

*Translation from Lithuanian into English*

**SC KLAIPĖDOS NAFTA**

**ANNUAL REPORT 2007**

**KLAIPĖDA**

**March, 2008**

## 1. ACCOUNTING PERIOD IN RESPECT OF WHICH THE ANNUAL REPORT WAS PREPARED

The Annual Report is prepared for the year 2007. All figures are presented as at 31 December 2007, if not indicated otherwise. In this Annual Report AB Klaipėdos Nafta may also be referred to as the Company or Issuer.

## 2. DETAILS ABOUT THE COMPANY

Name of the Issuer:	AB Klaipėdos Nafta
Legal status:	Stock company
Authorised capital:	LTL 342,000,000
Date and place of registration:	27 September 1994, State Enterprise Register Centre
Company code:	1106 48893
Address:	Burių g. 19, LT-91003 Klaipėda
Issuer's register	State Enterprise Register Centre
Telephone numbers:	+370 46 391772
Fax numbers:	+370 46 311399
E-mail addresses:	<a href="mailto:info@oil.lt">info@oil.lt</a>
Internet site:	<a href="http://www.oil.lt">www.oil.lt</a>

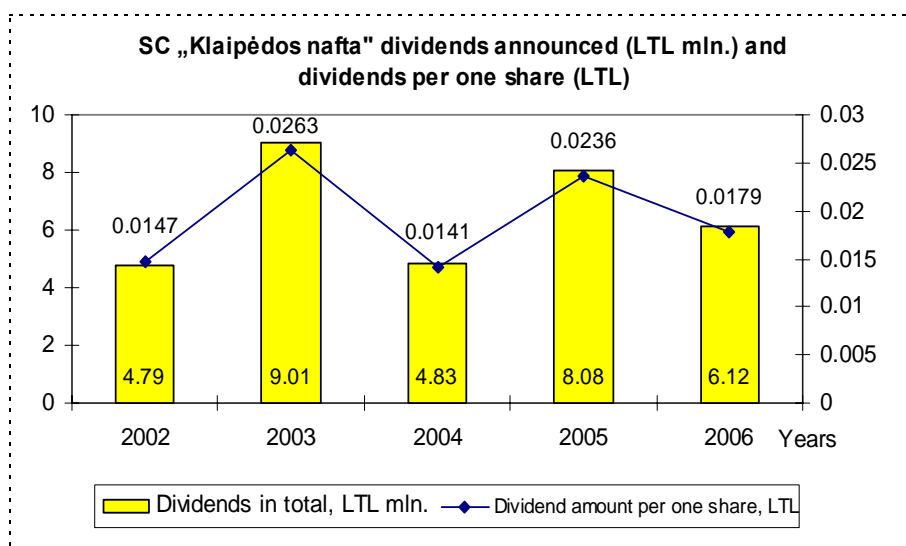
## 3. INFORMATION ABOUT AGREEMENTS WITH THE SECURITIES PUBLIC TURNOVER BROKERS

The Company has an agreement with AB SEB Bankas Financial Markets department for servicing public turnover of the securities.

## 4. ACTIVITY OF THE COMPANY

### 4.1. Significant events of the accounting period

The General Shareholders' Meeting, held on 19 April 2007, approved financial statements for the year 2006 and profit appropriation for 2006 business financial year. Dividends in the amount of LTL 6.123 million were paid to the shareholders for the year 2006.



The Company has met the targeted figures for 2007: received LTL 78.7 million earnings from sales – services and earned pre-tax profit of LTL 11.2 million. The Company repaid loans in the amount of LTL 12.8 million according to the loan repayment schedules.

#### 4.2. The core activity of the Company

The Company's core activity are reloading of oil products and other related services.

The Company transships crude oil and oil products (fuel oil, vacuum gasoil, diesel, gasoline, jet fuel, etc.) from railway tanks into tankers, transships crude oil and oil products from tankers into railway tanks, provides a temporary storage (accumulation) of oil products, determines qualitative parameters of oil products, injects chemical additives, accepts water polluted with oil products from ships, supplies ships with water, moors incoming tankers.

The Company has customs- and excise warehouses allowing the clients to perform sales/purchase procedures of oil products.

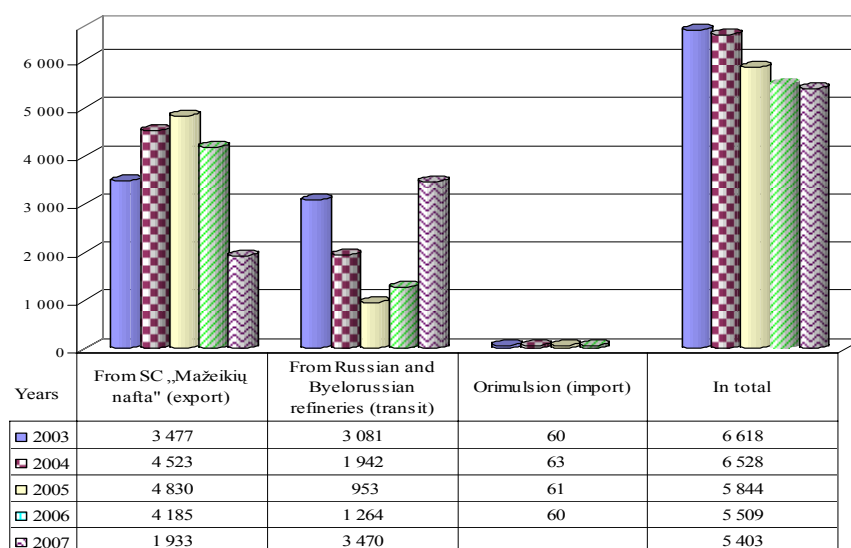
In 2007 the Company transshipped **5,402.5 thousand tons** of oil products:

		thousand tons
1. Fuel oil	-	3,658.1
2. Gasolines	-	428.7
3. Diesel	-	437.5
4. Vacuum gasoil	-	841.9
5. Jet fuel	-	36.3

During the year 2007 the transshipment of oil products was less by 1.9%, if compared to the transshipment of 2006 (5,509 thousand tons). The reason of this reduction is the reduced flow of oil products from AB Mažeikių Nafta because of the accident that occurred at this Refinery at the end of 2006. During 2007 AB Mažeikių Nafta transshipped 1,932.7 thousand tons, i.e. 54% less than in 2006 (4,185 thousand tons). In 2007 the transshipment from AB Mažeikių Nafta made only 36% of the total transshipped volume of oil products.

The Company compensated the reduced flow of oil products from AB Mažeikių Nafta by attracting additional flows of oil products from Russian and Byelorussian Oil Refineries. Long-term agreements regarding delivery of oil products of Russian origin were concluded in order to ensure constant flow of cargoes. In 2007 oil products transshipped from Russian and Byelorussian Oil Refineries amounted to 3,469.8 thousand tons, i.e. three times more than in 2006 (1,264 thousand tons).

