AB KAUNO TIEKIMAS

Independed Auditor's Report,
Annual Report and
Financial Statements
for the year ended 31 December 2008

List of documents

INDEPENDENT AUDITOR'S REPORT

For shareholders of AB Kauno tiekimas

Report on the Financial Statements

We have audited the accompanying financial statements of AB Kauno tiekimas ("the Company"), Joint Stock company registered in the Republic of Lithuania, which comprise the Balance Sheet as at December 31, 2008 and the Income Statement, Statement of Changes in Equity and Cash Flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of AB Kauno tiekimas as of December 31, 2008, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union.

Report on other legal and Regulatory Requirements

We did not observe any significant mismatches between the information included in the annual report of the Company for the year 2008, and the Company's financial statements for the year 2008.

UAB Auditorių Biuras
Audit company's certificate No. 001340

Director, Auditor — Roma Račienė
Auditor'scertificate No. 000221

8 April 2009
Lithuania

AKCINĖ BENDROVĖ "KAUNO TIEKIMAS"
Įmonės kodas 1335 23653, PVM mokėtojo kodas LT 335236515
Palemono g. 171, 52501, Kaunas, telefonas/faksas 473744, el.paštas tiekimas@kaunas.balt.net
A.s. Nr. LT 637011700026467129 AB "Ūkio bankas" banko kodas 70117
Juridinių asmenų registras, tvarkytojas: VĮ Registrų centras

Management Certification **07 April 2009**

This Certification was issued in relation to the submission of AB Kauno Tiekimas annual data of 31 December 2008.

We hereby certify that to the best of our knowledge and belief:

- the financial statements have been prepared in pursuance of the International Accounting Standards;
- the financial statements reveal the true situation and fairly reflect the assets, liabilities, financial standing, profit or losses of the company;
- the annual report provides a fair overview of the business development and performance, the standing of the issuer and a description of the main risks and contingencies faced thereby.

Irena Kebleriene
General Director

Danutė Skučienė
Chief Accountant

AB Kauno Tiekimas

ANNUAL REPORT 2008

TABLE OF CONTENTS

1. GENERAL INFORMATION ON THE ISSUER

Accounting period for which the Annual Report has been drawn up
The Annual Report has been drawn up for the year.

The Issuer and its contact details
AB Kauno Tiekimas is a limited civil liability private legal person. Legal form: public limited liability company. AB Kauno Tiekimas was registered on 26 November 1992 under Ordinance No 2088 of the Mayor of Kaunas Municipality, Registration Number AB 92-1072, at Palemono g.171, Kaunas, LT-52501. Company code 133523653, the seat address Palemono g. 171, Kaunas. **General Director's telephone number (8-37) 473744,** administrator's telephone number: (8-37) 373550, fax (8-37) 473744, **e-mail: tiekimas@kaunas.balt.net**. The Issuer website: www.kaunotiekimas.lt

Nature of the principal activities of the issuer
The main business activities of AB Kauno Tiekimas include wholesale trade with Lithuanian and foreign companies, lease of the property owned by the Company and related services, financial, and investment activities.

Information on agreements with the intermediaries of public trading in securities
The Company has entered into a contract for managing securities accounts with UAB FMĮ Finbaltus, Konstitucijos pr.23-660, Vilnius, LT-08105.

Data on trading in securities of the Issuer in regulated markets
AB Kauno Tiekimas securities are included to the NASDAQ OMX Vilnius Secondary List. Securities code: LT0000104879; number of included securities: 10,180,884 units.

Information prescribed by Article 24 of the Law on Financial Statements of Entities of the Republic of Lithuania

2. OBJECTIVE OVERVIEW OF THE COMPANY STANDING, BUSINESS AND DEVELOPMENT

The bodies of the Company include the General Meeting, the Board, and the Head of the Company. The Supervisory Board is not formed.

Business activities
Since 2002 the Company has been successfully trading in alumina, which is the main raw material in aluminium production, and in raw materials required for alumina production. After AB Kauno Tiekimas started trading in alumina, it entered the constantly growing alumina market, In November 2002 we opened a branch of the Company which was entrusted all the activities in alumina and the raw materials trade. The branch of AB Kauno Tiekimas is cooperating with Birač alumina factory, a strategic company, which is one of the three largest companies in Srpska Republic, Bosnia and Herzegovina. Birač alumina factory does not buy raw materials or sell alumina. This function is delegated to the trade representative of the company Balkal A.D., Bosnia. The branch of AB Kauno Tiekimas and Balkal A.D. have signed an agreement, under which AB Kauno Tiekimas branch supplies raw materials, i.e. hydrate of sodium and bauxites. Whereas Balkal A.D. sells the branch of AB Kauno Tiekimas the production of Birač factory: alumina, alumina hydrate, zeolite.
In 2007, the sales revenue of the Company amounted to LTL417.4m, which was 35.6% decrease than that in 2006. In 2008, the sales revenue of the Company amounted to LTL428.2m, a 2.6% higher as compared to 2007.

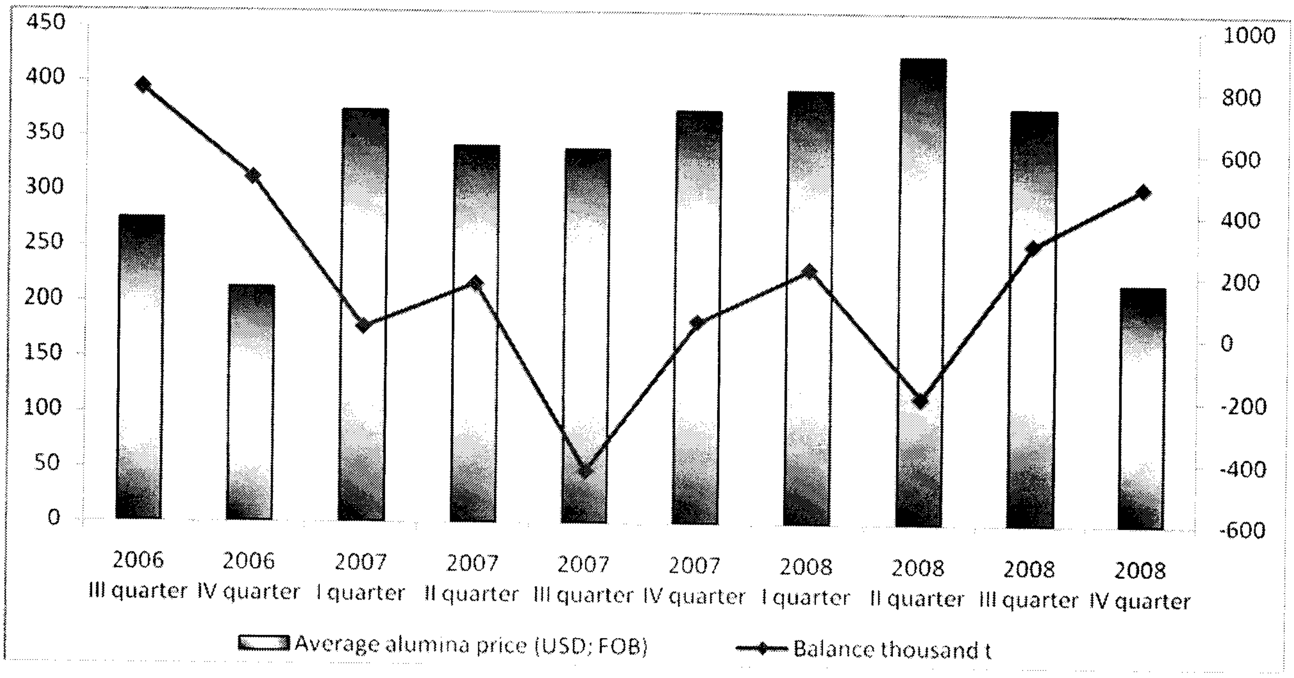
A decline in the global alumina market prices has been observed since the second half of 2008. In 2007 similar trends persisted.
Other business activities of the Company include the lease of property owned by the Company and the related services. On the territory of the Company there is a customs post and warehouses.
AB Kauno Tiekimas is located on the highway Vilnius-Klaipėda. The area of the Company occupies 10.825 ha, there are 7 individual warehousing buildings with railway access roads and loading docks.
The long-term real estate of the Company was constructed long ago and it needs to be repaired in order to ensure its condition, which would generate economic benefit. Just in 2007 the Company spent LTL1.2m on substantial improvement of the said property.

3. DESCRIPTION OF THE KEY RISK TYPES AND CONTINGENCIES FACED BY THE COMPANY

Alumina is the main raw material in aluminium production. Therefore its supply and demand on the market depends on the aluminium production volumes. The global alumina prices depend on the supply and demand of the alumina exporting and importing countries.

Figure 1

Relation of the alumina market price and its global supply and demand balance 2006 – 2007 - 2008, by quarters

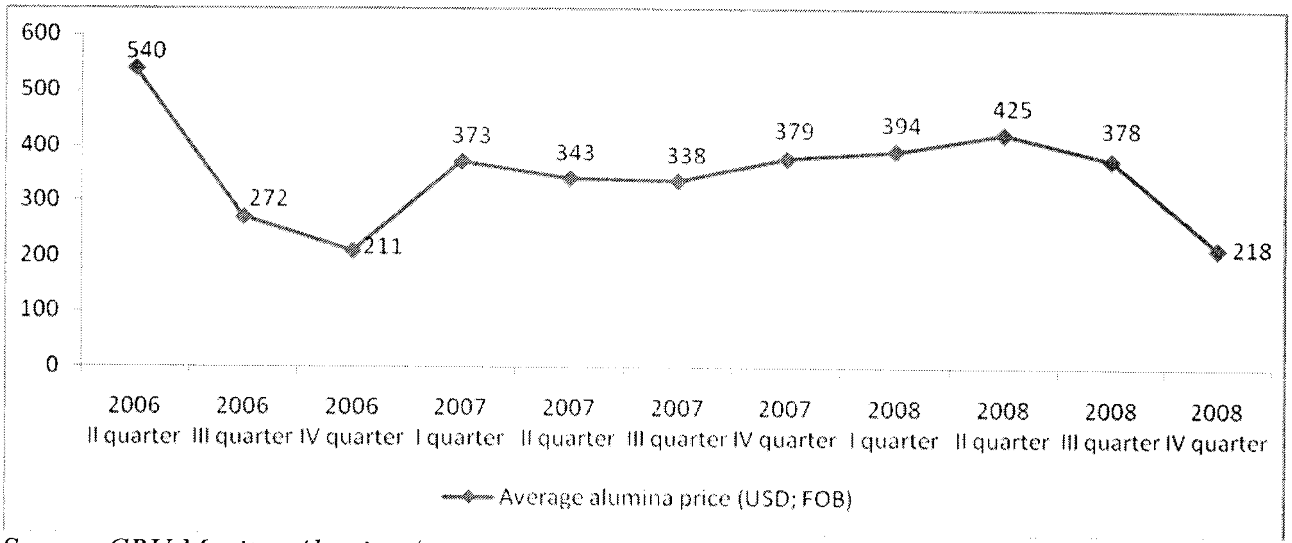


Source: CRU Monitor Alumina / www.crumonitor.com

The largest alumina prices were observed at the beginning of 2006, whereas in the second quarter of 2006 they began falling. The forecasts of the fall being temporary turned out to be wrong. The prices for raw materials required in alumina production keep constantly increasing.
Figure 2 provides information on the fluctuations in the alumina market in 2006 - 2007 - 2008. The price is given in USD per ton on FOB and CIF terms.

Figure 2

Dynamics of average alumina prices in 2006-2007-2008, by quaters



Source: CRU Monitor Alumina / www.crumonitor.com

In its activities, the Company is using credit lines. The variable portion of the credit line interest rate depends on the VILIBOR (Vilnius Inter Bank Offering Rate) and LIBOR (London Inter Bank Offering Rate) fluctuations. An increase in the credit source price would have a negative impact on the Company business.

4. ANALYSIS OF FINANCIAL AND NON-FINANCIAL BUSINESS RESULTS

The analysis of the key financial indices is provided in the Schedules.

Schedule 1 Horizontal analysis of Balance Sheet indices

In 2008 the total assets amount of AB Kauno Tiekimas shrank by LTL56.7m. The non-current assets reduced by LTL0.27m. The decrease of total assets resulted from a drop in the amounts receivable within one year while the decrease of non-current tangible assets was brought about by assets depreciation.
The current assets reduced by LTL56,4m.
The decrease was mostly consequent from a drop in the amounts receivable within one year, cash, and other current assets.
In 2008 the equity of the Company decrease by 32.5% and amounted to LTL11,3m.

Schedule 2 Vertical analysis of Balance Sheet indices

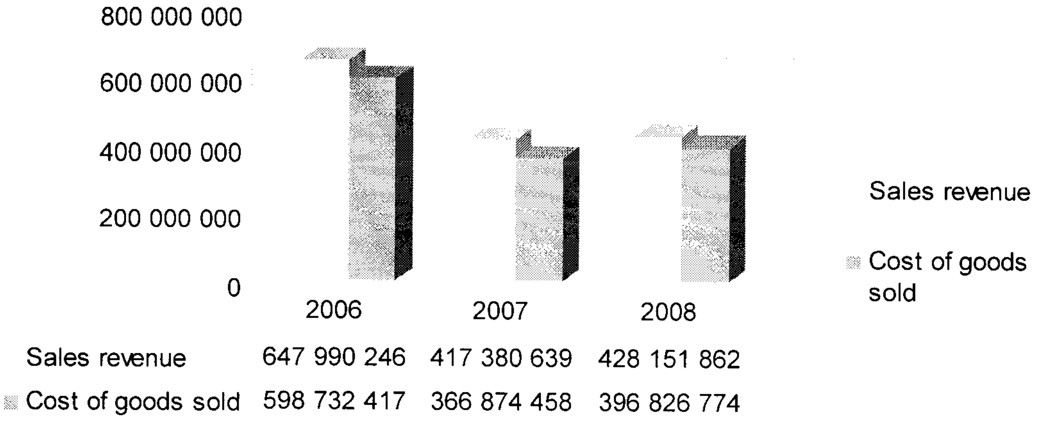
Over the last 3 years the assets structure did not experience significant changes. In 2008 the current and non-current assets accounted for 92.58% and 7.42% of total assets respectively.
91.9% of all assets were acquired with borrowed funds and 8.1% was acquired for the Company's own money.

Schedule 3 Analysis of Profit and Loss Account

In 2008 the sales revenue increased by LTL10.8m or 2.6%. The cost of goods sold increased by LTL29.9m or 8.16%. The gross profit of the company shrank by LTL19.2m in comparison to 2007.

