date when the exercise price is determined, should also be subject to the shareholders' approval.		

8.11. Provisions of Articles 8.8 and 8.9 should not be applicable to schemes allowing for participation under similar conditions to company's employees or employees of any subsidiary company whose employees are eligible to participate in the scheme and which has been approved in the shareholders' annual general meeting.		
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.		
Principle IX: The role of stakeholders in corporate governance **The corporate governance framework should recognize the rights of stakeholders as established by law and encourage active co-operation between companies and stakeholders in creating the company value, jobs and financial sustainability. For the purposes of this Principle, the concept "stakeholders" includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interest in the company concerned.**		
9.1. The corporate governance framework should assure that the rights of stakeholders that are protected by law are respected.	Yes	
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.	No	

9.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.	No	

Principle X: Information disclosure and transparency

The corporate governance framework should ensure that timely and accurate disclosure is made on all material information regarding the company, including the financial situation, performance and governance of the company.

10.1. The company should disclose information on: • The financial and operating results of the company; • Company objectives; • Persons holding by the right of ownership or in control of a block of shares in the company; • Members of the company's supervisory and management bodies, chief executive officer of the company and their remuneration; • Material foreseeable risk factors; • Transactions between the company and connected persons, as well as transactions concluded outside the course of the company's regular operations; • Material issues regarding employees and other stakeholders; • Governance structures and strategy. This list should be deemed as a minimum recommendation, while the companies are encouraged not to limit themselves to disclosure of the information specified in this list.	Yes	
10.2. It is recommended that consolidated results of the whole group to which the company belongs should be disclosed when information specified in item 1 of Recommendation 10.1 is under disclosure.	Yes	
10.3. It is recommended that information on the professional background, qualifications of the members of supervisory and management bodies, chief executive officer of the company should be disclosed as well as potential conflicts of interest that may have an effect on their decisions when information specified in item 4 of Recommendation 10.1 about the members of the company's supervisory and management bodies is under disclosure. It is also recommended that information about the amount of remuneration received from the company and other income should be disclosed with regard to members of the company's supervisory and management bodies and chief executive officer as per Principle VIII.	Yes	
10.4. It is recommended that information about the links between the company and its stakeholders, including employees, creditors, suppliers, local community, as well as the company's policy with regard to human resources, employee participation schemes in the company's share capital, etc. should be disclosed when information specified in item 7 of Recommendation 10.1 is under disclosure.	No	

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

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.