Transshipment of oil products (thous. tons) during 2003-2007



#### **4.3. The objective state of the Company, an overview of its performance**

During 2007 the Company from its main operating activities received LTL 78.664 million earnings, i.e. 10% or LTL 7.328 million more if compared to the turnover of 2006 (LTL 71.336 million) as well as due to the optimal management of operating expenses so as not to exceed the approved amount of the expenses of operating – financial activities earned pre-tax profit of LTL 11.167 million, by 27% or LTL 2.367 million exceeding the targeted pre-tax profit (LTL 8.8 million) approved for the year 2007.

During 2007 the Company repaid loans in the amount of LTL 12.825 million and paid interests of LTL 2.023 million according to the loan repayment schedules. During the reporting period the Company did not incur any new financial liabilities.

As of 31 December 2007 non-repaid portion of the loan amounted to LTL 31,211 million. According to the provisions of the Loan Agreement the amount of LTL 15.605 million shall be paid in 2008 and the rest portion of the loan – LTL 15.606 million shall be repaid during the year 2009. The fulfilment of the loan liabilities is secured by the guarantee of the Government of the Republic of Lithuania.

#### **4.4. Environment protection**

In 2007 the Company performed its activities without any incidents and delays.

The Company performs constant environmental monitoring of:

- underground water (in 2007 no increase of soil and ground water pollution was observed);
- discharged waste water (Biological treatment facilities of the Company guarantee five times less pollution of open water basins than has been determined in the Integrated Permit of Pollution Prevention and Control);
- impact on ambient air (Limits of volatile organic compounds and nitrogen oxides defined in the Hygienic Norm of 2007 outside the boundaries of the sanitary zone of the Company were not exceeded);
- stationary sources of air pollution (the amount of pollutants defined in the Environment Protection Permit for 2007 was not exceeded in 72 registered, i.e. ventilators, stacks, etc., and in 9 non-registered sources of pollution, i.e. railway estacades, pump-stations, jetties, etc.).

In 2007 the Company spent LTL 3.6 million of its own funds on measures decreasing environmental pollution: performed commissioning of combustion unit used to burn volatile organic compounds emitted out of tankers loading gasoline; repainted eight storage tanks of light oil products using heat reflecting paint; installed the second sealing ring on gasoline storage tanks; installed automatic control system of the product level in storage tanks and discharge of rain water, etc.

#### **4.5. Description of the main risks incurred by the Company**

Such factor as growing competitiveness among the similar terminals in the ports of Estonia, Latvia and Russia, which also, like AB Klaipėdos Nafta, are expanding their possibilities and increasing their efficiency, may be attributed to the main risks and uncertainties incurred by the Company. The most significant factors influencing the competitiveness of oil terminals in the Baltics are as follows: port characteristics, loading and storing capacity of a terminal, financial position of companies allowing to apply a flexible price policy, favourable geographical position and product supply contracts.

Favourable ambient conditions also influence transshipment of oil products. At the beginning of 2007 the Company could not accept tankers because of very heavy weather conditions (storms). Besides, to due to fuel oil overflow at the terminals of Western countries a queue of tankers waiting for discharge at Rotterdam had formed. This chain reaction reached and terminals of neighbouring countries – Latvia, Estonia (the tankers could not arrive in the targeted time to ship oil products out of the Company). Due

the mentioned reasons, because of the lack of empty storage tanks the Company could not discharge rail tank-cars in due time, therefore the expenses of the Company increased for buying services of “Lithuanian Railways”.

#### 4.6. Analysis of the results of the performance

The financial results for 2007 show a successful performance of the Company. According to audited data in 2007 the Company earned a net profit of LTL 8,739 million (LTL 12,807 million in 2006).

**The main audited financial results of the Company (LTL million)**

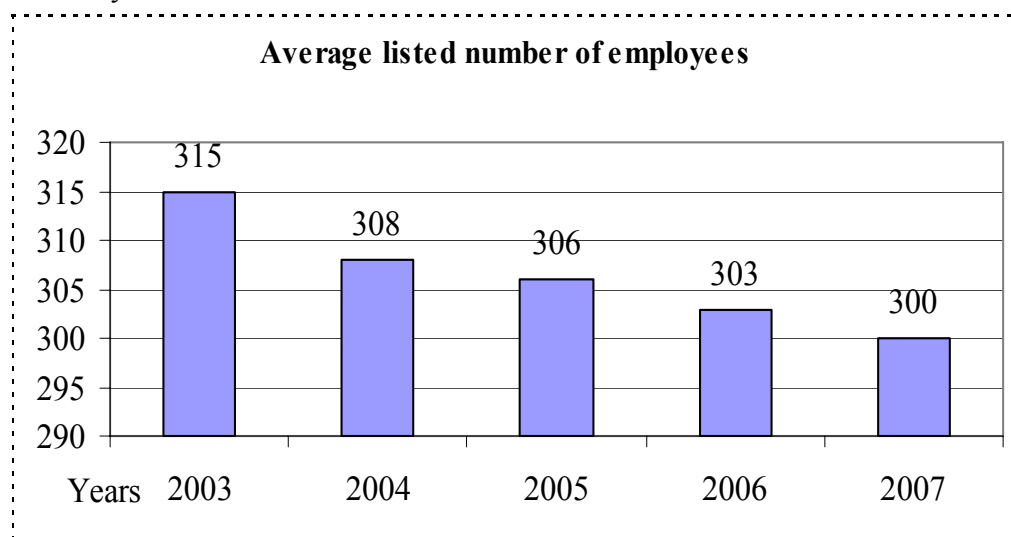
	<b>2007</b>	<b>2006</b>
<b>Turnover</b>	<b>78,664</b>	<b>71,336</b>
Gross profit	24,802	30,315
Operating result	12,696	17,058
Result before taxation	11,167	15,820
<b>Net profit</b>	<b>8,739</b>	<b>12,807</b>
Non-current assets	427,709	441,819
Current assets	18,662	16,013
<b>Total assets</b>	<b>446,371</b>	<b>457,832</b>
Share capital	342,000	342,000

Under the conditions of growing competitiveness among the similar oil terminals and price increase of energy resources and other services the Company operated effectively. This is evidenced by profitability ratios of 2007: net profit margin (net profit / turnover) – 11.1% (18.0% – in 2006); gross margin (gross profit / turnover) 31.5 % (42.5% – in 2006).

The decreasing debt – equity ratio (all liabilities / authorized capital) 0.12 (0.16 in the year 2006) shows that the risk related to the Company’s ability to cover interest and debt liabilities is decreasing.