Figure 3

SALES REVENUE OF THE COMPANY

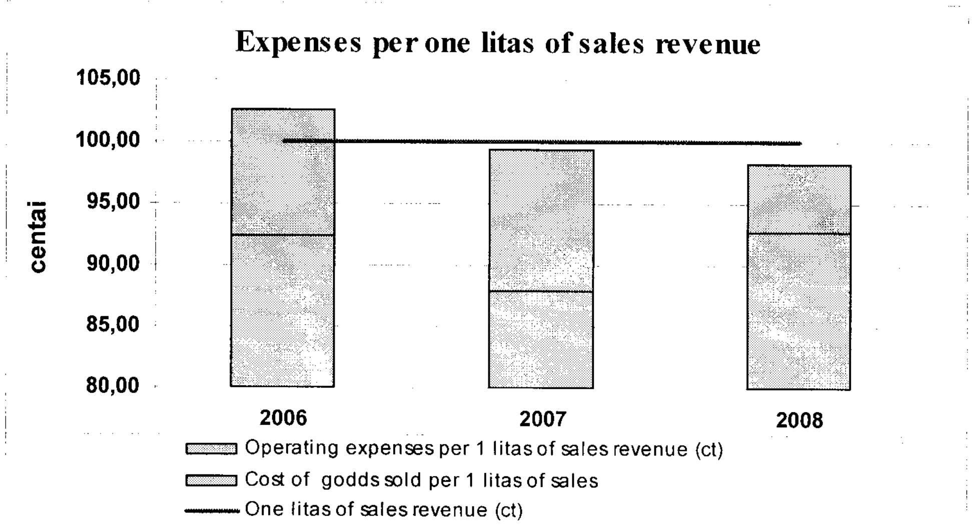


In 2008 the operating expenses reduced by LTL23.9m or 50,13%. The dynamics of expenses per one litas of sales revenue is reflected in figure 4.

Figure 4

EXPENSE RATE INDICATORS

INDICATOR	2006	2007	2008
Cost of godds sold per 1 litas of sales	92,40	87,90	92,68
Operating expenses per 1 litas of sales revenue (ct)	10,22	11,45	5,57
One litas of sales revenue (ct)	100,00	100,00	100,00



Other operating revenue decreased by LTL0.13m. The revenue from financial and investing activities decreased by LTL4.7m.

The loss of 2008 amounts to LTL5.4m. The slump in share value resulting from the global financial recession had a negative impact on the financial and investment activities of the Company.

Schedule 4 Summary of liquidity ratio calculations

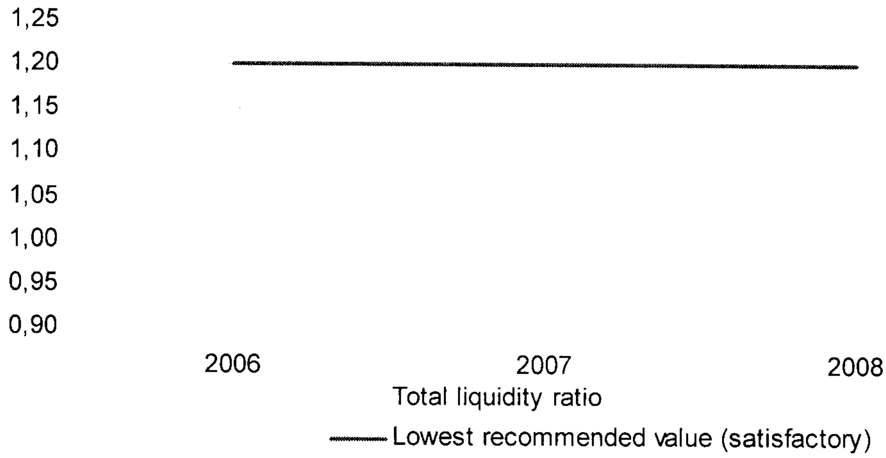
The liquidity ratio of the Company shows the degree to which the current assets cover the current liabilities.
The total liquidity ratio remained the same. The index value remains above 1, which means that the Company is able to pay its current liabilities from current assets.

Figure 5

TOTAL LIQUIDITY RATIO

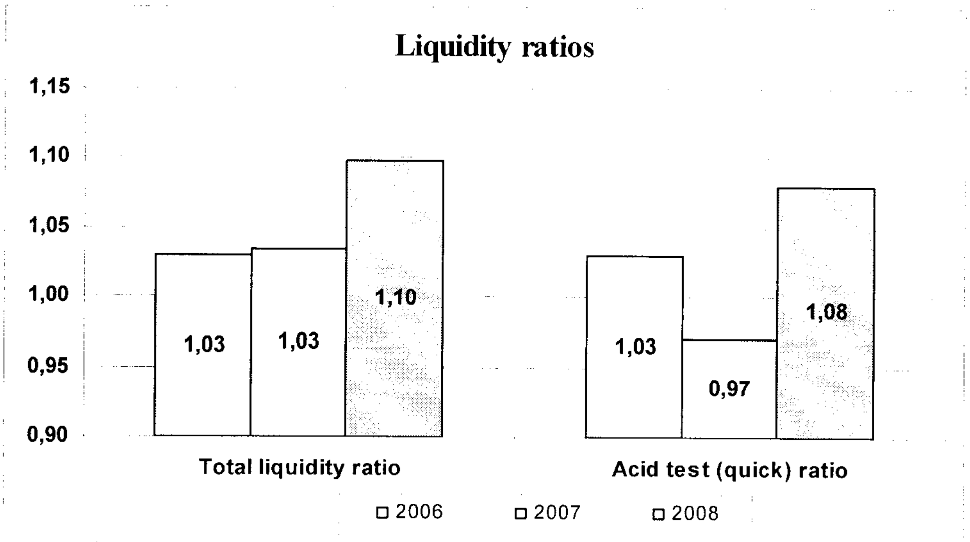
INDICATOR	2006	2007	2008
Total liquidity ratio	1,03	1,03	1,10
Lowest recommended value (satisfactory)	1,20	1,20	1,20

Total liquidity indicator



LIQUIDITY RATIOS

LIQUIDITY RATIOS	2006	2007	2008
Total liquidity ratio	1,03	1,03	1,10
Acid test (quick) ratio	1,03	0,97	1,08



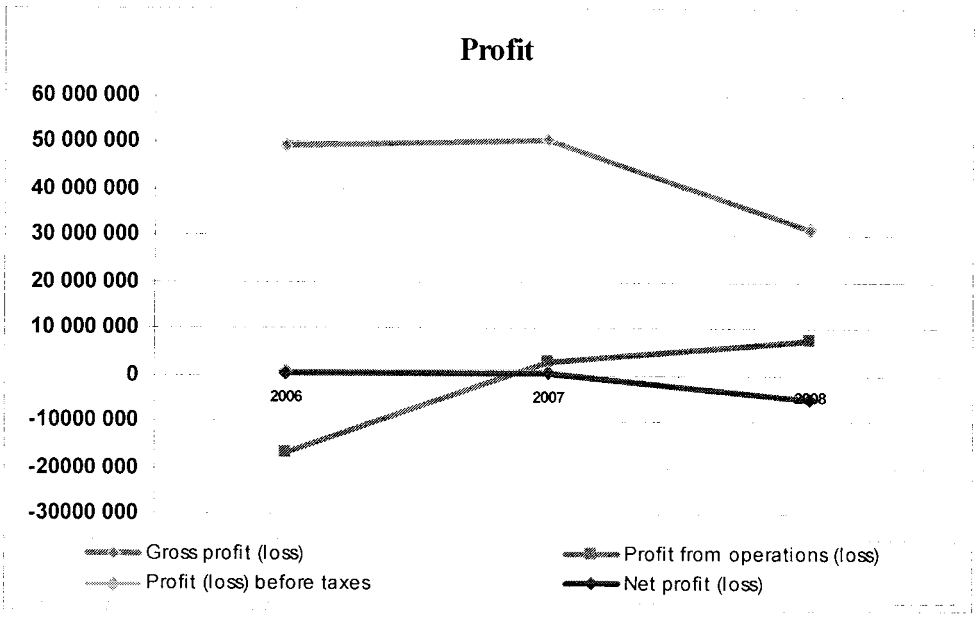
Schedule 5 Summary of profitability ratio calculations

The profitability indices showed the tendency of both decreasing and increasing. In 2008 the gross profit margin was shrinking while return on average common equity (ROE) was not assessed due to the incurred losses.

Figure 6

PROFIT

PROFIT AND LOSS ACCONT ITEMS	2006	2007	2008
Gross profit (loss)	49 257 829	50 506 181	31 325 088
Profit from operations (loss)	-16985 765	2 712 195	7 489 191
Profit (loss) before taxes	743 843	562 836	-5447 528
Net profit (loss)	472 066	377 632	-5472 646



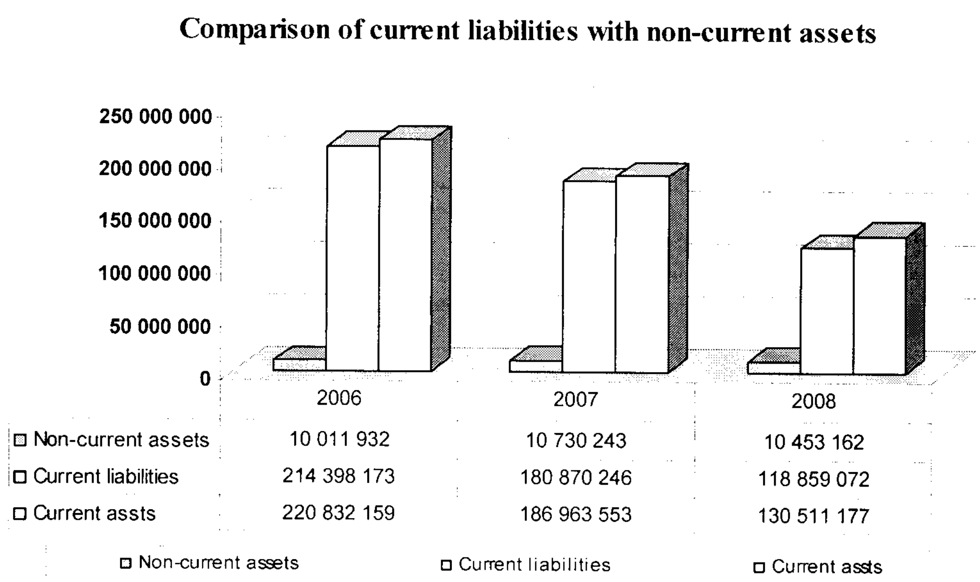
Schedule 6 Summary of financial leverage ratio calculations

The debt ratio tells how much the Company relies on debt to finance assets. Over the last 3 years this ratio was fluctuating and at the end of 2008 it was 0.92.
The debt-to-equity ratio indicates the relative proportion of equity and debt. At the end of 2008 it was 11.42.
Figure 7 compares non-current and current liabilities with non-current and current assets.

Figure 7

COMPARISON OF NON-CURRENT AND CURRENT LIABILITIES OF THE COMPANY WITH NON-CURRENT AND CURRENT ASSETS

BALANSE SHEET ITEMS	2006	2007	2008
Non-current assets	10 011 932	10 730 243	10 453 162
Current liabilities	214 398 173	180 870 246	118 859 072
Current assts	220 832 159	186 963 553	130 511 177



Schedule 7 Summary of assets turnover ratio calculations

The schedule provides the analysis of inventory turnover, receivables turnover, net working capital turnover, non-current assets turnover, and assets turnover. In 2008 the stock turnover ratio was 61.17.

Figure 8

INVENTORY TURNOVER

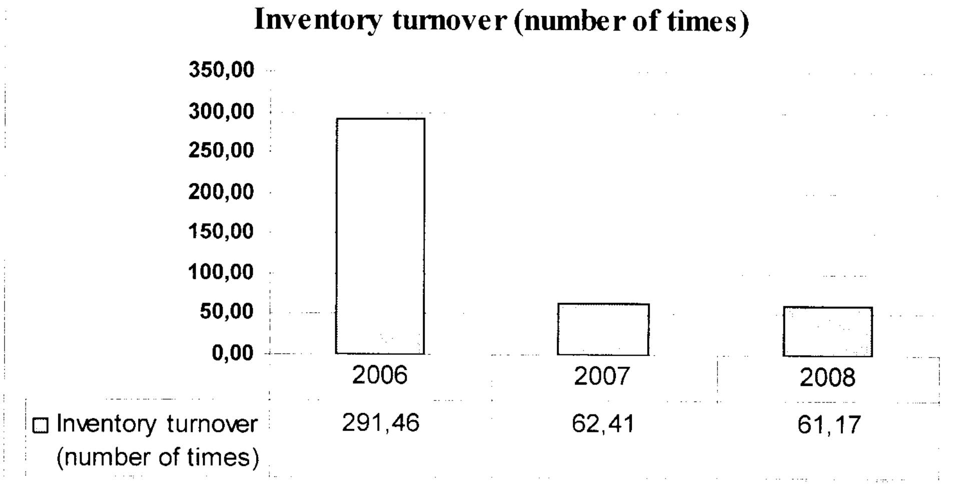
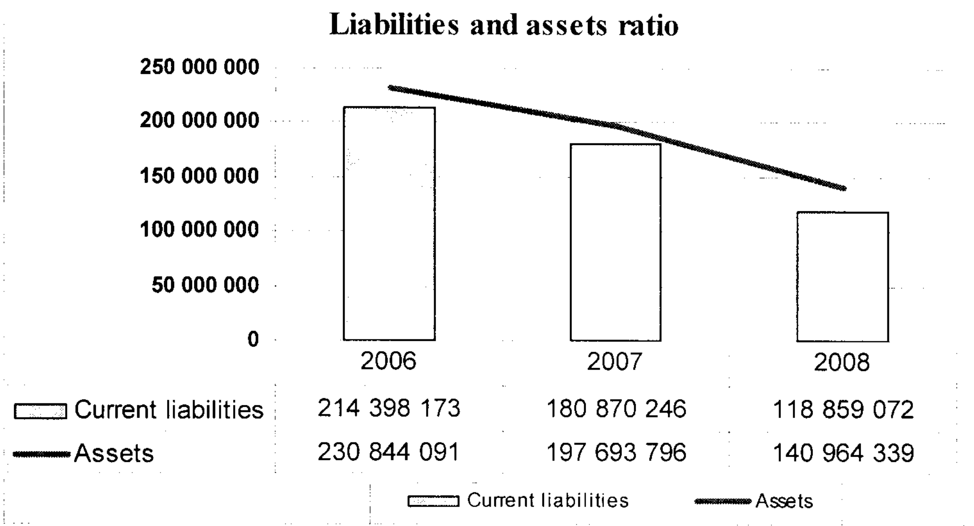


Figure 9

LIABILITIES AND ASSETS RATIO

BALANCE SHEET ITEMS	2006	2007	2008
Current liabilities	214 398 173	180 870 246	118 859 072
Assets	230 844 091	197 693 796	140 964 339



5. INFORMATION RELATED TO ENVIRONMENT AND STAFF ISSUES

The Company leases out its cement elevator where the wholesale trade and packing of cement is performed. The Company uses vehicles, tractors and railway transport and therefore it pays pollution taxes for discharge from stationary pollution sources.

The Company employed 55 persons at the end of the previous financial year and 56 at the end of the financial year.

At the Company, the pay to the employees includes a fixed and a variable portion. The variable portion and the bonuses depend on the business results of the Company, efficiency of the employee,

performance of urgent and complicated tasks, disciplinary punishments, qualification, and other factors.
Some of the Company employees are insured against accidents and the insurance coverage is valid 24 hours per day.
There is no pension funding in the Company.