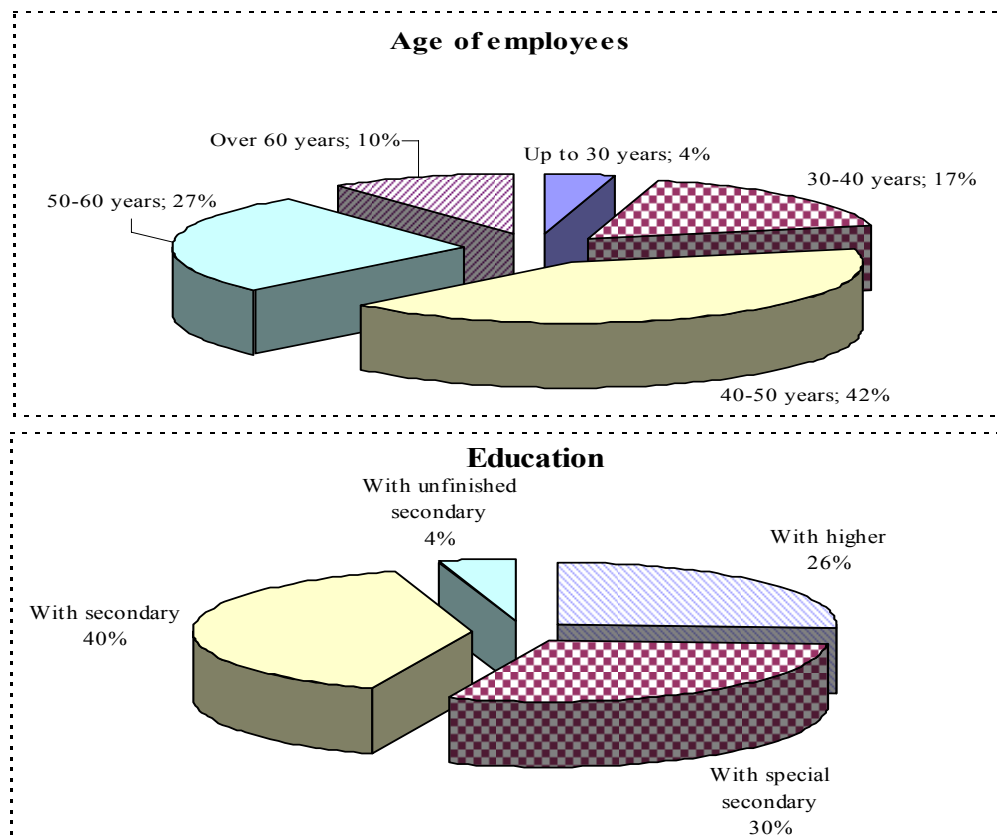
#### 4.7. Employees

During the year 2007 the average listed number of employees – 300 employees if compared to 303 in 2006 – reduced by 1%.



Number of employees as on 31 December 2007: 301 (28 administration staff and 273 production staff). 31% of women and 69% of men worked at the Company on December 31 2007 as in the year

2006. There was no change in the average age of employees (46 - 47 years) as well as in the education acquired.



In 2007 there were 2 small accidents: one – on a way to work, one – at work.

The Company constantly pays great attention to improvement of qualifications of employees, performs certification of those who work with potentially dangerous equipment and perform dangerous work. The Company organizes training courses on a regular basis, helping the specialists to obtain practical skills in case of a fire, a spillage of oil products at the Terminal's jetties and on the port territory. Personnel of other companies performing contractual works on the Terminal's territory receive instructions regarding labour safety, fire-fighting requirements set at the Oil Terminal (378 persons received such instructions during 2007).

The Collective Agreement signed on 20 June, 2006 was valid in the Company in the year 2007. The Employer and the workers' collective have agreed regarding work, work payment, working and rest time, qualification improvement, safety and health protection, other social and economic conditions.

#### **4.8. Information on purchased and disposed own shares**

During the accounting period the Company did not possess or acquire any own shares.

#### **4.9. Information about the Company's branches and representative offices.**

The Company has no branches or representative offices.

#### **4.10. Significant events after the year end**

During January – February 2008 the Company transshipped 1,416.4 thousand tons of oil products and earned LTL 20.3 million of sales income resulting in an increase of sales by 32% if compared to the mentioned period of 2007.

According to the Loan repayment schedule in January 2008 the Company repaid a portion of the loan in the amount of LTL 7.803 million.

#### **4.11. Activity plans and forecasts of the Company**

In 2008 the Company is planning to increase the annual transshipment of oil products by 8% (up to 5.85 million tons per year). It is expected that one of the major clients AB Mažeikių Nafta will recover delivery of light oil products. Volume of sales and services in the amount of LTL 79.86 million and profit before taxation in the amount of LTL 8.8 million have been approved for the year 2008.

During 2008 the loans in the amount of LTL 15.6 million shall be repaid according to the Loan repayment schedules.

In order to attract additional flows of oil products and to increase the security of Oil Terminal, in 2008 the Company is planning to invest LTL 5.0 million of its own funds for modernisation of the Terminal's storage tanks and equipment.

#### **4.12. Financial assets, risk management of the Company**

The Company is operating in the international markets, thus is exposed to foreign exchange and liquidity risks. The risk of counter-parties default, are controlled by application of credit terms and monitoring procedures. The Company applies procedures ensuring that services are provided only to reliable clients.

The Company follows the policy of managing cash flows from expected future income with acquisitions and other costs in relevant foreign currencies and always maintain sufficient cash and their equivalents.

Detailed information regarding the Company's assets and liabilities and risk management is presented in Note 20 of "The Company's financial statements for the year 2007, prepared in accordance with International Accounting Standards adopted for use in EU together with the Conclusion of Independent Auditor".

### **5. OTHER INFORMATION ABOUT THE ISSUER**

#### **5.1. Procedure of changing Articles of Association**

The Company in its activities follows Articles of Association, Civil Code and other laws, post-law acts. The General Shareholders' Meeting shall change the Articles of Association.

#### **5.2. The structure of the Issuer's authorized capital**

The Company's authorized capital registered on 31 December 2007 amounted to LTL 342,000,000 and did not change during the year. The authorized capital is fully paid. The authorized capital is divided into 342,000,000 ordinary shares with a par value of LTL 1.

#### **5.3. Shareholders**

The shareholders who have owned more than 5% of the authorized capital of the Company as on 31 December 2007:

Shareholder's name (company's name, address, company register code)	Number of shares (units) owned by proprietary right	Part (%) of authorized capital
Government of Republic of Lithuania, represented by Ministry of Economy, Gedimino Av. 38/2, Vilnius, 188621919	241,544,426	70.63
AS HANSAPANK, Liivalaia 8, Tallinn, 10060701	24,331,098	7.11

AB Klaipėdos Nafta is a strategic enterprise according to the Law on the Enterprises having strategic importance for the national security of the Republic of Lithuania. More than ½ of the Company's shares carrying the right to vote shall belong to the State in these (strategic) enterprises.

At the end of the year (as of 31 December 2007) the total number of the Shareholders of AB Klaipėdos Nafta was 1,227. 22.26% of the shares (76,124,476) belong to 1,225 minority shareholders. Among them Director General of the Company Jurgis Aušra has 111,100 shares, Chief Accountant Johana Bučienė – 20,000 shares of the Company.