6. REFERENCES AND FURTHER EXPLANATIONS ON THE DATA PROVIDED IN THE ANNUAL FINANCIAL STATEMENTS

The data provided in the annual statements are detailed in the Explanatory Notes.

7. INFORMATION ON THE ACQUIRED SHARES AND COMPANY'S SHARES HELD BY THE COMPANY

Over the previous periods and the reporting period the Company has not purchased its own shares, has made no payments for its own shares, and it is not planning to purchase its own shares.

8. OTHER INFORMATION ON THE ISSUER

AUTHORISED CAPITAL STRUCTURE

The authorised capital field with the Register of Enterprises amounts to LTL10,180,884. The capital is divided into 10,180,884 ordinary registered shares, with the nominal value of LTL1 each. Those shares represent 100% of the authorised capital. There are no securities transfer restrictions.

SHAREHOLDERS

Shareholders whose participation in AB Kauno Tiekimas authorised capital and the number of votes held thereby exceed 5% as of 31-12-2008.

Shareholder	Company Register No	Seat address	No of shares		Participation in the authorised capital, %	
			Total	Under the property right	Total	Under the property right
UAB Ūkio Banko Investicinė Grupė	135201099	K.Donelaičio g.60, Kaunas	1015556	507783	9,98	4,99
UAB FMĮ Finbaltus	122020469	Konstitucijos pr.23-660, Vilnius	1015556	507783	9,98	4,99
AB Ūkio bankas	112020136	Maironio g.25, Kaunas	2000000	2000000	19,64	19,64
InCompleks LLC	CP00193203	101 South Spring Street, Suite 220 Little Rock, Arkanzasas 72201, JAV	993461	993461	9,76	9,76

UAB Energolinija	135201099	Palemono g. 171, Kaunas	1232000	1232000	12,1	12,1
UAB "ATTENUS"	135654594	K.Donelaičio g.60, Kaunas	2544858	2544858	24,99	24,99
UAB "Sinvita"	234396170	Pramonės pr.4, Kaunas	509000	509000	5,0	5,0

Group of related persons:

Company	Seat address of the company	Company code	No of shares and votes
UAB Ūkio Banko Investicinė Grupė	K.Donelaičio g.60, Kaunas	135201099	507593
UAB FMĮ Finbaltus	Konstitucijos pr.23-660, Vilnius	122020469	507593

Total number of shareholders as of 15-04-2008: 300.

13.1. There are no shareholders with special control rights.

13.2. There are no voting right restrictions.

13.3. No agreements concluded among the shareholders due to which the securities transfer and/or voting rights may be restricted are known to AB Kauno Tiekimas.

EMPLOYEES

The data on the numbers of employees by personnel groups on 31 December 2008 are provided in the Table below:

	2008			2007			2006		
	Number of employees	Change in the number of employees	Average salary/wages (LTL)	Number of employees	Change in the number of employees	Average salary/wages (LTL)	Number of employees	Change in the number of employees	Average salary/wages (LTL)
Management	3	-1	6 289	4	0	5 823	4	0	5 169
Specialists	24	+1	4 297	23	-5	4 160	28	-6	3 751
Workers	29	+1	1 752	28	+1	1 465	27	0	1 310
Total:	56	+1	x	55	-4	x	59	-6	x

Employee groups by educational background:
Management – 3 – university education;
Specialists – 20 – university education;
Specialists – 3 – college education;
Specialist -1 – secondary school education;
Workers – 3 – university education;
Workers – 2 – college education;
Workers – 8 – vocational college education;
Workers – 13 – secondary school education;
Workers - 3 – non-completed secondary school education.

In 2008 the staff numbers did not undergo significant changes as compared to 2007.

Procedure of making amendments to the Issuer's articles of association

Any amendments to the Articles of Association are made in the manner prescribed by the legislation of the Republic of Lithuania.

9. ISSUER'S MANAGING BODIES

The Supervisory Board is not formed.
In pursuance of the Articles of Association of AB Kauno Tiekimas and the Law on Companies of the Republic of Lithuania, the shareholders of the Company elect the Board, which is a collegiate management body of the Company. The activities of the Board are managed by the Chairman of the Board.
The activities of the Board are based on collegiate transaction of issues.
The activities of the Board are governed by the Law on Companies of the Republic of Lithuania, other legislation of the Republic of Lithuania, the Articles of Association of the Company, the resolutions of the General Meeting, and the rules of procedure of the Board.
The procedure of electing and removing form office the Board and its individual members is prescribed by the Law on Companies of the Republic of Lithuania and the Articles of Association of the Company. The Board and/or its individual members are elected and removed from office by the General Meeting of the Company.

INFORMATION ON THE ISSUER'S MANAGING BODIES

Board members:
Chairman Igor Gončaruk holds 65.994 shares or 0.65% of AB Kauno Tiekimas authorised capital. During the reporting period his salaries amounted to LTL80.486, including the bonus for 2007 in the amount of LTL7900.
Board member Irena Kebleriené has no shareholding in the Company. During the reporting period her salaries amounted to LTL76.677, including the bonus for 2007 in the amount of LTL7900.
Board member Nijolė Varanavičiené is not employed by the Company and has no shareholding in the Company. During the reporting period her bonus for 2007 amounted to LTL7900.
The office term of the Board members started on 25 April 2007; the office term will end in April 2011.

Administration:
Irena Kebleriené – General Director.
Igor Gončaruk – CEO.
Vaclovas Macijauskas – Director of AB Kauno Tiekimas branch , has no shareholding in the Company. During the reporting period his salaries amounted to LTL69.235,-.
Danutė Skučiené – Chief Financial Officer, has no shareholding in the Company. During the reporting period her salaries amounted to LTL53.268,-.
During the reporting period there was no other transferred to the persons or guaranteed issued thereto.

The report on the Company salary policy in 2008 is provided below:
Explanation of the fixed and variable portion ratio in the pay of the Company directors:
The salaries of AB Kauno Tiekimas employees, including the director, comprise of the fixed and variable portions. The fixed and the bonus portion of the salaries depend on the performance of the Company, the efficiency of the employee, performance of urgent and complicated tasks, disciplinary punishments, qualification, and other factors.

The salaries of AB Kauno Tiekimas Branch Directors are fixed and they are specified in the Employment Contract.
In 2007, the salaries of the Company employees listed in the Table below amounted to LTL265.100,- while in 2008 those amounted to LTL210.598,-.
Each member of the Board (there are 3 members) was paid a bonus for 2007 in the amount of LTL7.900 before tax each.
The Table below provides data on the salaries and bonuses of individual members of the management and a Board member in 2007 and 2008.

		Salary before tax, LTL		Bonuses for 2007
		2008	2007	
1	CEO Board member Igor Gončaruk	72.586,-	74.166,26	7900,-
2	General Director Board member Irena Kebleriené	68.777,-	69.478,42	7900,-
4	Kauno Tiekimas Branch Deputy Director Vaclovas Macijauskas	69.235,-	73.407,63	-
5	Board member Nijolė Varanavičienė	-	-	7900,-

It should be noted that the directors of the Company receive no other benefits, privileges, shares or non-pecuniary benefits.
Compensations to the resigned directors and management body members would be paid in the scope prescribed by the legislation of the Republic of Lithuania unless the Board of the Company decided otherwise.
There is no pension funding in the Company.
No significant changes in the salary policy of the Company are planned for 2

10. Material agreements

During the reporting year the Company entered into no material agreements to which the Issuer is a party, which would come into force, change or terminate upon any changes related to the Issuer's control.

AGREEMENTS BETWEEN THE ISSUER AND ITS BODIES OR EMPLOYEES

The Board passed a resolution which says that in the instance of termination of the employment relations with the Chief Executive Manager of the Company the latter shall be paid a redundancy pay in the amount of 12 average monthly earnings.

Transactions between related parties

Detailed information on the transactions with related legal persons is provided in the Explanatory notes to the financial statements. In 2008 the Company did not enter into transactions with related legal persons under unusual market conditions.

11. ANNOUNCEMENT ON THE COMPLIANCE WITH THE GOVERNANCE CODE APPROVED BY THE STOCK EXCHANGE

The securities of AB Kauno Tiekimas are listed in Lithuania. Therefore, with respect of the provisions of the Law on the Securities Market, **Schedule 8** provides information on the compliance with the governance code approved by the Stock Exchange. We believe that the provided information will help the investors and other users of the financial reporting provided by the Company to acquire all the required information on our Company.
The management bodies of the Company always make decisions to make the management and operation transparency understandable for the investors and to ensure advanced management of the Company.

12. INFORMATION ON THE COMPANY BRANCHES AND REPRESENTATIVE OFFICES

The Company has one branch. AB Kauno Tiekimas branch was registered on 8 November 2002. The code of the branch is 235944730. The branch is a structural unit of the Company which is not a separate legal person. The activities of the branch are regulated by its Statute. The Director shall organize the work of the branch, direct the economic activities of the branch, manage the property, issue orders, and approve/sign the documents. AB Kauno Tiekimas branch specialises in the sales of alumina and other aluminium chemistry industry products and it sells the products produced by Birač factory operating in Bosnia and Herzegovina.

13. MATERIAL EVENTS SINCE THE END OF THE FINANCIAL YEAR

On 8 January 2009 the Board of the Company passed a resolution on purchasing real property in Balkan region. On 4 February 2009 the Company was granted a licence for freight forwarding by railway within the Republic of Lithuania. Under a resolution of the Company Board, on 6 March 2009 a guarantee for the benefit of AB Šiaulių bankas was issued by partially pledging the shares held by the company.

14. COMPANY'S BUSINESS PLANS AND FORECASTS, INFORMATION ON THE RESEARCH AND DEVELOPMENT ACTIVITIES IN THE COMPANY

Under the circumstances of the global financial and economic recession it would be mostly reckless to forecast the future prospects of the Company business activities.
In 2009 the Board of the Company is going to make all possible efforts to stabilise the business activities of the Company during the financial and economic crisis.

15. USE OF FINANCIAL INSTRUMENTS

To develop its business, the Company needs additional working capital. In order to secure a sufficient level of the working capital, the Company is using credit resources. An agreement on credit line has been made with AB Ūkio Bankas.
The factoring agreement with AB Ūkio Bankas provided the Company with a possibility to get funds required for payments without pledging its assets. The factoring agreement reduced the risk of debts related to insolvency of the customers.

A significant portion of tradig performed by our company is made in USA dollars. In 2008 this currency suffered major exchange rate fluctuations. Since the estimated revenue from sales in September amounted to over four million dollars, the management decided to enter into a forward currency contract with the bank to protect against the risks of USA dollar exchange rate fluctuations. The estimated profit accounted for LTL247.2 thousand. However, despite various forecasts by Lithuanian and global economists, after the company signed the contract with the bank, the USA dollar exchange rate started growing and the company lost LTL835.8 thousand in pursuing the terms and conditions of the transaction. The said expenses were recognised as a loss for insuring the currency exchange risks and they were attributed to legal deductions with respect of profits tax.

16. DATA ON PUBLIC ANNOUNCEMENTS

18.11.2008 - 11:46 (VLN), lt
KTK: Interim information for the nine months ended 30-09-2008
18.11.2008 - 11:17 (VLN), lt
KTK: The results of activities for the III quarter and nine months period of 2008
08.09.2008 - 14:10 (VLN), lt
KTK: CORRECTION: Interim report of the first half-year of 2008
28.08.2008 - 10:57 (VLN), lt
KTK: Financial statements of first half year of 2008
12.08.2008 - 14:42 (VLN), lt
KTK: Interim results for the first half year of 2008
09.07.2008 - 09:42 (VLN), lt
KTK: NOTIFICATION OF A PERSON ON THE DISPOSAL OF A BLOCK OF SHARES
23.05.2008 - 10:30 (VLN), lt
KTK: Financial statements of first quarter of 2008
14.05.2008 - 13:23 (VLN), lt
KTK: Preliminary interim results for the first quarter of 2008
22.04.2008 - 14:58 (VLN), lt
KTK: Resolutions of the General Meeting
10.04.2008 - 15:41 (VLN), lt
KTK: CORRECTION: Draft resolutions of general meeting and annual information of the year 2007
10.04.2008 - 12:37 (VLN), lt
KTK: Draft resolutions of general meeting and annual information of the year 2007
17.03.2008 - 09:38 (VLN), lt
KTK: Notice of the General Meeting
28.02.2008 - 14:26 (VLN)
KTK: The results of activities for the IV quarter and financial year of 2007
29.01.2008 - 15:46 (VLN)
KTK: NOTIFICATION OF A PERSON/GROUP ON THE ACQUISITION/DISPOSAL OF A BLOCK OF SHARES*

the notifications on the material events were submitted to the Securities Commission, NASDAQ OMX Vilnius , the daily Lietuvos Rytas.
All the information on the financial activities of the Company and the announced material events is accessible on the public website of NASDAQ OMX Vilnius and issuer website: www.kaunotiekimas.lt

General Director Irena Keblerienė

AB KAUNO TIEKIMAS
HORIZONTAL ANALYSIS OF BALANCE SHEET INDICES

No	ITEMS	31-12-2006	31-12-2007	31-12-2008	Change (+, -) in 2006 compared to 2006 Lt	Change (+, -) in 2006 compared to 2006 %	Change (+, -) in 2007 compared to 2007 Lt	Change (+, -) in 2007 compared to 2007 %
1	2	3	4	5	6	7	8	9
A.	NON-CURRENT ASSETS	10 011 932	10 730 243	10 453 162	718 311	7,17	-277 081	-2,58
I.	Intangible assets	2 270	1 137	754	-1 133	-49,91	- 383	-33,69
II.	Tangible assets	1 649 203	2 703 135	2 416 316	1 053 932	63,91	-286 819	-10,61
III.	Financial assets	8 360 459	8 025 971	8 036 092	-334 488	-4,00	10 121	0,13
IV.	Other non-current assets	0	0	0	0	0	0	0
B.	CURRENT ASSETS	220 832 159	186 963 553	130 511 177	-33868 606	-15,34	-56452 376	-30,19
I.	Inventories, prepayments and contracts in progress	489 798	11 457 731	16 898 619	10 967 933	2239,28	5 440 888	47,49
I.1.	Inventories	467 567	11 290 247	1 685 286	10 822 680	2314,68	-9604 961	-85,07
I.2.	Prepayments	22 231	167 484	15 213 333	145 253	653,38	15 045 849	8983,45
I.3.	Contracts in progress	0	0	0	0	0	0	0
II.	Amounts receivable within one year	200 522 165	155 644 721	99 497 542	-44877 444	-22,38	-56147 179	-36,07
III.	Other current assets	19 123 360	19 551 425	14 051 497	428 065	2,24	-5499 928	-28,13
IV.	Cash and cash equivalents	696 836	309 676	63 519	-387 160	-55,56	-246 157	-79,49
	TOTAL ASSETS:	230 844 091	197 693 796	140 964 339	-33150 295	-14,36	-56729 457	-28,70
C.	EQUITY	16 445 918	16 823 550	11 350 904	377 632	2,30	-5472 646	-32,53
I.	Capital	10 180 884	10 180 884	10 180 884	0	0,00	0	0,00
II.	Revaluation reserve (results)	0	0	0	0	0	0	0
III.	Reserves	721 406	1 148 087	1 306 570	426 681	59,15	158 483	13,80
IV.	Retained earnings (losses)	5 543 628	5 494 579	- 136 550	-49 049	-0,88	-5631 129	-102,49
D.	GRANTS AND SUBSIDIES	0	0	0	0	0	0	0
E.	AMOUNTS PAYABLE AND LIABILITIES	214 398 173	180 870 246	129 613 435	-33527 927	-15,64	-51256 811	-28,34
I.	Amounts payable after one year and non-current liabilities	0	0	10 754 363	0	0	10 754 363	0
I.1.	Financial debts	0	0	10 754 363	0	0	10 754 363	0
I.2.	Trade amounts payable	0	0	0	0	0	0	0
I.3.	Amounts received in advance	0	0	0	0	0	0	0
I.4.	Provisions	0	0	0	0	0	0	0
I.5.	Deferred tax liabilities	0	0	0	0	0	0	0
I.6.	Other amounts payable and non-current liabilities	0	0	0	0	0	0	0
II.	Amounts payable within one year and current liabilities	214 398 173	180 870 246	118 859 072	-33527 927	-15,64	-62011 174	-34,28
II.1.	Current portion of non-current debts	0	0	1 330 436	0	0	1 330 436	0
II.2.	Financial debts	52 950 317	110 832 198	113 770 561	57 881 881	109,31	2 938 363	2,65
II.3.	Trade amounts payable	123 327 383	65 428 346	1 906 234	-57899 037	-46,95	-63522 112	-97,09
II.4.	Amounts received in advance	238 674	2 774 816	234 866	2 536 142	1062,60	-2539 950	-91,54