#### **Shareholders of the Company as on 31 December 2007 and 2006:**

Shareholders	31 December 2007		31 December 2006	
	Number of shares owned (thousands)	Part of ownership	Number of shares owned (thousands)	Part of ownership
Government of Republic of Lithuania, represented by Ministry of Economy	241,544	70.63 %	241,544	70.63 %
Legal persons of Lithuania	8,186	2.39 %	2,647	0.77 %
Natural persons of Lithuania	43,085	12.60 %	47,649	13.94 %
Legal persons from abroad	46,848	13.70 %	47,480	13.88 %
Natural persons from abroad	2,337	0.68 %	2,680	0.78 %
<b>Total:</b>	<b>342,000</b>	<b>100.00 %</b>	<b>342,000</b>	<b>100.00 %</b>

#### **5.4. Company's Management**

The Supervisory Board is the Company's collegial supervising body which elects members of the Board, supervise activities of the Board and the Chief Executive Officer, makes decisions on other issues regarding Company's activities prescribed to the competence of the Supervisory Board. On 19 April 2007 the General Shareholders' Meeting of AB Klaipėdos Nafta elected the following members of the Supervisory Board for a four year term of office: Dominikas Pečiulis (Chairman), Vanda Krenienė, Vytautas Aršauskas.

The Management Bodies of the Company: the Board and the Chief Executive Officer - Director General. The Board of the Company is responsible for the adequate strategic management of the Company. The Company's Board adopts the main strategic decisions influencing increase of the Shareholders' ownership.

The Board members: Vladas Gagilas (Chairman), Saulius Spėčius, Robertas Tamošiūnas, Algimantas Slapšinskas, Laurentina Garbauskienė. They were elected for a four year term of office in April 2007.

During 2007 the Board convened 12 meetings, at which the Board members discussed and took decisions regarding increase and assurance of transshipment of oil products, policy of transshipment rates, operating - financial results and other important issues to the Company.

The Company is managed by Director General Jurgis Aušra. Director General is not a member of the Board. The Chief Financier of the Company is Johana Bučienė.

No agreements of the Company and its managing bodies or employees were concluded regarding compensation in case of their resignation or their dismissal without essential reason or their job termination due to the change in the control of the Company.

#### **5.5. Transactions with related Parties**

The Company did not have any transactions or agreements with the members of its Supervisory Board and the Board. Information regarding transactions with related Parties is presented in Note 22 of "The Company's financial statements for the year 2007, prepared in accordance with International Accounting Standards adopted for use in EU together with the Conclusion of Independent Auditor".



## **6. INFORMATION ON ADHERENCE TO GOVERNANCE CODE**

The Company discloses its adherence to the Governance Code and its specific provisions approved by Vilnius Stock Exchange for the companies listed on the regulated market in Appendix 1 to the Annual Report.

## **7. DETAILS ON PUBLIC INFORMATION**

Securities of AB Klaipėdos Nafta are quoted in the lists of the National Stock Exchange. At present there are 342,000,000 ordinary shares, the par value of each being LTL 1, on the Current List of Vilnius Stock Exchange.

All material events related to the Company's activity and the information on time and venue of General Shareholders' Meetings and other information are announced in the daily "Respublika" and submitted to the news agency "BNS", Vilnius Stock Exchange and the Lithuanian Securities Commission in accordance with the Lithuanian Legislation.

During the year 2007 the Company announced 25 official reports about material events and other important information on the website of Vilnius Stock Exchange.

## APPENDIX 1 to the Annual Report of SC KLAIPĖDOS NAFTA for 2007

### Disclosure concerning the compliance of SC KLAIPĖDOS NAFTA, listed on the regulated market, with the Governance Code

SC KLAIPĖDOS NAFTA, 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.

PRINCIPLES / RECOMMENDATIONS	Yes / No Not applicable	COMMENTARY
<b>Principle I: Basic Provisions</b> <b>The overriding objective of a company should be to operate in common interests of all the shareholders by optimizing over time shareholder value.</b>		
1.1. A company should adopt and make public the company's development strategy and objectives by clearly declaring how the company intends to meet the interests of its shareholders and optimize shareholder value.	Yes	The development strategy and objectives of AB KLAIPĖDOS NAFTA have been set up in its internal documents (Annual Report placed publicly on the website of Vilnius Stock Exchange) according to the separate directions and objectives of its activities. The Company updates its development plans subject to the situation on the market as well as to the changes in the regulatory environment.
1.2. All management bodies of a company should act in furtherance of the declared strategic objectives in view of the need to optimize shareholder value.	Yes	The Board of the Company adopts the main strategic resolutions, influencing optimization of the shareholder value (separation of the functions of Company's operation, establishment of subsidiaries, other actions optimizing effectiveness of the Company's operation and its profit).
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 Supervisory Board, the Board of the Company and the Chief Executive Officer implement this recommendation.
1.4. A company's supervisory and management bodies should ensure that the rights and interests of persons other than the company's shareholders (e.g. employees, creditors, suppliers, clients, local community), participating in or connected with the company's operation, are duly respected.	Yes	<p>The Company's bodies respect the rights and interests of the persons participating in or connected with the Company's operation:</p> <ol style="list-style-type: none"> <li>1. Employees – since its establishment the Company has been cooperating and performing social partnership with the representatives of its employees (the Board of the Company by its resolutions assigns additional means for the execution of the Collective Agreement and extra stimulation of the employees, etc.).</li> <li>2. Creditors - the Company takes on and fulfils its financial and other obligations in accordance with the borrowing program approved by the Board of the Company.</li> <li>3. Other persons – by the resolution of the shareholders' meeting part of the Company's profit is dedicated to support (social, art, cultural, sports activities, etc.).</li> </ol>
<b>Principle II: The corporate governance framework</b> <b>The corporate governance framework should ensure the strategic guidance of the company, the effective oversight of the company's management bodies, an appropriate balance and distribution of functions between the company's bodies, protection of the shareholders' interests.</b>		
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.	Yes	The Company has set up a collegial supervisory body - the Supervisory Board and a collegial management body - the Board of the Company.

2.2. A collegial management body is responsible for the strategic management of the company and performs other key functions of corporate governance. A collegial supervisory body is responsible for the effective supervision of the company's management bodies.	Yes	The Supervisory Board of the Company is responsible for the effective supervision of the activities of the Company's management bodies (it elects and recalls members of the Board; should the Company operate in the red it should discuss fitness of the members for the position; it supervises the activities of the Board and the Chief Executive Officer; submits proposals and comments to the general shareholders' meeting regarding the strategy of the Company's operation, the activities of the Board and the Chief Executive Officer; performs other activities attributed to it by the laws and other legal acts). The Board of the Company is responsible for the effective strategic management of the Company (approves the strategy of its operation; adopts the most relevant resolutions provided for by the legal acts regarding corporate governance framework, transactions, different commitments, etc.).
2.3. Where a company chooses to form only one collegial body, it is recommended that it should be a supervisory body, i.e. the supervisory board. In such a case, the supervisory board is responsible for the effective monitoring of the functions performed by the company's chief executive officer.	Not applicable	The Company has set up a collegial supervisory body - the Supervisory Board and a collegial management body - the Board of the Company.
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.	No	The Company does not follow the provisions set up in Principle III, IV regarding formation of committees. Taking into account the specific character of the Company's operation, it is strictly regulated by the legal acts and supervised by the respective state institutions. Therefore in the process of decision-making by the bodies of the Company the transparency of the decision-making, their effectiveness is ensured; the principles of non-discrimination of the Company's clients, of costs-reduction and other principles are realized.
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.	Yes	The Board of the Company is comprised of five members. The Supervisory Board is elected of three members.
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.	Yes	The members of the Supervisory Board are elected for the maximum term of four years provided for in the Law on Companies of the Republic of Lithuania. There are no limitations for re-election of the members.
2.7. Chairman of the collegial body elected by the general shareholders' meeting may be a person whose current or past office constitutes no obstacle to conduct independent and impartial supervision. Where a company should decide not to set up a supervisory board but rather the board, it is recommended that the chairman of the board and chief executive officer of the company should be a different person. Former company's chief executive officer should not be immediately nominated as the chairman of the collegial body elected by the general shareholders' meeting. When a company chooses to depart from these recommendations, it should furnish information on the measures it has taken to ensure impartiality of the supervision.	Yes	The Chief Executive Officer of the Company is not a member of its Board. The Chairman of the Supervisory Board and the members has neither been the members of the Board of the Company nor the Chief Executive Officer.
<b>Principle III: The order of the formation of a collegial body to be elected by a general shareholders' meeting</b> <b>The order of the formation a collegial body to be elected by a general shareholders' meeting should ensure representation of minority shareholders, accountability of this body to the shareholders and objective monitoring of the company's operation and its management bodies.</b>		

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 collegial body of the Company is elected following the order established by the Law on Companies of the Republic of Lithuania and the Articles of Association of the Company.
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.	No	Information about the candidates to become members of a collegial body is presented before the general shareholders' meeting except the data about their independence.
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.	No	We will seek to realize it in future.
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.	No	The collegial body ensures that its members are competent however periodic evaluation is not performed.
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.	No	The members of the collegial body are regularly informed at its meetings and individually if required about the Company's operation and its changes, about the essential changes of the legal acts, regulating the Company's operation, and of other circumstances influencing its operation. Up to now there has been neither need nor practice in the Company to offer a tailored program focused on introducing all new members of the Supervisory Board with their duties, corporate organization and 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 number of independent members.	No	Up to now the independence of the elective members of the collegial body has not been evaluated and the content of the notion sufficiency of independent members has not been discussed. Since over 70 per cent of the Company's shares are owned by the State represented by the Ministry of Economy of the Republic of Lithuania, the major part of the members of the Supervisory Board are elected by the general shareholders' meeting taking into account interests of the controlling shareholder in one or another way.
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	No	The criteria of independence of the collegial bodies have not been determined in the documents of the operation of the Company's collegial bodies. However taking into consideration the presented criteria it is possible to state that the members of the Company's Supervisory Board meet all the criteria of independence evaluation except item 4.

<p>course of time, assessment of independence of a member of the collegial body should be based on the contents of the relationship and circumstances rather than their form. The key criteria for identifying whether a member of the collegial body can be considered to be independent are the following:</p> <ol style="list-style-type: none"> <li>1) He/she is not an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) of the company or any associated company and has not been such during the last five years;</li> <li>2) He/she is not an employee of the company or some any company and has not been such during the last three years, except for cases when a member of the collegial body does not belong to the senior management and was elected to the collegial body as a representative of the employees;</li> <li>3) He/she is not receiving or has been not receiving significant additional remuneration from the company or associated company other than remuneration for the office in the collegial body. Such additional remuneration includes participation in share options or some other performance based pay systems; it does not include compensation payments for the previous office in the company (provided that such payment is no way related with later position) as per pension plans (inclusive of deferred compensations);</li> <li>4) He/she is not a controlling shareholder or representative of such shareholder (control as defined in the Council Directive 83/349/EEC Article 1 Part 1);</li> <li>5) He/she does not have and did not have any material business relations with the company or associated company within the past year directly or as a partner, shareholder, director or superior employee of the subject having such relationship. A subject is considered to have business relations when it is a major supplier or service provider (inclusive of financial, legal, counselling and consulting services), major client or organization receiving significant payments from the company or its group;</li> <li>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;</li> <li>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;</li> <li>8) He/she has not been in the position of a member of the collegial body for over than 12 years;</li> <li>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.</li> </ol> <p>3.8. The determination of what constitutes independence is fundamentally an issue for the collegial body itself to determine. The collegial body may decide that, despite a particular member meets all the criteria of independence laid down in this Code, he cannot be considered independent due to special personal or company-related circumstances.</p>	<p>Not applicable</p>	
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3.9. Necessary information on conclusions the collegial body has come to in its determination of whether a particular member of the body should be considered to be independent should be disclosed. When a person is nominated to become a member of the collegial body, the company should disclose whether it considers the person to be independent. When a particular member of the collegial body does not meet one or more criteria of independence set out in this Code, the company should disclose its reasons for nevertheless considering the member to be independent. In addition, the company should annually disclose which members of the collegial body it considers to be independent.	No	The Company has not yet applied in practice disclosure of the criteria of independence set out in the Code (See item 3.6).
3.10. When one or more criteria of independence set out in this Code has not been met throughout the year, the company should disclose its reasons for considering a particular member of the collegial body to be independent. To ensure accuracy of the information disclosed in relation with the independence of the members of the collegial body, the company should require independent members to have their independence periodically re-confirmed.	No	Up to now the Company has not applied practice of evaluation and disclosure of independence of the members of the collegial body.
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. The general shareholders' meeting should approve the amount of such remuneration.	Not applicable	The members of the collegial body are not remunerated from the Company's funds for their participation in the meetings.
<b>Principle IV: The duties and liabilities of a collegial body elected by the general shareholders' meeting</b> <b>The corporate governance framework should ensure proper and effective functioning of the collegial body elected by the general shareholders' meeting, and the powers granted to the collegial body should ensure effective monitoring of the company's management bodies and protection of interests of all the company's shareholders.</b>		
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.	Yes	According to the information available to the Company all the members of the collegial body act in good faith for the benefit and in the interests of the Company but not in their own or third parties' interests seeking to maintain their independence in decision-making.
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	According to the information available to the Company all the members of the collegial body act in good faith for the benefit and in the interests of the Company but not in their own or third parties' interests seeking to maintain their independence in decision-making.
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 of the meetings of the collegial body throughout the financial year of the company, shareholders of the company should be notified.	No	The members of the collegial body duly perform their functions: they actively attend the meetings and devote sufficient time to perform their duties as members of the collegial body. However up to now no practice has existed in the Company as to notification of the shareholders about the attendance of the members of the collegial body at the meetings during the last financial year.