II.5.	Profit tax liabilities	44 897	0	0	-44 897	-100,00	0	0
II.6.	Liabilities related to labour relations	239 608	320 330	417 688	80 722	33,69	97 358	30,39
II.7.	Provisions	0	0	0	0	0	0	0
II.8.	Other amounts payable and current liabilities	37 597 294	1 514 556	1 199 287	-36082 738	-95,97	-315 269	-20,82
	TOTAL EQUITY AND LIABILITIES:	**230 844 091**	**197 693 796**	**140 964 339**	**-33150 295**	**-14,36**	**-56729 457**	**-28,70**

Schedule 2

AB KAUNO TIEKIMAS
VERTICAL ANALYSIS OF BALANCE SHEET INDICES

No	ITEMS	31-12-2006	31-12-2007	31-12-2008	Relative weight, % 31- 12-2006	31- 12-2007	3-1 12-2008
1	2	3	4	5	6	7	8
A.	NON-CURRENT ASSETS	10 011 932	10 730 243	10 453 162	4,34	5,43	7,42
I.	Intangible assets	2 270	1 137	754	0,00	0,00	0,00
II.	Tangible assets	1 649 203	2 703 135	2 416 316	0,71	1,37	1,71
III.	Financial assets	8 360 459	8 025 971	8 036 092	3,62	4,06	5,70
IV.	Other non-current assets	0	0	0	0,00	0,00	0,00
B.	CURRENT ASSETS	220 832 159	186 963 553	130 511 177	95,66	94,57	92,58
I.	Inventories, prepayments and contracts in progress	489 798	11 457 731	16 898 619	0,21	5,80	11,99
I.1.	Inventories	467 567	11 290 247	1 685 286	0,20	5,71	1,20
I.2.	Prepayments	22 231	167 484	15 213 333	0,01	0,08	10,79
I.3.	Contracts in progress	0	0	0	0,00	0,00	0,00
II.	Amounts receivable within one year	200 522 165	155 644 721	99 497 542	86,86	78,73	70,58
III.	Other current assets	19 123 360	19 551 425	14 051 497	8,28	9,89	9,97
IV.	Cash and cash equivalents	696 836	309 676	63 519	0,30	0,16	0,05
	TOTAL ASSETS:	230 844 091	197 693 796	140 964 339	100,00	100,00	100,00
		-	-	-	-	-	-
C.	EQUITY	16 445 918	16 823 550	11 350 904	7,12	8,51	8,05
I.	Capital	10 180 884	10 180 884	10 180 884	4,41	5,15	7,22
II.	Revaluation reserve (results)	0	0	0	0,00	0,00	0,00
III.	Reserves	721 406	1 148 087	1 306 570	0,31	0,58	0,93
IV.	Retained earnings (losses)	5 543 628	5 494 579	- 136 550	2,40	2,78	-0,10
D.	GRANTS AND SUBSIDIES	0	0	0	0,00	0,00	0,00
E.	AMOUNTS PAYABLE AND LIABILITIES	214 398 173	180 870 246	129 613 435	92,88	91,49	91,95
I.	Amounts payable after one year and non-current liabilities	0	0	10 754 363	0,00	0,00	7,63
I.1.	Financial debts	0	0	10 754 363	0,00	0,00	7,63
I.2.	Trade amounts payable	0	0	0	0,00	0,00	0,00
I.3.	Amounts received in advance	0	0	0	0,00	0,00	0,00
I.4.	Provisions	0	0	0	0,00	0,00	0,00
I.5.	Deferred tax liabilities	0	0	0	0,00	0,00	0,00
I.6.	Other amounts payable and non-current liabilities	0	0	0	0,00	0,00	0,00
II.	Amounts payable within one year and current liabilities	214 398 173	180 870 246	118 859 072	92,88	91,49	84,32
II.1.	Current portion of non-current debts	0	0	1 330 436	0,00	0,00	0,94
II.2.	Financial debts	52 950 317	110 832 198	113 770 561	22,94	56,06	80,71
II.3.	Trade amounts payable	123 327 383	65 428 346	1 906 234	53,42	33,10	1,35
II.4.	Amounts received in advance	238 674	2 774 816	234 866	0,10	1,40	0,17
II.5.	Profit tax liabilities	44 897	0	0	0,02	0,00	0,00
II.6.	Liabilities related to labour relations	239 608	320 330	417 688	0,10	0,16	0,30
II.7.	Provisions	0	0	0	0,00	0,00	0,00
II.8.	Other amounts payable and current liabilities	37 597 294	1 514 556	1 199 287	16,29	0,77	0,85
	TOTAL EQUITY AND LIABILITIES:	230 844 091	197 693 796	140 964 339	100,00	100,00	100,00

Schedule 3

AB KAUNO TIEKIMAS
ANALYSIS OF PROFIT AND LOSS ACCOUNT INDICES

No	**ITEMS**	*31-12-2006*	*31-12-2007*	*31-12 2008*	*Change (+, -) in 2007 compared with 2006*		*Change (+, -) in 2008 compared with 2007*	
					Lt	*%*	*Lt*	*%*
1	2	*3*	*4*	*5*	*6*	*7*	*8*	*9*
I.	SALES REVENUE	647 990 246	417 380 639	428 151 862	-230 609 607	-35,59	10 771 223	2,58
II.	COST OF SALES	598 732 417	366 874 458	396 826 774	-231 857 959	-38,72	29 952 316	8,16
III.	**GROSS PROFIT (LOSS)**	**49 257 829**	**50 506 181**	**31 325 088**	**1 248 352**	**2,53**	**-19 181 093**	**-37,98**
IV.	OPERATING EXPENSES	66 243 594	47 793 986	23 835 897	-18 449 608	-27,85	-23 958 089	-50,13
V.	**OPERATING PROFIT (LOSS)**	**-16 985 765**	**2 712 195**	**7 489 191**	**19 697 960**	**-115,97**	**4 776 996**	**176,13**
VI.	OTHER ACTIVITIES	399 270	200 206	65 827	- 199 064	-49,86	- 134 379	-67,12
VII.	FINANCIAL AND INVESTING ACTIVITIES	17 330 338	-2 349 565	-13 002 546	-19 679 903	-113,56	-10 652 981	453,40
VII.1	*Revenue*	23 854 690	6 894 475	2 135 640	-16 960 215	-71,10	-4 758 835	-69,02
VII.2	*Expenses*	6 524 352	9 244 040	15 138 186	2 719 688	41,69	5 894 146	63,76
VIII.	**PROFIT (LOSS) FROM NORMAL ACTIVITIES**	**743 843**	**562 836**	**-5 447 528**	**- 181 007**	**-24,33**	**-6 010 364**	**-1067,87**
IX.	GAIN	0	0	0	0	0	0	0
X.	LOSSES	0	0	0	0	0	0	0
XI.	**PROFIT (LOSS) BEFORE TAX**	**743 843**	**562 836**	**-5 447 528**	**- 181 007**	**-24,33**	**-6 010 364**	**-1067,87**
XII.	PROFIT TAX	271 777	185 204	25 118	- 86 573	-31,85	- 160 086	-86,44
XIII.	**NET PROFIT (LOSS)**	**472 066**	**377 632**	**-5 472 646**	**- 94 434**	**-20,00**	**-5 850 278**	**-1549,20**

Schedule 4

AB KAUNO TIEKIMAS
SUMMARY OF LIQUIDITY RATIO CALCULATIONS

Index	Balance Sheet item line No	Index numeral value			Notes
		2006	2007	2008	
3	4	5	6	7	8
Current assets	B	220 832 159	186 963 553	130 511 177	
Amounts payable within one year and current liabilities	E.II.	214 398 173	180 870 246	118 859 072	
Inventory	B.I.1.	467 567	11 290 247	1 685 286	
Cash and cash equivalents	B.IV .	696 836	309 676	63 519	

Index	Index calculation	Index value			Index economic value
		2006	2007	2008	
3	4	5	6	7	8
Current ratio	1 : 2	1,03 Unsatisfactory	1,03 Unsatisfactory	1,10 Unsatisfactory	The current ratio measures the extent to which current assets are available to meet current liabilities. Where the index value is lower than one, it shows that the business is not able to meet its current liabilities. If the current ratio significantly increases, whereas the quick ratio remains almost the same, it evidences that the inventory has increased.
Acid test (Quick) ratio	(1 - 3) :2	1,03 Satisfactory	0,97 Unsatisfactory	1,08 Unsatisfactory	The quick ratio gives a more realistic picture of the business liquidity since it assumes that the inventory is not liquid. If the current assets exceed the current liabilities, then that company is considered to have good liquidity ratio. In general the quick ratio should equal to at least 1, however a specific ratio is established with respect of specific business sector.
Net working capital	1 - 2	6 433 986 The higher the better	6 093 307 The higher the better	11 652 105 The higher the better	The net working capital of a business is its current assets less its current liabilities. The value of this index should be positive. A negative value of the net working capital indicates that the business is not able to meet its current liabilities. The higher the net working capital, the higher is the liquidity level of the business. The net working capital serves as the liquid reserve available to satisfy contingencies and uncertainties. A high working capital balance is mandated if the entity is unable to borrow on short notice.

Schedule 5

AB KAUNO TIEKIMAS

SUMMARY OF PROFITABILITY RATIO CALCULATIONS

No	Index	Balance Sheet item line No	Profit and Loss Account line No	Index numeral value			Notes
				2006	**2007**	**2008**	
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**
1	Net profit (losses)	-	XIII.	472 066	377 632	-5 472 646	
2	Sales revenue	-	I.	647 990 246	417 380 639	428 151 862	
3	Average assets			356 458 705	214 268 944	169 329 068	
4	Average equity			16 209 885	16 634 734	14 087 227	
5	Gross profit (losses)	-	III.	49 257 829	50 506 181	31 325 088	

No	Index code K	Index	Index calculation	Index value			Index economic value
				2006	**2007**	**2008**	
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**
6	K5	Net profit margin	(1 : 2)*100 %	0% Unsatisfactory	0% Unsatisfactory	Unvalued	Net profit margin shows the percentage of net profit from one litas of sales. i.e.it indicates how effective the company is. The higher the net profit margin is, the more profitable the company.
7	K6	Gross profit margin	(5 : 2)*100 %	8% Satisfactory	12% Satisfactory	7% Satisfactory	Gross profit margin shows the ability of the company to earn profit from its main activities. The higher is the profit margin ratio, the more efficient the company is.
8	K7	Return on average assets, ROA	(1 : 3)*100 %	0%	0%	Unvalued	Return on assets shows how much profit the company generated for each litas of assets. It reflects the efficiency of use of all company's asset. The higher the value of the index, the more efficiently the assets are used.
9	K8	(Return on average equity, ROE	(1 : 4)*100 %	3%	2%	Unvalued	Return on equity shows how much profit the company generated for each litas of equity. This index is very important for the shareholders to assess the profitability of the company.

Schedule 6

AB „KAUNO TIEKIMAS“

SUMMARY OF FINANCIAL LEVERAGE RATIO CALCULATIONS

No	Index	Index	Balance Sheet item line No	Index numeral value			Notes
				2006	**2007**	**2008**	
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**
1	-	Equity	C.	16 445 918	16 823 550	11 350 904	
2	-	Amounts payable and liabilities	E.	214 398 173	180 870 246	129 613 435	
3	-	Amounts payable after one year and non-current liabilities	E.I.	0	0	10 754 363	
4	-	Total assets	Total assets	230 844 091	197 693 796	140 964 339	

No	Index	Index	Calculation	Index value			Index economic value
				2006	**2007**	**2008**	
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**
5	K9	Total debt ratio	2 : 4	0,93 Unsatisfactory	0,91 Unsatisfactory	0,92 Unsatisfactory	The total debt ratio shows how much the company relies on debt to finance assets. It is important for creditors as it shows how much their funds are protected against risks. The lower the index is, the lower their protection level.
6	K10	Debt-equity ratio	2 : 1	13,04 Bad	10,75 Bad	11,42 Bad	The debt to equity ratio shows the debt of the company per one litas of equity. When the performance of a company is analyzed, a high ratio may indicate higher risks since the company may face problems in repaying interests and debts and getting sufficient funds for further financing. The acceptable debt to equity ratio depends on a large number of factors, including the peculiarities of the sector, the ability of the company to get a loan, and the consistency of income.
7	K11	Long term debt ratio	3 : (3+1)	0,00	0,00	0,49	The long-term debt ratio is used as an alternative for the total debt ratio since quite a large number of economists tend to believe that this index reflects the financial structure in a better way. Where the short-term and long-term debts reflect a large percentage of the total assets, the debt and debt to equity ratios can be very high while the long-term financial structure can fail to be reflected.