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	The Company follows the stated recommendations. The members of the collegial body before making decisions, the criteria of which have been determined in the Articles of Association of the Company, discuss their possible effect on the shareholders. The information of the shareholders is only in accordance with the legal acts.
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.	No	The Company's Articles of Association as well as the Rules and Regulations of the Company's Board do not provide for the approval of such transactions by the Supervisory Board. Following the Law on Companies of the Republic of Lithuania and the Articles of Association of the Company major transactions shall be approved by the Company's Board.
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. 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.	No	The Company's collegial bodies are provided with all the necessary financial conditions for their work and are independent of the Company's Management.
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 committees are not established, however the Board performs their separate functions: it regularly evaluates skills, knowledge and experience of separate directors; discusses general application policy of remuneration (including stimulation) systems; observes the integrity of the financial information provided by the Company, paying special attention to the relevance and transparency of the accounting methods used by the Company and its group.

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.	No	The committees are not established, however the Board performs their separate functions: it regularly evaluates skills, knowledge and experience of separate directors; discusses general application policy of remuneration (including stimulation) systems; observes the integrity of the financial information provided by the Company, paying special attention to the relevance and transparency of the accounting methods used by the Company and its group.
4.9. Committees established by the collegial body should normally be composed of at least three members. In companies with small number of members of the collegial body, they could exceptionally be composed of two members. Majority of the members of each committee should be constituted from independent members of the collegial body. In cases when the company chooses not to set up a supervisory board, remuneration and audit committees should be entirely comprised of non-executive directors. Chairmanship and membership of the committees should be decided with due regard to the need to ensure that committee membership is refreshed and that undue reliance is not placed on particular individuals.	No	The committees are not established, however the Board performs their separate functions: regularly evaluates skills, knowledge and experience of separate directors; discusses general application policy of remuneration (including stimulation) systems; observes the integrity of the financial information provided by the Company, paying special attention to the relevance and transparency of the accounting methods used by the Company and its group.
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.	No	The committees are not established, however the Board performs their separate functions: regularly evaluates skills, knowledge and experience of separate directors; discusses general application policy of remuneration (including stimulation) systems; observes the integrity of the financial information provided by the Company, paying special attention to the relevance and transparency of the accounting methods used by the Company and its group.
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.	No	The committees are not established, however the Board performs their separate functions: regularly evaluates skills, knowledge and experience of separate directors; discusses general application policy of remuneration (including stimulation) systems; observes the integrity of the financial information provided by the Company, paying special attention to the relevance and transparency of the accounting methods used by the Company and its group.
4.12. Nomination Committee. 4.12.1. Key functions of the nomination committee should be the following: 1) Identify and recommend, for the approval of the collegial body, candidates to fill board vacancies. The nomination committee should evaluate the balance of skills, knowledge and experience on the management body, prepare a description of the roles and capabilities required to assume a particular office, and assess the time commitment expected. Nomination committee can also consider candidates to members of the collegial body delegated by the shareholders of the company; 2) Assess on regular basis the structure, size, composition and performance of the supervisory and management bodies, and make recommendations to the collegial body regarding the means of achieving necessary changes; 3) Assess on regular basis the skills, knowledge and experience of individual directors and report on this to the collegial body; 4) Properly consider issues related to succession planning; 5) Review the policy of the management bodies for selection and appointment of senior management.	No	The committees are not established, however the Board performs their separate functions: regularly evaluates skills, knowledge and experience of separate directors; discusses general application policy of remuneration (including stimulation) systems; observes the integrity of the financial information provided by the Company, paying special attention to the relevance and transparency of the accounting methods used by the Company and its group.



4.12.2. Nomination committee should consider proposals by other parties, including management and shareholders. When dealing with issues related to executive directors or members of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) and senior management, chief executive officer of the company should be consulted by, and entitled to submit proposals to the nomination committee.		
<p>4.13. Remuneration Committee.</p> <p>4.13.1. Key functions of the remuneration committee should be the following:</p> <p>1) Make proposals, for the approval of the collegial body, on the remuneration policy for members of management bodies and executive directors. Such policy should address all forms of compensation, including the fixed remuneration, performance-based remuneration schemes, pension arrangements, and termination payments. Proposals considering performance-based remuneration schemes should be accompanied with recommendations on the related objectives and evaluation criteria, with a view to properly aligning the pay of executive director and members of the management bodies with the long-term interests of the shareholders and the objectives set by the collegial body;</p> <p>2) Make proposals to the collegial body on the individual remuneration for executive directors and member of management bodies in order their remunerations are consistent with company's remuneration policy and the evaluation of the performance of these persons concerned. In doing so, the committee should be properly informed on the total compensation obtained by executive directors and members of the management bodies from the affiliated companies;</p> <p>3) Make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies;</p> <p>4) 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);</p> <p>5) Make general recommendations to the executive directors and members of the management bodies on the level and structure of remuneration for senior management (as defined by the collegial body) with regard to the respective information provided by the executive directors and members of the management bodies.</p> <p>4.13.2. With respect to stock options and other share-based incentives which may be granted to directors or other employees, the committee should:</p> <p>1) Consider general policy regarding the granting of the above mentioned schemes, in particular stock options, and make any related proposals to the collegial body;</p> <p>2) Examine the related information that is given in the company's annual report and documents intended for the use during the shareholders meeting;</p> <p>3) Make proposals to the collegial body regarding the choice between granting options to subscribe shares or granting options to purchase shares, specifying the reasons for its choice as well as the consequences that this choice has.</p> <p>4.13.3. Upon resolution of the issues attributable to the competence of the remuneration committee, the committee should at least address the chairman of the collegial body and/or chief executive officer of the company for their opinion on the remuneration of other executive directors or members of the management bodies.</p>	No	The committees are not established, however the Board performs their separate functions: regularly evaluates skills, knowledge and experience of separate directors; discusses general application policy of remuneration (including stimulation) systems; observes the integrity of the financial information provided by the Company, paying special attention to the relevance and transparency of the accounting methods used by the Company and its group.
<p>4.14. Audit Committee.</p> <p>4.14.1. Key functions of the audit committee should be the following:</p> <p>1) 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);</p> <p>2) 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;</p> <p>3) Ensure the efficiency of the internal audit function, among other things, by making recommendations on the selection, appointment, reappointment and</p>	No	The committees are not established, however the Board performs their separate functions: regularly evaluates skills, knowledge and experience of separate directors; discusses general application policy of remuneration (including stimulation) systems; observes the integrity of the financial information provided by the Company, paying special attention to the relevance and transparency of the accounting methods used by the Company and its group.