Schedule 7

AB „KAUNO TIEKIMAS“
SUMMARY OF ASSETS TURNOVER RATIO CALCULATIONS

No	Index code	Index	Balance Sheet item line No	Index numeral value	Index numeral value 2006	2007	2008	Notes
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	
1	-	Sales revenue	-	I.	647 990 246	417 380 639	428 151 862	
2	-	Cost of goods sold	-	II.	598 732 417	366 874 458	396 826 774	
3	-	Average accounts receivables within one year			340 248 820	197 634 210	149 864 659	
4	-	Average net working capital			1 590 934	6 263 647	8 872 706	
5	-	Non-current assets	A		10 011 932	10 730 243	10 453 162	
6	-	Average annual inventories			2 054 255	5 878 907	6 487 767	
7	-	Total assets	Total assets	-	230 844 091	197 693 796	140 964 339	

No	Index code	Index	Index calculation	Index value 2006	2007	2008	Index economic value
1	**2**	**3**	**4**	**5**	**6**	**7**	
8	K12	Inventory turnover	2 : 6	291,46	62,41	61,17	The inventory turnover rate measures the number of times the company turns their inventory during the year. It shows the possibilities of selling inventory and the efficiency of inventory management.
9	K13	Accounts receivables turnover (number of times)	1 : 3	1,90	2,11	2,86	The receivables turnover shows the number of times accounts receivable are paid and re-established during the year. It also shows how quickly the company collects its accounts receivables. The higher the turnover, the more efficient the business is. However a high ratio can indicate that the credit exte policy is too strict and the company fails to use all the profitability potential by limiting the credits for goods and services sold to risky customers.
10	K14	Net working capital turnover	1 : 4	**407,30**	**66,64**	**48,25**	**The net working capital turnover measures the number of times the working capital turns over annually. A low or declining rate may mean approaching shortage in working capital.**
11	K15	Long term asset turnover	1 : 5	**64,72** Very good	**38,90** Very good	**40,96** Very good	**Long-term asset turnover shows how much revenue is generated by one litas of assets. The higher the ratio, the higher the efficienc level of the company is.**
12	K16	Total asset turnover	1 : 7	**2,81** Unsatisfactory	**2,11** Unsatisfactory	**3,04** Good	**Total assets turnover shows how much revenue is generated by one litas of long-term assets. The higher the ratio, the higher the efficiency level of the company is.**

Schedule 8

AB Kauno Tiekimas statement on compliance with the corporate governance code for the companies listed on the NASDAQ OMX Vilnius stock exchange

In pursuance of Part 3 Article 21 of the Law on Securities of the Republic of Lithuania and item 23.5 of the Trading Rules of the NASDAQ OMX Vilnius , AB Kauno Tiekimas hereby 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
Principle I: Basic Provisions **The overriding objective of a company should be to operate in common interests of all the shareholders by optimizing over time shareholder value.**		
1.1. A company should adopt and make public the company's development strategy and objectives by clearly declaring how the company intends to meet the interests of its shareholders and optimize shareholder value.	Yes	The Company's development strategy and objectives are disclosed in the annual Prospectus-Report and published on the website of the Securities Commission of the Republic of Lithuania, the information base of the NASDAQ OMX Vilnius Central storage facility (CNS), and on the Internet website www.kaunotiekimas.lt
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	In pursuance of the provisions of the Articles of Association, the bodies of the Company are acting in furtherance of the declared strategic objectives in view of the need to increase the shareholders' equity.
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	In the Company, this recommendation is implemented by the Board and the Head of the Company, who is a Board Member. The Chairman of the Board is responsible for convening the meetings in a proper manner, informing all the members of the convened meeting, and for the agenda of the meeting. The Board Meetings are convened at least once monthly or, if required, more frequently. The Board Members are informed of the convened meeting and its agenda in advance, which ensures that the decisions are properly made in the interest of the Company and its shareholders.
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	The Company management system ensures that the rights and interests of all the persons participating in the Company activities (employees, creditors, suppliers, and customers) are duly respected. When making decisions important to the Company, representatives of the Company employees are invited to participate at the Board Meetings. Some of the employees are shareholders of the Company. Relations with the creditors, suppliers, and customers are governed by contractual obligations that are fully observed. Support to the local community is provided in the fields of sports, art, and education.

Principle II: The corporate governance framework **The corporate governance framework should ensure the strategic guidance of the company, the effective oversight of the company's management bodies, an appropriate balance and distribution of functions between the company's bodies, protection of the shareholders' interests.**		
2.1. Besides obligatory bodies provided for in the Law on Companies of the Republic of Lithuania – a general shareholders' meeting and the chief executive officer, it is recommended that a company should set up both a collegial supervisory body and a collegial management body. The setting up of collegial bodies for supervision and management facilitates clear separation of management and supervisory functions in the company, accountability and control on the part of the chief executive officer, which, in its turn, facilitate a more efficient and transparent management process.	No	Currently a supervisory board is not set up in the Company. In their performance, the Head of the Company observes the laws, other legislation, the Articles of Association of the Company, the resolutions and decisions of the General Meeting and the Board, and the work regulations. The Head of the Company reports to the Board and the Board controls their performance.
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 Board of the Company is responsible for the strategic management of the Company and performs other key functions of corporate governance.
2.3. Where a company chooses to form only one collegial body, it is recommended that it should be a supervisory body, i.e. the supervisory board. In such a case, the supervisory board is responsible for the effective monitoring of the functions performed by the company's chief executive officer.	No	The Company has formed only one collegial body, i.e. the Board.
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.	Yes	The Company has one collegial body, i.e. the Board, which is responsible for the supervision of the Head of the Company. Principles III and IV apply to the Board as long as that does not contradict the essence and purpose of this body.
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 comprises of 3 members. This number was decided by the General Meeting. The number of the Board Members satisfies the present scope and the main fields of the Company activities.
2.6. Non-executive directors or members of the supervisory board should be appointed for specified terms subject to individual re-election, at maximum intervals provided for in the Lithuanian legislation with a view to ensuring necessary development of professional experience and sufficiently frequent reconfirmation of their status. A possibility to remove them should also be stipulated however this procedure should not be easier than the removal procedure for an executive director or a member of the management board.	No	Currently the supervisory board is not formed in the company.
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	Yes	The Chairman of the Board does not serve as the Head of the Company and has never occupied this position.

to conduct independent and impartial supervision. Where a company should decide not to set up a supervisory board but rather the board, it is recommended that the chairman of the board and chief executive officer of the company should be a different person. Former company's chief executive officer should not be immediately nominated as the chairman of the collegial body elected by the general shareholders' meeting. When a company chooses to departure from these recommendations, it should furnish information on the measures it has taken to ensure impartiality of the supervision.		
Principle III: The order of the formation of a collegial body to be elected by a general shareholders' meeting **The order of the formation a collegial body to be elected by a general shareholders' meeting should ensure representation of minority shareholders, accountability of this body to the shareholders and objective monitoring of the company's operation and its management bodies.**		
3.1. 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	From time to time, the Board of the Company checks the qualification of the Head of the Company related to the discharge of their direct functions. Information on the Head of the Company is disclosed in annual Prospectus-Report.
3.2. Names and surnames of the candidates to become members of a collegial body, information about their education, qualification, professional background, positions taken and potential conflicts of interest should be disclosed early enough before the general shareholders' meeting so that the shareholders would have sufficient time to make an informed voting decision. All factors affecting the candidate's independence, the sample list of which is set out in Recommendation 3.7, should be also disclosed. The collegial body should also be informed on any subsequent changes in the provided information. The collegial body should, on yearly basis, collect data provided in this item on its members and disclose this in the company's annual report.	Yes	At least 10 days before the General Meeting 2007 the shareholders were revealed all the information on the candidates to become members of the Board.
3.3. Should a person be nominated for members of a collegial body, such nomination should be followed by the disclosure of information on candidate's particular competences relevant to his/her service on the collegial body. In order shareholders and investors are able to ascertain whether member's competence is further relevant, the collegial body should, in its annual report, disclose the information on its composition and particular competences of individual members which are relevant to their service on the collegial body.	Yes	Each person nominated for members of a collegial body provide the Board of the Company with information on the candidate's particular competences, education, and refresher courses taken thereby. Every year, information on the Board composition has been disclosed in the Annual Reports. This code recommendation is also observed in the Annual Report for 2008.
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	Yes	The Company Board members have the required diversity of knowledge, judgment and experience to complete their tasks properly. Since 01-01-2008 an Audit Committee comprising of 2 members has been formed in the Company. One of the members is an independent auditor, who has 5-year work experience in the field of accounting.

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.		
3.5. All new members of the collegial body should be offered a tailored program focused on introducing a member with his/her duties, corporate organization and activities. The collegial body should conduct an annual review to identify fields where its members need to update their skills and knowledge.	Yes	With respect of the Company structure and the nature of its activities, the Board Members, as a whole, have the required diversity of knowledge, judgment and experience to complete their tasks properly. They participate at seminars and take courses where they get information on material changes in legislation governing the activities of the Company that may influence the performance of the Company.
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	On 12-09-2008 the Company assessed and disclosed information pertaining to all members of the collegial body and connected persons, and submitted the same to the Securities Commission and NASDAQ OMV Vilnius . The Board does not comprise independent or unconnected members prescribed by the Code.
3.7. A member of the collegial body should be considered to be independent only if he is free of any business, family or other relationship with the company, its controlling shareholder or the management of either, that creates a conflict of interest such as to impair his judgment. Since all cases when member of the collegial body is likely to become dependant are impossible to list, moreover, relationships and circumstances associated with the determination of independence may vary amongst companies and the best practices of solving this problem are yet to evolve in the course of time, assessment of independence of a member of the collegial body should be based on the contents of the relationship and circumstances rather than their form. The key criteria for identifying whether a member of the collegial body can be considered to be independent are the following: 1) He/she is not an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) of the company or any associated company and has not been such during the last five years; 2) He/she is not an employee of the company or some any company and has not been such during the last three years, except for cases when a member of the collegial body does not belong to the senior management and was elected to the collegial body as a representative of the employees; 3) He/she is not receiving or has been not receiving significant additional remuneration from the company or associated company other than remuneration for the office in the collegial body. Such additional remuneration includes participation in share options or some other performance based pay systems; it does not include compensation	No	See commentary in 3.6. above.

payments for the previous office in the company (provided that such payment is no way related with later position) as per pension plans (inclusive of deferred compensations); 4) He/she is not a controlling shareholder or representative of such shareholder (control as defined in the Council Directive 83/349/EEC Article 1 Part 1); 5) He/she does not have and did not have any material business relations with the company or associated company within the past year directly or as a partner, shareholder, director or superior employee of the subject having such relationship. A subject is considered to have business relations when it is a major supplier or service provider (inclusive of financial, legal, counseling and consulting services), major client or organization receiving significant payments from the company or its group; 6) He/she is not and has not been, during the last three years, partner or employee of the current or former external audit company of the company or associated company; 7) He/she is not an executive director or member of the board in some other company where executive director of the company or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) is non-executive director or member of the supervisory board, he/she may not also have any other material relationships with executive directors of the company that arise from their participation in activities of other companies or bodies; 8) He/she has not been in the position of a member of the collegial body for over than 12 years; 9) He/she is not a close relative to an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) or to any person listed in above items 1 to 8. Close relative is considered to be a spouse (common-law spouse), children and parents.		

3.8. The determination of what constitutes independence is fundamentally an issue for the collegial body itself to determine. The collegial body may decide that, despite a particular member meets all the criteria of independence laid down in this Code, he cannot be considered independent due to special personal or company-related circumstances.	Yes	Despite a particular member meeting all the criteria of independence laid down in the Code, the Company Board may consider the member not to be independent due to special personal or company-related circumstances.
3.9. Necessary information on conclusions the collegial body has come to in its determination of whether a particular member of the body should be considered to be independent should be disclosed. When a person is nominated to become a member of the collegial body, the company should disclose whether it considers the person to be independent. When a particular member of the collegial body does not meet one or more criteria of independence set out in this Code, the company should disclose its reasons for nevertheless considering the member to be independent. In addition, the company should annually disclose which members of the collegial body it considers to be independent.	No	See commentary in 3.6. above.
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	The Company Board does not comprise independent members. On 12-09-2008 the Company assessed and disclosed information pertaining to all members of the collegial body and connected persons, and submitted the same to the Securities Commission and NASDAQ OMX Vilnius .
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.	N/A	The Board Members are not remunerated from the Company's funds.
Principle IV: The duties and liabilities of a collegial body elected by the general shareholders' meeting **The corporate governance framework should ensure proper and effective functioning of the collegial body elected by the general shareholders' meeting, and the powers granted to the collegial body should ensure effective monitoring of the company's management bodies and protection of interests of all the company's shareholders.**		
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	The Board of the Company issues recommendations to the General Meeting on the annual financial statements, draft distribution of profit, performance of the Head of the Company, and ensures the integrity and transparency of the Company's financial statements and the control system.
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	Yes	The Company Board Members act bona fide, with care and responsibility for the benefit and in the interests of the Company and its shareholders and with due regard to the interests of employees and public welfare. The Company Board Members act in good faith in the best interest of the Company rather than in their own interests or those of third persons. They prudently make all the decisions, consult experts, lawyers, and relevant employees on the validity, legitimacy, and expedience

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).		of taken actions.
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.	Yes	The Board Members are properly performing the functions assigned thereto and take active participation in all the meetings. Absence from the meeting is only allowed if the Board Member is taken ill.
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 management system ensures that all the shareholders' rights are protected, irrespective of the number of shares held thereby or of the fact whether a shareholder is a citizen of the Republic of Lithuania or a foreign entity. The Board Members treat all the shareholders impartially and fairly in pursuance of the Law on Companies of the Republic of Lithuania and the provisions of the Board regulations.
4.5. It is recommended that transactions (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions), concluded between the company and its shareholders, members of the supervisory or managing bodies or other natural or legal persons that exert or may exert influence on the company's management should be subject to approval of the collegial body. The decision concerning approval of such transactions should be deemed adopted only provided the majority of the independent members of the collegial body voted for such a decision.	Yes	All transactions (except insignificant ones due to their low value or concluded when carrying out routine operations in the Company under usual conditions), which are concluded between the Company and its shareholders or other natural or legal persons that exert or may exert influence on the Company's management are approved by the Board. The decision is adopted by a majority vote of the Board Members. This procedure is prescribed by the Board work regulations.
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	Yes	In view of the provisions of Par 3.7. of the Code, the Company Board Members may not be considered independent. The Board is independent in passing decisions that are significant for the Company's operations and strategy. The Board is independent of the Head of the Company. The Board is provided with sufficient resources to discharge their duties.