<p>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;</p> <p>4) 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;</p> <p>5) 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 <i>inter alia</i> data on all remunerations paid by the company to the auditor and network, should at all times monitor nature and extent of the non-audit services. Having regard to the principals and guidelines established in the 16 May 2002 Commission Recommendation 2002/590/EC, the committee should determine and apply a formal policy establishing types of non-audit services that are (a) excluded, (b) permissible only after review by the committee, and (c) permissible without referral to the committee;</p> <p>6) Review efficiency of the external audit process and responsiveness of management to recommendations made in the external auditor's management letter.</p> <p>4.14.2. All members of the committee should be furnished with complete information on particulars of accounting, financial and other operations of the company. Company's management should inform the audit committee of the methods used to account for significant and unusual transactions where the accounting treatment may be open to different approaches. In such case a special consideration should be given to company's operations in offshore centres and/or activities carried out through special purpose vehicles (organisations) and justification of such operations.</p> <p>4.14.3. The audit committee should decide whether participation of the chairman of the collegial body, chief executive officer of the company, chief financial officer (or superior employees in charge of finances, treasury and accounting), or internal and external auditors in the meetings of the committee is required (if required, when). The committee should be entitled, when needed, to meet with any relevant person without executive directors and members of the management bodies present.</p> <p>4.14.4. Internal and external auditors should be secured with not only effective working relationship with management, but also with free access to the collegial body. For this purpose the audit committee should act as the principal contact person for the internal and external auditors.</p> <p>4.14.5. The audit committee should be informed of the internal auditor's work program, and should be furnished with internal audit's reports or periodic summaries. The audit committee should also be informed of the work program of the external auditor and should be furnished with report disclosing all relationships between the independent auditor and the company and its group. The committee should be timely furnished information on all issues arising from the audit.</p> <p>4.14.6. The audit committee should examine whether the company is following applicable provisions regarding the possibility for employees to report alleged significant irregularities in the company, by way of complaints or through anonymous submissions (normally to an independent member of the collegial body), and should ensure that there is a procedure established for proportionate and independent investigation of these issues and for appropriate follow-up action.</p> <p>4.14.7. The audit committee should report on its activities to the collegial body at least once in every six months, at the time the yearly and half-yearly statements are approved.</p>		
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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 organisation 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 organisation and working procedures, and specify what material changes were made as a result of the assessment of the collegial body of its own activities.	No	The internal documents of the Company do not provide for a separate assessment of the collegial body's activities because it was not required by the legal acts of the Republic of Lithuania. Decisions on the Company's activities are made by the Board of the Company which reports to the shareholders' meeting.
<b>Principle V: The working procedure of the company's collegial bodies</b> <b>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.</b>		
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	A collegial body of supervision - the Supervisory Board and a collegial body of management - the Board implement this provision in the Company.
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.	Yes	The meetings of the Company's Supervisory Board are convened at least once in a quarter and the meetings of the Company's Board are carried out according to the schedule approved by the Board.
5.3. Members of a collegial body should be notified about the meeting being convened in advance in order to allow sufficient time for proper preparation for the issues on the agenda of the meeting and to ensure fruitful discussion and adoption of appropriate decisions. Alongside with the notice about the meeting being convened, all the documents relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body are present or certain issues of great importance to the company require immediate resolution.	Yes	The Company observes provisions stated in this recommendation.
5.4. In order to co-ordinate operation of the company's collegial bodies and ensure effective decision-making process, chairpersons of the company's collegial bodies of supervision and management should closely co-operate by co-coordinating dates of the meetings, their agendas and resolving other issues of corporate governance. Members of the company's board should be free to attend meetings of the company's supervisory board, especially where issues concerning removal of the board members, their liability or remuneration are discussed.	No	The Company observes provisions stated in this recommendation. The provision concerning determination of the remuneration of the Board's members is not applied because they are not remunerated from the Company's funds for their participation in the meetings.

<b>Principle VI: The equitable treatment of shareholders and shareholder rights</b> <b>The corporate governance framework should ensure the equitable treatment of all shareholders, including minority and foreign shareholders. The corporate governance framework should protect the rights of the shareholders.</b>		
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 consists of ordinary registered shares that grant the same rights to all their holders.
6.2. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.	Yes	The Company observes provisions stated in this recommendation.
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. All shareholders should be furnished with equal opportunity to familiarise with and participate in the decision-making process when significant corporate issues, including approval of transactions referred to above, are discussed.	No	According to the Law on Companies of the Republic of Lithuania and Articles of Association important transactions are approved by the Board.
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	All the shareholders of the Company are informed about the venue, date and time of the general shareholders' meeting. Prior to the general shareholders' meeting all the shareholders of the Company are furnished with opportunity to receive information on the issues on the agenda of the general shareholders' meeting.
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. 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 familiarise 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	The Company discloses the documents on the course of the general shareholders' meeting, including draft resolutions of the meeting, through the information disclosure system of the Vilnius Stock Exchange and it is planned to place them constantly on the website of the Company.
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	The shareholders of the Company can implement their right to participate at the shareholders' meeting both in person and through a representative should he be duly authorised. The Company also furnishes its shareholders with the opportunity to vote by completing the general voting ballot.
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.	Not applicable	Taking into account the structure of the shareholders and the valid regulations for organisation of the shareholders' meeting there is no necessity to additionally install costly system of IT.
<b>Principle VII: The avoidance of conflicts of interest and their disclosure</b> <b>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.</b>		

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	The members of the Company's supervisory and management bodies have been acting in such a manner so as to avoid conflict of interests. Therefore such conflicts have never occurred in practice. The provision regarding notification will be implemented in a more detailed manner by specifying it in the local acts of the Company.
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 authorised by the meeting.	Yes	The members of the Company's supervisory and management bodies have been acting in such a manner so as to avoid conflict of interests. Therefore such conflicts have never occurred in practice.
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.	Not applicable	
7.4. Any member of the company's supervisory and management body should abstain from voting when decisions concerning transactions or other issues of personal or business interest are voted on.	Yes	The members of the Company's Board have been familiarised with these provisions and they must observe these recommendations.
<b>Principle VIII: Company's remuneration policy</b> <b>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</b>		
8.1. A company should make a public statement of the company's remuneration policy (hereinafter the remuneration statement). This statement should be part of the company's annual accounts. Remuneration statement should also be posted on the company's website.	No	The Company has not made any public statement of its remuneration policy during the year under review because it was not foreseen by the legal acts of the Republic of Lithuania. The Company's remuneration policy is determined by analysing situation on Lithuanian labour market.
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	Refer to the comment in item 8.1 above.
8.3. Remuneration statement should leastwise include the following information: 1) Explanation of the relative importance of the variable and non-variable components of directors' remuneration; 2) Sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration; 3) Sufficient information on the linkage between the remuneration and performance; 4) The main parameters and rationale for any annual bonus scheme and any other non-cash benefits; 5) A description of the main characteristics of supplementary pension or early retirement schemes for directors.	No	Refer to the comment in item 8.1 above.
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, <i>inter alia</i> , 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	Refer to the comment in item 8.1 above.

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	Refer to the comment in item 8.1 above.
8.6. Without prejudice to the role and organisation 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	Refer to the comment in item 8.1 above.
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: 1) The total amount of remuneration paid or due to the director for services performed during the relevant financial year, inclusive of, where relevant, attendance fees fixed by the annual general shareholders meeting; 2) The remuneration and advantages received from any undertaking belonging to the same group; 3) The remuneration paid in the form of profit sharing and/or bonus payments and the reasons why such bonus payments and/or profit sharing were granted; 4) If permissible by the law, any significant additional remuneration paid to directors for special services outside the scope of the usual functions of a director; 5) Compensation receivable or paid to each former executive director or member of the management body as a result of his resignation from the office during the previous financial year; 6) Total estimated value of non-cash benefits considered as remuneration, other than the items covered in the above points.	No	Refer to the comment in item 8.1 above.
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 during the relevant financial year;		

<p>• When the pension scheme is defined-contribution scheme, detailed information on contributions paid or payable by the company in respect of that director during the relevant financial year.</p> <p>8.7.4. The statement should also state amounts that the company or any subsidiary company or entity included in the consolidated annual financial statements of the company has paid to each person who has served as a director in the company at any time during the relevant financial year in the form of loans, advance payments or guarantees, including the amount outstanding and the interest rate.</p>		
<p>8.8. Schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements should be subject to the prior approval of shareholders' annual general meeting by way of a resolution prior to their adoption. The approval of scheme should be related with the scheme itself and not to the grant of such share-based benefits under that scheme to individual directors. All significant changes in scheme provisions should also be subject to shareholders' approval prior to their adoption; the approval decision should be made in shareholders' annual general meeting. In such case shareholders should be notified on all terms of suggested changes and get an explanation on the impact of the suggested changes.</p>	Not applicable	8.8. – 8.12. During the year under review the Company has not applied any 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. This has not been provided for by the existing remuneration procedure and employment contracts with directors and other employees.
<p>8.9. The following issues should be subject to approval by the shareholders' annual general meeting:</p> <ol style="list-style-type: none"> <li>1) Grant of share-based schemes, including share options, to directors;</li> <li>2) Determination of maximum number of shares and main conditions of share granting;</li> <li>3) The term within which options can be exercised;</li> <li>4) The conditions for any subsequent change in the exercise of the options, if permissible by law;</li> <li>5) All other long-term incentive schemes for which directors are eligible and which are not available to other employees of the company under similar terms.</li> </ol> <p>Annual general meeting should also set the deadline within which the body responsible for remuneration of directors may award compensations listed in this article to individual directors.</p>	Not applicable	Refer to the comment in item 8.8 above.
<p>8.10. Should national law or company's Articles of Association allow, any discounted option arrangement under which any rights are granted to subscribe to shares at a price lower than the market value of the share prevailing on the day of the price determination, or the average of the market values over a number of days preceding the date when the exercise price is determined, should also be subject to the shareholders' approval.</p>		
<p>8.11. Provisions of Articles 8.8 and 8.9 should not be applicable to schemes allowing for participation under similar conditions to company's employees or employees of any subsidiary company whose employees are eligible to participate in the scheme and which has been approved in the shareholders' annual general meeting.</p>		
<p>8.12. Prior to the annual general meeting that is intended to consider decision stipulated in Article 8.8, the shareholders must be provided an opportunity to familiarise with draft resolution and project-related notice (the documents should be posted on the company's website). The notice should contain the full text of the share-based remuneration schemes or a description of their key terms, as well as full names of the participants in the schemes. Notice should also specify the relationship of the schemes and the overall remuneration policy of the directors. Draft resolution must have a clear reference to the scheme itself or to the summary of its key terms. Shareholders must also be presented with information on how the company intends to provide for the shares required to meet its obligations under incentive schemes. It should be clearly stated whether the company intends to buy shares in the market, hold the shares in reserve or issue new ones. There should also be a summary on scheme-related expenses the company will suffer due to the anticipated application of the scheme. All information given in this article must be posted on the company's website.</p>		

<b>Principle IX: The role of stakeholders in corporate governance</b> <b>The corporate governance framework should recognise 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.</b>		
9.1. The corporate governance framework should assure that the rights of stakeholders that are protected by law are respected.	Yes	The execution of this recommendation is ensured by the accurate supervision and control of the state institutions and organisations regulating the Company’s activities. The publicity of the Company’s activities creates conditions for the stakeholders to participate in corporate governance in the manner prescribed by law, by the Articles of Association and the Collective Agreement. The management bodies consult with the employees on corporate governance and other important issues, employee participation in the Company’s share capital is not limited.
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.		
9.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.		
<b>Principle X: Information disclosure and transparency</b> <b>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.</b>		
10.1. The company should disclose information on: 1) The financial and operating results of the company; 2) Company objectives; 3) Persons holding by the right of ownership or in control of a block of shares in the company; 4) Members of the company’s supervisory and management bodies, chief executive officer of the company and their remuneration; 5) Material foreseeable risk factors; 6) Transactions between the company and connected persons, as well as transactions concluded outside the course of the company’s regular operations; 7) Material issues regarding employees and other stakeholders; 8) 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.	No	The information regarding the Company’s financial situation, performance and corporate governance is regularly disclosed by distributing press releases and notifying about material events, in presentations. The documents are published in Lithuanian and English on the publicly accessible website of the Vilnius Stock Exchange. The Company prepares financial statements according to the International Financial Accounting standards.
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. 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. 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.		
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 discloses information in Lithuanian and English simultaneously through the information disclosure system of the Vilnius Stock Exchange so that the submitted information could simultaneously be announced thus guaranteeing its simultaneous dissemination to everybody.



10.6. Channels for disseminating information should provide for fair, timely and cost-efficient access to relevant information by users. It is recommended that information technologies should be employed for wider dissemination of information, for instance, by placing the information on the company's website. It is recommended that information should be published and placed on the company's website not only in Lithuanian, but also in English, and, whenever possible and necessary, in other languages as well.	Yes	The Company discloses information in Lithuanian and English simultaneously through the information disclosure system of the Vilnius Stock Exchange so that the submitted information could simultaneously be announced thus guaranteeing its simultaneous dissemination to everybody and it is planned to constantly place the information on the Company's website.
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.	No	The Company takes into account this recommendation and it is planned to place the information on the Company's website in the future.
<b>Principle XI: The selection of the company's auditor</b> <b>The mechanism of the selection of the company's auditor should ensure independence of the firm of auditor's conclusion and opinion.</b>		
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 Company observes this recommendation when an independent firm of auditors conducts an audit of the Company's annual financial statements and report.
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.	No	The Company's Board proposes a candidate firm of auditors to the general shareholders' meeting.
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	The firm of auditors is not paid by the Company for consultations on tax and business issues.