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.		
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	Issues of nomination of the Company Director and determination of the Director's remuneration are addressed by the Company Board. The audit of the Company is performed by an independent auditor elected at the General Meeting. In view of the structure, size, and activities of the Company, the committees prescribed in Par 4.7. of the Code have not been formed. In pursuance of Resolution No 1K-18 of the Securities Commission of the Republic of Lithuania dated 21 August 2008 an Audit Committee was formed in the Company. The shareholders and Board members of the Company think that the aforesaid committees are not necessary in small and medium enterprises.
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	No	In view of the structure, size, and activities of the Company, the collegiate body committees have not been formed. The Company Board remains fully responsible for the decisions taken in the field of its competence.

competence.		
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 Company Board consists of three members, who may not be considered independent in pursuance of the provisions of Par. 3.7. of the Code. The audit is performed by an independent auditor. Nomination and remuneration committees are presently not formed in the Company. The shareholders and Board members of the Company think that the said committees are not necessary.
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 prescribed by the Code are not formed in the Company, with the exception of the Audit Committee.
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 prescribed by the Code are not formed in the Company, with the exception of the Audit Committee.
4.12. Nomination Committee. 4.12.1. Key functions of the nomination committee should be the following: • Identify and recommend, for the approval of the collegial body, candidates to fill board vacancies. The nomination committee should evaluate the balance of skills, knowledge and experience on the management body, prepare a description of the roles and capabilities required to assume a particular office, and assess the time commitment expected. Nomination committee can also consider candidates to members of the collegial body delegated by the	No	The nomination committee is not formed in the Company.

shareholders of the company; • Assess on regular basis the structure, size, composition and performance of the supervisory and management bodies, and make recommendations to the collegial body regarding the means of achieving necessary changes; • Assess on regular basis the skills, knowledge and experience of individual directors and report on this to the collegial body; • Properly consider issues related to succession planning; • Review the policy of the management bodies for selection and appointment of senior management. 4.12.2. Nomination committee should consider proposals by other parties, including management and shareholders. When dealing with issues related to executive directors or members of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) and senior management, chief executive officer of the company should be consulted by, and entitled to submit proposals to the nomination committee.		
4.13. Remuneration Committee. 4.13.1. Key functions of the remuneration committee should be the following: • Make proposals, for the approval of the collegial body, on the remuneration policy for members of management bodies and executive directors. Such policy should address all forms of compensation, including the fixed remuneration, performance-based remuneration schemes, pension arrangements, and termination payments. Proposals considering performance-based remuneration schemes should be accompanied with recommendations on the related objectives and evaluation criteria, with a view to properly aligning the pay of executive director and members of the management bodies with the long-term interests of the shareholders and the objectives set by the collegial body; • Make proposals to the collegial body on the individual remuneration for executive directors and member of management bodies in order their remunerations are consistent with company's remuneration policy and the evaluation of the performance of these persons concerned. In doing so, the committee should be properly informed on the total compensation obtained by executive directors and members of the management bodies from the affiliated companies; • Make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies; • Assist the collegial body in overseeing how the company complies with applicable provisions regarding the remuneration-related information disclosure (in particular the remuneration policy applied and individual remuneration of directors); • Make general recommendations to the executive directors and members of the management bodies on the level and structure of remuneration for senior management (as defined by the collegial body) with regard to the respective information provided by the executive directors and members of the management bodies. 4.13.2. With respect to stock options and other share-based incentives which may be granted to directors	No	The remuneration committee is not formed in the Company.

or other employees, the committee should: • Consider general policy regarding the granting of the above mentioned schemes, in particular stock options, and make any related proposals to the collegial body; • Examine the related information that is given in the company's annual report and documents intended for the use during the shareholders meeting; • Make proposals to the collegial body regarding the choice between granting options to subscribe shares or granting options to purchase shares, specifying the reasons for its choice as well as the consequences that this choice has. 4.13.3. Upon resolution of the issues attributable to the competence of the remuneration committee, the committee should at least address the chairman of the collegial body and/or chief executive officer of the company for their opinion on the remuneration of other executive directors or members of the management bodies.		
4.14. Audit Committee. 4.14.1. Key functions of the audit committee should be the following: • Observe the integrity of the financial information provided by the company, in particular by reviewing the relevance and consistency of the accounting methods used by the company and its group (including the criteria for the consolidation of the accounts of companies in the group); • At least once a year review the systems of internal control and risk management to ensure that the key risks (inclusive of the risks in relation with compliance with existing laws and regulations) are properly identified, managed and reflected in the information provided; • Ensure the efficiency of the internal audit function, among other things, by making recommendations on the selection, appointment, reappointment and removal of the head of the internal audit department and on the budget of the department, and by monitoring the responsiveness of the management to its findings and recommendations. Should there be no internal audit authority in the company, the need for one should be reviewed at least annually; • Make recommendations to the collegial body related with selection, appointment, reappointment and removal of the external auditor (to be done by the general shareholders' meeting) and with the terms and conditions of his engagement. The committee should investigate situations that lead to a resignation of the audit company or auditor and make recommendations on required actions in such situations; • Monitor independence and impartiality of the external auditor, in particular by reviewing the audit company's compliance with applicable guidance relating to the rotation of audit partners, the level of fees paid by the company, and similar issues. In order to prevent occurrence of material conflicts of interest, the committee, based on the auditor's disclosed inter alia data on all remunerations paid by the company to the auditor and network, should at all times monitor nature and extent of the non-audit services. Having regard to the principals and guidelines established in the 16 May 2002 Commission Recommendation 2002/590/EC, the committee should determine and apply a formal	Yes	The Audit Committee is formed in the Company. The regulations for Audit Committee activities were approved under Minutes No 13 of the Board Meeting dated 23-09-2008.

policy establishing types of non-audit services that are (a) excluded, (b) permissible only after review by the committee, and (c) permissible without referral to the committee; • Review efficiency of the external audit process and responsiveness of management to recommendations made in the external auditor's management letter. 4.14.2. All members of the committee should be furnished with complete information on particulars of accounting, financial and other operations of the company. Company's management should inform the audit committee of the methods used to account for significant and unusual transactions where the accounting treatment may be open to different approaches. In such case a special consideration should be given to company's operations in offshore centers and/or activities carried out through special purpose vehicles (organizations) and justification of such operations. 4.14.3. The audit committee should decide whether participation of the chairman of the collegial body, chief executive officer of the company, chief financial officer (or superior employees in charge of finances, treasury and accounting), or internal and external auditors in the meetings of the committee is required (if required, when). The committee should be entitled, when needed, to meet with any relevant person without executive directors and members of the management bodies present. 4.14.4. Internal and external auditors should be secured with not only effective working relationship with management, but also with free access to the collegial body. For this purpose the audit committee should act as the principal contact person for the internal and external auditors. 4.14.5. The audit committee should be informed of the internal auditor's work program, and should be furnished with internal audit's reports or periodic summaries. The audit committee should also be informed of the work program of the external auditor and should be furnished with report disclosing all relationships between the independent auditor and the company and its group. The committee should be timely furnished information on all issues arising from the audit. 4.14.6. The audit committee should examine whether the company is following applicable provisions regarding the possibility for employees to report alleged significant irregularities in the company, by way of complaints or through anonymous submissions (normally to an independent member of the collegial body), and should ensure that there is a procedure established for proportionate and independent investigation of these issues and for appropriate follow-up action. 4.14.7. The audit committee should report on its activities to the collegial body at least once in every six months, at the time the yearly and half-yearly statements are approved.		
4.15. Every year the collegial body should conduct the assessment of its activities. The assessment should include evaluation of collegial body's	Yes	Before the General Meeting 2008, the Board conducted assessment of their activities. The approval of the annual financial accounting of the Company by the

structure, work organization and ability to act as a group, evaluation of each of the collegial body member's and committee's competence and work efficiency and assessment whether the collegial body has achieved its objectives. The collegial body should, at least once a year, make public (as part of the information the company annually discloses on its management structures and practices) respective information on its internal organization and working procedures, and specify what material changes were made as a result of the assessment of the collegial body of its own activities.		General Meeting represents a material appreciation of the collegial body's work. The Board will conduct assessment of their activities before the General Meeting 2009.
Principle V: The working procedure of the company's collegial bodies **The working procedure of supervisory and management bodies established in the company should ensure efficient operation of these bodies and decision-making and encourage active co-operation between the company's bodies.**		
5.1. The company's supervisory and management bodies (hereinafter in this Principle the concept 'collegial bodies' covers both the collegial bodies of supervision and the collegial bodies of management) should be chaired by chairpersons of these bodies. The chairperson of a collegial body is responsible for proper convocation of the collegial body meetings. The chairperson should ensure that information about the meeting being convened and its agenda are communicated to all members of the body. The chairperson of a collegial body should ensure appropriate conducting of the meetings of the collegial body. The chairperson should ensure order and working atmosphere during the meeting.	Yes	The Company Board is chaired by the Chairperson. One of the key and major responsibilities of the Chairperson is the proper convocation of the Board Meetings. The Chairperson ensures that information on the meeting being convened and its agenda are communicated to all the Board Members. The Chairperson ensures appropriate conducting of the Board Meetings. Usually the Chairperson chairs the Board Meeting. The Chairperson is entitled to require the Head of the Company to provide all information on economic and financial activities of the Company, which is necessary to organise the Board work and to make decisions.
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 Board work regulations prescribe the meetings to be convened at least once monthly or, if required, more frequently, i.e. at such intervals, which would guarantee a continuous resolution of the essential corporate governance issues.
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	Yes	The Board work regulations prescribe the meetings to be convened at least once monthly or, if required, more frequently, i.e. at such intervals, which would guarantee a continuous resolution of the essential corporate governance issues.

immediate resolution.		
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 supervisory board is not formed in the Company. The Head of the Company attends the Board Meetings because the Head of the Company is a Board Member. The Head of the Company presents the annual financial statements, the draft distribution of profit, the Annual Report of the Company, and other documents relative to the activities of the Company for the Board approval. The Board is entitled to require that certain decisions of the Head of the Company, which are in conflict with the law, the Articles of Association of the Company or the resolutions of the General Meeting, are cancelled.
Principle VI: The equitable treatment of shareholders and shareholder rights **The corporate governance framework should ensure the equitable treatment of all shareholders, including minority and foreign shareholders. The corporate governance framework should protect the rights of the shareholders.**		
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 which grant equal rights to all their holders in pursuance of the Law on Companies of the Republic of Lithuania.
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 investors are informed of newly issued shares in the manner prescribed by the law of the Republic of Lithuania, i.e. through the information systems of the Securities Commission and NASDAQ OMX Vilnius . All the issue terms and conditions are contained in the Share Subscription Agreements.
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 familiarize with and participate in the decision-making process when significant corporate issues, including approval of transactions referred to above, are discussed.	Yes	Since 2004 when the amendments to the Law on Companies and the Articles of Association of the company came into effect, transactions that are important to the Company and its shareholders, such as transfer, investment, pledge, rent, and acquisition of the Company's assets, are approved under the Board decision. The competencies of the General Meeting and the Board prescribed by the Articles of Association are concurrent with the provisions of the Law on Companies of the Republic of Lithuania.
6.4. Procedures of convening and conducting a general shareholders' meeting should ensure equal opportunities for the shareholders to effectively participate at the meetings and should not prejudice the rights and interests of the shareholders. The venue, date, and time of the shareholders' meeting should not hinder wide attendance of the shareholders. Prior to the shareholders' meeting, the company's supervisory and management bodies should enable the shareholders to lodge questions on issues on the agenda of the general shareholders' meeting and receive answers to them.	Yes	The General Meeting is convened in strict pursuance of the procedure prescribed by the Law on Companies of the Republic of Lithuania. The procedures related to the General Meeting prescribed by the Articles of Association are concurrent with the provisions of the Law on Companies of the Republic of Lithuania. In pursuance of the provisions and deadlines prescribed by the Law on Companies, prior to the General Meeting all the shareholders are provided equal opportunities to get information on the convened Meeting and its agenda.
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	Yes	In pursuance of the general procedure prescribed in the Law on Companies of the Republic of Lithuania, the shareholders are publicly informed on the convening of the General Meeting and at least 10 days before the Meeting they are provided a possibility to access the draft resolutions which are published on the NASDAQ OMX Vilnius website in Lithuanian and

and/or adopted resolutions should be also placed on the publicly accessible website of the company. Seeking to ensure the right of foreigners to familiarize with the information, whenever feasible, documents referred to in this recommendation should be published in English and/or other foreign languages. Documents referred to in this recommendation may be published on the publicly accessible website of the company to the extent that publishing of these documents is not detrimental to the company or the company's commercial secrets are not revealed.		English. The signed minutes of the General Meeting and the passed resolutions are placed in publicly accessible media and submitted to the Registrar of Legal Persons in the manner prescribed by the Law on Companies of the Republic of Lithuania to the extent that publishing of these documents is not detrimental to the Company or the Company's commercial secrets are not revealed.
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 enjoy unrestricted voting rights and they may exercise the right in person or through their proxies. When the voting right is implemented through the proxy, the later submits a proxy or an agreement on the transfer of the voting right is made therewith. The proxy of a shareholder who is a natural person must be notarised, whereas the proxy of a shareholder who is a legal person must be signed by the Head of the Company and bear the company seal. At least 10 days before the General Meeting the Company sends the general ballots by registered mail or hand them in personally against signature to the shareholders if the shareholders entitled to vote so request in writing.
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.	N/A	Up to now the Company did not have the need of implementing this recommendation; the shareholders take part in the General Meetings in person or through their proxies where they vote to express their opinion.
Principle VII: The avoidance of conflicts of interest and their disclosure **The corporate governance framework should encourage members of the corporate bodies to avoid conflicts of interest and assure transparent and effective mechanism of disclosure of conflicts of interest regarding members of the corporate bodies.**		
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 principle of avoiding any conflict of interests means the duty of the Company Board Members to be loyal and to act in the best interest of the Company and its shareholders. The personal interests of the Board Members are not in conflict with their obligations related to their position in the Company and their loyalty to the Company.
7.2. Any member of the company's supervisory and management body may not mix the company's	Yes	The Company Board Members do not use the property of the Company unless such use is allowed and agreed upon by the

assets, the use of which has not been mutually agreed upon, with his/her personal assets or use them or the information which he/she learns by virtue of his/her position as a member of a corporate body for his/her personal benefit or for the benefit of any third person without a prior agreement of the general shareholders' meeting or any other corporate body authorized by the meeting.		Board. The Company Board Members do not disclose confidential information or any other information that might cause damage to the Company or give the recipient of such information advantages with respect of the Company. The Company Board Members and executives have signed commercial secret non-disclosure agreements.
7.3. Any member of the company's supervisory and management body may conclude a transaction with the company, a member of a corporate body of which he/she is. Such a transaction (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions) must be immediately reported in writing or orally, by recording this in the minutes of the meeting, to other members of the same corporate body or to the corporate body that has elected him/her or to the company's shareholders. Transactions specified in this recommendation are also subject to recommendation 4.5.	Yes	The Company Board Members have not concluded any transactions with the Company. Such transaction should be immediately reported to the Board Members or the shareholders in writing or orally.
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 Company Board Members are acquainted with these provisions and under the said circumstances, would implement this recommendation in practice.

Principle VIII: Company's remuneration policy

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

8.1. A company should make a public statement of the company's remuneration policy (hereinafter the remuneration statement). This statement should be part of the company's annual accounts. Remuneration statement should also be posted on the company's website.	Yes	The report of the remuneration policy of the Company is revealed in the annual Prospectus-Report.
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.	Yes	See comments to Pars 8.1.

8.3. Remuneration statement should leastwise include the following information: • Explanation of the relative importance of the variable and non-variable components of directors' remuneration; • Sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration; • Sufficient information on the linkage between the remuneration and performance; • The main parameters and rationale for any annual bonus scheme and any other non-cash benefits; • A description of the main characteristics of supplementary pension or early retirement schemes for directors.		See comments to Pars 8.1.– 8.2.
8.4. Remuneration statement should also summarize and explain company's policy regarding the terms of the contracts executed with executive directors and members of the management bodies. It should include, inter alia, information on the duration of contracts with executive directors and members of the management bodies, the applicable notice periods and details of provisions for termination payments linked to early termination under contracts for executive directors and members of the management bodies.		”
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.		”
8.6. Without prejudice to the role and organization of the relevant bodies responsible for setting directors' remunerations, the remuneration policy or any other significant change in remuneration policy should be included into the agenda of the shareholders' annual general meeting. Remuneration statement should be put for voting in shareholders' annual general meeting. The vote may be either mandatory or advisory.		”
8.7. Remuneration statement should also contain detailed information on the entire amount of remuneration, inclusive of other benefits, that was paid to individual directors over the relevant financial year. This document should list at least the information set out in items 8.7.1 to 8.7.4 for each person who has served as a director of the company at any time during the relevant financial year. 8.7.1. The following remuneration and/or emoluments-related information should be disclosed: • The total amount of remuneration paid or due to the director for services performed during the relevant financial year, inclusive of, where relevant, attendance fees fixed by the annual general		”

shareholders meeting; • The remuneration and advantages received from any undertaking belonging to the same group; • The remuneration paid in the form of profit sharing and/or bonus payments and the reasons why such bonus payments and/or profit sharing were granted; • If permissible by the law, any significant additional remuneration paid to directors for special services outside the scope of the usual functions of a director; • Compensation receivable or paid to each former executive director or member of the management body as a result of his resignation from the office during the previous financial year; • Total estimated value of non-cash benefits considered as remuneration, other than the items covered in the above points. 8.7.2. As regards shares and/or rights to acquire share options and/or all other share-incentive schemes, the following information should be disclosed: • The number of share options offered or shares granted by the company during the relevant financial year and their conditions of application; • The number of shares options exercised during the relevant financial year and, for each of them, the number of shares involved and the exercise price or the value of the interest in the share incentive scheme at the end of the financial year; • The number of share options unexercised at the end of the financial year; their exercise price, the exercise date and the main conditions for the exercise of the rights; • All changes in the terms and conditions of existing share options occurring during the financial year. 8.7.3. The following supplementary pension schemes-related information should be disclosed: • When the pension scheme is a defined-benefit scheme, changes in the directors' accrued benefits under that scheme during the relevant financial year; • When the pension scheme is defined-contribution scheme, detailed information on contributions paid or payable by the company in respect of that director during the relevant financial year. 8.7.4. The statement should also state amounts that the company or any subsidiary company or entity included in the consolidated annual financial statements of the company has paid to each person who has served as a director in the company at any time during the relevant financial year in the form of loans, advance payments or guarantees, including the amount outstanding and the interest rate.		
8.8. Schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements should be subject to the prior approval of shareholders' annual general meeting by way of a resolution prior to their adoption. The approval of scheme should be related with the scheme itself and not to the grant of such share-based benefits under that scheme to individual directors. All significant changes in scheme provisions should also be subject to shareholders' approval prior to their adoption; the approval decision should be made in shareholders' annual general meeting. In such case shareholders should be notified on all terms of suggested changes	No	The Company does not use schemes anticipating remuneration of directors in shares, since there have been no such cases in the Company. If there was such a possibility, such issues would be considered by the General Meeting, which would pass relevant resolutions.

and get an explanation on the impact of the suggested changes.		
8.9. The following issues should be subject to approval by the shareholders' annual general meeting: • Grant of share-based schemes, including share options, to directors; • Determination of maximum number of shares and main conditions of share granting; • The term within which options can be exercised; • The conditions for any subsequent change in the exercise of the options, if permissible by law; • All other long-term incentive schemes for which directors are eligible and which are not available to other employees of the company under similar terms. Annual general meeting should also set the deadline within which the body responsible for remuneration of directors may award compensations listed in this article to individual directors.		See comment to Par 8.8.
8.10. Should national law or company's Articles of Association allow, any discounted option arrangement under which any rights are granted to subscribe to shares at a price lower than the market value of the share prevailing on the day of the price determination, or the average of the market values over a number of days preceding the date when the exercise price is determined, should also be subject to the shareholders' approval. 8.11. Provisions of Articles 8.8 and 8.9 should not be applicable to schemes allowing for participation under similar conditions to company's employees or employees of any subsidiary company whose employees are eligible to participate in the scheme and which has been approved in the shareholders' annual general meeting.		”
8.12. Prior to the annual general meeting that is intended to consider decision stipulated in Article 8.8, the shareholders must be provided an opportunity to familiarize with draft resolution and project-related notice (the documents should be posted on the company's website). The notice should contain the full text of the share-based remuneration schemes or a description of their key terms, as well as full names of the participants in the schemes. Notice should also specify the relationship of the schemes and the overall remuneration policy of the directors. Draft resolution must have a clear reference to the scheme itself or to the summary of its key terms. Shareholders must also be presented with information on how the company intends to provide for the shares required to meet its obligations under incentive schemes. It should be clearly stated whether the company intends to buy shares in the market, hold the shares in reserve or issue new ones.		”

There should also be a summary on scheme-related expenses the company will suffer due to the anticipated application of the scheme. All information given in this article must be posted on the company's website.		
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.		"
Principle IX: The role of stakeholders in corporate governance **The corporate governance framework should recognize the rights of stakeholders as established by law and encourage active co-operation between companies and stakeholders in creating the company value, jobs and financial sustainability. For the purposes of this Principle, the concept "stakeholders" includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interest in the company concerned.**		
9.1. The corporate governance framework should assure that the rights of stakeholders that are protected by law are respected.	Yes	The corporate governance framework assures that the rights of stakeholders that are protected by law are respected. For instance, the rights of the Company employees are prescribed by the Labour Code and such rights are not violated by the Company. Other internal agreements, agreements with the suppliers, customers, and creditors are comprehensively implemented, which, in its own turn, adds to the long-term success and good performance results of the Company.
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.	Yes	The conditions for the stakeholders to participate in corporate governance are created in the manner prescribed by the law.
9.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.	Yes	The stakeholders have access to relevant information unless that is in breach of the law and the rules on commercial secret disclosure.
Principle X: Information disclosure and transparency **The corporate governance framework should ensure that timely and accurate disclosure is made on all material information regarding the company, including the financial situation, performance and governance of the company.**		

10.1. . The company should disclose information on: • The financial and operating results of the company; • Company objectives; • Persons holding by the right of ownership or in control of a block of shares in the company; • Members of the company's supervisory and management bodies, chief executive officer of the company and their remuneration; • Material foreseeable risk factors; • Transactions between the company and connected persons, as well as transactions concluded outside the course of the company's regular operations; • Material issues regarding employees and other stakeholders; • Governance structures and strategy. This list should be deemed as a minimum recommendation, while the companies are encouraged not to limit themselves to disclosure of the information specified in this list.	Yes	Information on the Company is disclosed in the annual Prospectus-Report, the Explanatory Notes to the annual Financial Statements.
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.	No	The company does not belong to a consolidated company group.
10.3. It is recommended that information on the professional background, qualifications of the members of supervisory and management bodies, chief executive officer of the company should be disclosed as well as potential conflicts of interest that may have an effect on their decisions when information specified in item 4 of Recommendation 10.1 about the members of the company's supervisory and management bodies is under disclosure. It is also recommended that information about the amount of remuneration received from the company and other income should be disclosed with regard to members of the company's supervisory and management bodies and chief executive officer as per Principle VIII.	Yes	The information is provided in the Annual Report.
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.	Yes	The corporate governance framework assures that the rights of the employees and other stakeholders are respected. The requirements of the Labour Code with respect of the employees are strictly observed; they are offered favourable working conditions, e.g. life insurance policies are provided to the employees at the Company expense. The relations with the suppliers and customers are defined by contractual obligations which are not breached by the Company. Support to the local community is provided in the fields of sports, art, and education. Some of the employees are shareholders of the Company.
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	As much as possible the Company provides information trough the NASDAQ OMX Vilnius information disclosure system in Lithuanian and English simultaneously. The submitted information is published by the Stock Exchange on its website and the trading system, which ensures simultaneous disclosure of information to everybody. The company publishes the information before or after the NASDAQ OMX Vilnius trading session. The Company does not disclose any information that is likely to affect the price of securities issued thereby either in the comments, at an interview or otherwise until such information

		is made public through the Stock Exchange information disclosure system..
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	Since 2008, the Company places and publishes information on its Internet: www.kaunotiekimas.lt
10.7. It is recommended that the company's annual reports and other periodical accounts prepared by the company should be placed on the company's website. It is recommended that the company should announce information about material events and changes in the price of the company's shares on the Stock Exchange on the company's website too.	Yes	Since 2008, all information, i.e. the annual reports, other periodical accounts, and information about material events are placed and published on the Internet website of the Company.
Principle XI: The selection of the company's auditor **The mechanism of the selection of the company's auditor should ensure independence of the firm of auditor's conclusion and opinion.**		
11.1. An annual audit of the company's financial statements and report should be conducted by an independent firm of auditors in order to provide an external and objective opinion on the company's financial statements.	No	An independent audit of the interim financial statements is not conducted at the Company, since such audit is not mandatory under the law of the Republic of Lithuania.
11.2. It is recommended that the company's supervisory board and, where it is not set up, the company's board should propose a candidate firm of auditors to the general shareholders' meeting.	Yes	The Company Board proposes a candidate firm of auditors to the General 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.	N/A	The audit firm has not provided non-audit services to the Company and the Company has paid no fees related to such services to the audit firm.

Kauno tiekimas AB
BALANCE SHEET

2008 year
(reporting period)

In litas
(reporting currency and level of its accuracy)

	ASSETS	Note No.	Financial year	Previous financial year
A.	**NON-CURRENT ASSETS**		**10.443.041**	**10.730.243**
I.	INTANGIBLE ASSETS		754	1.137
I.1.	Development works			
I.2.	Goodwill			
I.3.	Licences and patents			
I.4.	Computer software		754	1.137
I.5.	Other intangible assets			
II.	TANGIBLE ASSETS		2.416.316	2.703.135
II.1.	Land			
II.2.	Buildings and constructions		2.158.885	2.363.142
II.3.	Plant and equipment			58.027
II.4.	Vehicles		148.664	202.424
II.5.	Other property, plant and equipment		108.767	79.542
II.6.	Construction in progress			
II.7.	Other tangible assets			
II.8.	Investment assets		0	0
II.8.1.	Land			
II.8.2.	Buildings			
III.	FINANCIAL ASSETS		8.025.971	8.025.971
III.1.	Investments in subsidiaries and associates			
III.2.	Loans to subsidiaries and associates			
III.3.	Amounts receivable after one year			
III.4.	Other financial assets		8.025.971	8.025.971
IV.	OTHER NON-CURRENT ASSETS		0	0
IV.1.	Deferred tax assets			
IV.2.	Other non-current assets			
B.	**CURRENT ASSETS**		**130.521.298**	**186.963.553**
I.	INVENTORIES, PREPAYMENTS AND CONTRACTS IN PROGRESS		16.908.740	11.457.731
I.1.	Inventories		1.685.286	11.290.247
I.1.1.	Raw materials and components		11.896	20.316
I.1.2.	Work in progress			
I.1.3.	Finished products			
I.1.4.	Goods for resale		1.673.390	11.269.931
I.2.	Prepayments		14.664.320	167.484
I.3.	Contracts in progress		559.134	
II.	AMOUNTS RECEIVABLE WITHIN ONE YEAR		99.497.542	155.644.721
II.1.	Trade amounts receivable		67.285.425	119.624.969
II.2.	Receivables from subsidiaries and associates			
II.3.	Other amounts receivable		32.212.117	36.019.752
III.	OTHER CURRENT ASSETS		14.051.497	19.551.425
III.1.	Current investments		13.901.420	19.494.721
III.2.	Time deposits			
III.3.	Other current assets		150.077	56.704
IV.	CASH AND CASH EQUIVALENTS		**63.519**	**309.676**
	TOTAL ASSETS:		**140.964.339**	**197.693.796**

	EQUITY AND LIABILITIES	Note No.	Financial year	Previous financial year
C.	**EQUITY**		**11.350.904**	**16.823.550**
I.	CAPITAL		10.180.884	10.180.884
I.1.	Authorised (subscribed)		10.180.884	10.180.884
I.2.	Subscribed uncalled share capital (-)			
I.3.	Share premium			
I.4.	Own shares (-)			
II.	REVALUATION RESERVE (RESULTS)			
III.	RESERVES		1.306.570	1.148.087
III.1.	Legal reserve		388.508	369.626
III.2.	Reserve for acquiring own shares			
III.3.	Other reserves		918.062	778.461
IV.	RETAINED EARNINGS (LOSSES)		-136.550	5.494.579
IV.1.	Profit (loss) of the reporting year		-5.472.646	377.632
IV.2.	Profit (loss) of the previous year		5.336.096	5.116.947
D.	**GRANTS AND SUBSIDIES**			
E.	**AMOUNTS PAYABLE AND LIABILITIES**		**129.613.435**	**180.870.246**
I.	NON-CURRENT AMOUNTS PAYABLE AND LIABILITIES		10.754.363	0
I.1.	Financial debts		10.754.363	
I.1.1.	Leases and similar obligations			
I.1.2.	To credit institutions		10.754.363	
I.1.3.	Other financial debts			
I.2.	Trade amounts payable			
I.3.	Amounts received in advance			
I.4.	Provisions		0	0
I.4.1.	For covering liabilities and demands			
I.4.2.	For pensions and similar obligations			
I.4.3.	Other provisions			
I.5.	Deferred tax liabilities			
I.6.	Other amounts payable and non-current liabilities			
II.	CURRENT AMOUNTS PAYABLE AND LIABILITIES		**118.859.072**	**180.870.246**
II.1.	Current portion of non-current debts		1.330.436	
II.2.	Financial debts		113.770.561	110.832.198
II.2.1.	To credit institutions		111.328.760	103.919.978
II.2.2.	Other debts		2.441.801	6.912.220
II.3.	Trade amounts payable		1.906.234	65.428.346
II.4.	Amounts received in advance		234.866	2.774.816
II.5.	Profit tax liabilities			
II.6.	Liabilities related with labour relations		369.921	320.330
II.7.	Provisions			
II.8.	Other amounts payable and current liabilities		1.247.054	1.514.556
	TOTAL EQUITY AND LIABILITIES:		**140.964.339**	**197.693.796**

Director General
title of the head of enterprise administration

(signature)

Irena Keblerienė
(full name)

Complete Form of Income Statement

AB KAUNO TIEKIMAS

(enterprise name)

Identification No 133523653 Palemono st.171, Kaunas

(enterprise identification number, address, other information)

INCOME STATEMENT

31 December 2008

In litas

to specify – in litas or thousands of litas

No.	ITEMS	Note No.	Financial Year	Previous financial year
I.	SALES INCOME	4,16	428.151.862	417.380.639
II.	COST OF SALES	4,14	396.826.774	366.874.458
III.	**GROSS PROFIT (LOSS)**		**31.325.088**	**50.506.181**
IV.	OPERATING COSTS		23.835.897	47.793.986
IV.1	Sales	4,14	18.863.076	42.834.840
IV.2	General and administrative	4,14	4.972.821	4.959.146
V.	**OPERATING PROFIT (LOSS)**		**7.489.191**	**2.712.195**
VI.	OTHER ACTIVITIES		65.827	200.206
VI.1.	Income		100.827	233.540
VI.2.	Expenses		35.000	33.334
VII.	FINANCING AND INVESTING ACTIVITIES	4,13	-13.002.546	-2.349.565
VII.1.	Income		2.135.640	6.894.475
VII.2.	Expenses		15.138.186	9.244.040
VIII.	**PROFIT (LOSS) FROM NORMAL ACTIVITIES**		**-5.447.528**	**562.836**
IX.	**PROFIT (LOSS) BEFORE TAX**		**-5.447.528**	**562.836**
X.	PROFIT TAX	4,14	25.118	185.204
XI.	**NET PROFIT (LOSS)**		**-5.472.646**	**377.632**

Director General
title of the head of enterprise administration

(signature)

Irena Kebleriene
(full name)

Kauno tiekimas AB

STATEMENT OF CHANGES IN EQUITY

Year ended 31-12-2008
(reporting period)

In litas
Indicate – litas or thousands of litas

	Paid up authorised capital	Share premium	Own shares (-)	Revaluation reserve (results)		Legal reserves		Other reserves		Retained earnings (losses)	Total
				of non-current tangible assets	of financial assets	compulsory	Acquisition of own shares				
	1	2	3	4	5	6	7	8	9	10	11
1. Balance at the beginning of previous financial year (31 12 2006)	**10.180.884**					**346.023**		**50.868**	**324.515**	**5.543.628**	**16.445.918**
2. Result of change in accounting policies											0
3. Result of correcting essential errors											0
4. Recalculated balance at the beginning of previous financial year	**10.180.884**	**0**	**0**	**0**	**0**	**346.023**	**0**	**50.868**	**324.515**	**5.543.628**	**16.445.918**
5. Increase / decrease in non-current tangible assets value											0
6. Increase / decrease in financial assets value											0
7. Acquisition / sales of own shares											0
8. Profit / loss, excluded from Income Statement											0
9. Net profit / loss of the reporting period										377.632	377.632
10. Dividends											0
11. Other payments											0
12. Formed reserves						23.603			494.000	-517.603	
13. Used reserves								-50.868	-40.054	90.922	0
14. Increase / reduction of authorised capital											0
15. Balance at the end of previous financial year (31 12 2007)	**10.180.884**	**0**	**0**	**0**	**0**	**369.626**	**0**	**0**	**778.461**	**5.494.579**	**16.823.550**
16. Increase / decrease in non-current tangible assets value											0
17. Increase / decrease in financial assets value											0
18. Acquisition of own shares											0
19. Profit / loss, excluded from Income Statement											0
20. Net profit / loss of the reporting period										-5.472.646	-5.472.646
21. Dividends											0
22. Other payments											0
23. Formed reserves						18.882			575.000	-593.882	0
24. Used reserves									-435.399	435.399	0
25. Increase / reduction of authorised capital											0
26. Balance at the end of reporting period (31 12 2008)	**10.180.884**	**0**	**0**	**0**	**0**	**388.508**	**0**	**0**	**918.062**	**-136.550**	**11.350.904**

Director General
(title of the head of enterprise administration)

(signature)

Irena Keblerienė
(full name)

Complete Standard Form of the Cash Flow Statement
Prepared according to the Indirect Method

Kauno tiekimas AB
(enterprise name)

Registr.number 133523653, Palemono st. 171, Kaunas
(enterprise registration number, address, other information)

CASH FLOW STATEMENT

Year ended 31-12-2008
reporting period

in litas
to specify – in litas or thousands of litas

No.	ITEMS	Note No.	Financial Year	Previous financial year
I.	**Cash flows from operating activities**			
I.1.	Net profit (loss)		-5.472.646	377.632
I.2.	Depreciation and amortization costs		305.118	235.226
I.3.	Decrease (increase) in amounts receivable after one year			
I.4.	Decrease (increase) in inventory		9.604.961	-10.822.680
I.5.	Decrease (increase) in advances received		-14.496.836	-95.981
I.6.	Decrease (increase) in contracts in progress		-559.134	
I.7.	Decrease (increase) in trade receivables		52.339.544	29.970.103
I.8.	Decrease (increase) in amounts receivable from subsidiaries and associates			
I.9.	Decrease (increase) in other amounts receivable		922.935	14.858.069
I.10.	Decrease (increase) in other current assets		-93.374	-652.290
I.11.	Increase (decrease) in non-current payables to suppliers and advances received			
I.12.	Increase (decrease) in current payables to suppliers and advances received		-66.062.062	-55.362.895
I.13.	Increase (decrease) in profit tax liability			-39.545
I.14.	Increase (decrease) in liabilities connected with labour relations		49.591	28.180
I.15.	Increase (decrease) in provisions			
I.16.	Increase (decrease) in other amounts payable and liabilities		**-267.502**	**-36.035.548**
I.17.	Elimination of financing and investing activity results		12.411.376	4.975.312
	Net cash flows from operating activities		**-11.318.029**	**-52.564.417**
II.	**Cash flows from investing activities**			
II.1.	Acquisition of non-current assets (excluding investments)		-24.536	-1.309.796
II.2.	Transfer of non-current assets (excluding investments)		71.100	22.236
II.3.	Acquisition of long-term investments			-99.639
II.4.	Transfer of long-term investments			595.650
II.5.	Loans granted			
II.6.	Loans recovered		2.884.700	
II.7.	Dividends and interest received		2.135.276	2.214.261
II.8.	Other increase in cash flows from investing activities		364	320
II.9.	Other decrease in cash flows from investing activities			
	Net cash flows from investing activities		**5.066.904**	**1.423.032**

No.	ITEMS	Note No.	Financial Year	Previous financial year
III.	**Cash flows from financing activities**			
III.1.	Cash flows related to enterprise owners:		0	0
III.1.1.	Emission of shares			
III.1.2.	Owners' contributions against losses			
III.1.3.	Purchase of own shares			
III.1.4.	Dividends paid			
III.2.	Cash flows arising from other financing sources		6.004.560	50.759.303
III.2.1.	Increase in financial debts		401.646.982	191.710.178
III.2.1.1.	Loans received		401.646.982	191.710.178
III.2.1.2.	Issue of bonds			
III.2.2.	Decrease in financial debts		-395.014.743	-140.086.357
III.2.2.1.	Loans repaid		-386.623.820	-133.828.297
III.2.2.2.	Purchase of bonds			
III.2.2.3.	Interest paid		-8.390.923	-6.258.060
III.2.2.4.	Payments of lease (finance lease) liabilities			
III.2.3.	Increase in other enterprise liabilities			
III.2.4.	Decrease in other enterprise liabilities			
III.2.5.	Other increase in cash flows from financial activities			
III.2.6.	Other decrease in cash flows from financial items		-627.679	-864.518
	Net cash flows from financing activities		**6.004.560**	**50.759.303**
IV.	**Cash flows from extraordinary items**		0	0
IV.1.	Increase in cash flows from extraordinary items			
IV.2.	Decrease in cash flows from extraordinary items			
V.	**The effects of changes in foreign exchange rates on cash and cash equivalents balance**		**408**	**-5.078**
VI.	**Net increase (decrease) in cash flows**		**-246.157**	**-387.160**
VII.	**Cash and cash equivalents at the beginning of period**		**309.676**	**696.836**
VIII.	**Cash and cash equivalents at the end of period**		**63.519**	**309.676**

Director General
title of the head of enterprise administration

(signature)

Irena Keblerienė
(full name)

AB Kauno Tiekimas
Company code: 133523653, address: Palemono g.171, Kaunas

EXPLANATORY NOTES TO FINANCIAL STATEMENTS 2008

1. GENERAL PROVISIONS

The company is a limited liability company. AB Kauno Tiekimas is a legal person which has commercial, production and economic, financial, organisational, and legal independence. Address: Palemono g.171, Kaunas, LT-52501. Administrator's telephone number: (8 37) 37 35 50, General Director's telephone number: (8 37) 47 37 44, telephone/fax: (8 37) 47 37 44. e-mail: tiekimas@kaunas.balt.net. Legal form: public limited liability company. AB Kauno Tiekimas was registered on 26 November 1992, register No 007496, Company code 133523653. The Company website address www.kaunotiekimas.lt.

The Company has one branch. The branch was registered on 8 November 2002. The code of the branch is 235944730. The branch is a structural unit of the Company which is not a legal person. The activities of the branch are regulated by its Statute. The Director of the branch shall organize the work of the branch, direct its economic activities, manage its property, issue orders, and approve/sign the documents. AB Kauno Tiekimas branch specialises in the sales of alumina and other aluminium industry products and sells the products produced by Birač factory operating in Bosnia and Herzegovina.

The financial year of the company starts on 1 January and ends on 31 December.

The main activities include commercial activities and services. Commercial activities: wholesale and retail. Services: customs and terminal services, rent of premises. The wholesale is performed outside Lithuania. The branch of the company is engaged in alumina wholesale. The retail and services are provided in Lithuania. Apart from ordinary activities, the Company is involved in financial and investment activities. A customs post and warehouses are located on the territory of the Company.

Since 2002, the Company has been successfully trading in alumina, which is the main raw material in aluminium production, and the main materials required for alumina production. The global alumina prices depend on the supply and demand of the exporting and importing countries. The fluctuations in alumina prices have direct impact on the performance of the Company.

The long—term real estate owned by the Company was constructed long ago; thus it needs to be repaired in order to preserve its condition that would bring about economic benefits. During the reporting year the improvements of the existing long-term real estate amounted to LTL89,4thous.

The Company is renting out its cement elevator, where wholesale trade and packaging of cement is taking place. Due to this operation, the Company is paying the environmental tax for pollution from stationary pollution sources. The Company also pays the environmental tax for pollution from mobile pollution sources, i.e. the cars, tractors, and railway vehicles owned by the Company.

The authorised capital of LTL10,180,884 is registered with the Register of Companies. The Company has issued 10,180,884 ordinary registered shares with the nominal value of LTL1 each; the total nominal value of the shares amounts to LTL10,180,884. All the shares are paid up in full. The authorised capital is not intended to be increased by converting or exchanging the issued debt securities or derivatives for shares.

Shareholders whose participation in AB Kauno Tiekimas authorised capital and the number of votes held thereby exceed 5 percent as of 31-12-2008.

Shareholder	Company Register No	Seat address	No of shares		Participation in the authorised capital, %	
			Total	Under the property right	Total	Under the property right
UAB Ūkio Banko Investicinė Grupė	135201099	K.Donelaičio g.60, Kaunas	1015556	507783	9.98	4,99
UAB FMĮ Finbaltus	122020469	Konstitucijos pr.23-660, Vilnius	1015556	507783	9,98	4,99
AB Ūkio bankas	112020136	Maironio g.25, Kaunas	2000000	2000000	19,64	19,64
InCompleks LLC	CP00193203	101 South Spring Street, Suite 220 Little Rock, Arkanzasas 72201, JAV	993461	993461	9,76	9,76
UAB Energolinija	135201099	Palemono g. 171, Kaunas	1232000	1232000	12,1	12,1
UAB "ATTENUS"	135654594	K.Donelaičio g.60, Kaunas	2544858	2544858	24,99	24,99
UAB "Sinvita"	234396170	Pramonės pr.4, Kaunas	509000	509000	5,0	5,0

Group of related persons:

Company	Seat address of the company	Company code	No of shares and votes
UAB Ūkio Banko Investicinė Grupė	K.Donelaičio g.60, Kaunas	135201099	507593
UAB FMĮ Finbaltus	Konstitucijos pr.23-660, Vilnius	122020469	507593

Since 31/03/2003, AB Kauno Tiekimas securities have been included to the NASDAQ OMX Vilnius Current List. Securities code: LT0000104879.

Reporting period		Central market and block trading					
from	to	Price (LTL)			Last session date	Total turnover	
		Max	Min.	Last session		Units	LTL
01-01-2006	31-12-2006	1,92	0,9	1,87	29-12-2006	517 942	752 587,03
01-01-2007	31-12-2007	1,94	0,82	0,94	21-12-2007	853 438	1 112 205,02
01-01-2008	31-12-2008	0,91	0,21	0,24	30-12-2008	3 290 897	2 728 359,11

The Company has entered into a contract for managing securities accounts with UAB FMĮ Finbaltus, Konstitucijos pr.23-660, Vilnius.

Members of managing bodies

The Supervisory Board is not formed.

Board members:

Chairman of the Board Igor Gončaruk holds 65,994 shares or 0.65% of AB Kauno Tiekimas authorised capital, 14,190 UAB Agrobiznis shares (100%), 7,200 UAB Kauno Tiekimo Prekybos Centras shares (60%). Igor Gončaruk does not have shareholdings of other companies exceeding 5 percent.
Board member Irena Kebleriene has no shareholdings in the Company. Irena Kebleriene does not have any positions in other companies or any shareholdings of other companies exceeding 5 percent.
Board member Nijolė Varanavičienė, UAB Energolinija Board member, does not have any position in the Company or shares of the Company. Nijolė Varanavičienė does not have any shareholdings of other companies exceeding 5 percent.
The term of the Board members' office started on from 25 April 2007 and it will continue until April 2011.

Administration:

Irena Keblerienė, General Director, has no shareholdings in the Company.
Igor Gončaruk, CEO, holds 65,994 shares of the Company or 0.65% of the authorised capital.
Danutė Skučienė, Chief Financial Officer has no shareholdings in the Company, does not have any positions in other companies or any shareholdings of other companies exceeding 5 percent.
Vaclovas Macijauskas, AB Kauno Tiekimas branch Director, has no shareholdings in the Company. Vaclovas Macijauskas holds 327,100 shares in UAB Korelita, i.e. 9.99 percent of the authorised capital.
Gediminas Antanas Baranauskas, AB Kauno Tiekimas Branch Chief Financial Officer, has no shareholdings in the Company, does not have any positions in other companies, he holds 8 UAB Pilega shares representing 13.33 percent of the authorised capital.

2. ACCOUNTING POLICY

2.1. Legal framework used as basis for preparing the financial accountability

The Company maintains the accounting and prepares the financial statements in pursuance of the following international accounting standards.
New standarts, amendments to standarts and interpretations for the year ended 31 December 2008 have not been applied in preparing these financial statements:

- Revised IFRS 2 Share-based Payment (effective from 1 January 2009);
- Revised IFRS 3 Business Combinations (effective for annual periods beginning on or after 1 July 2009);
- IFRS 8 Operating Segments (effective from 1 January 2009);
- The revised IAS 1 Presentation of Financial Statements (effective from 1 January 2009);
- Revised IAS 23 Borrowing Costs (effective from 1 January 2009);

The Board has authorized the annual report for issue on 07 April 2009 and signed the financial statements on behalf of the Company.

2.2. Asset and equity item valuation methods applied for the purpose of preparing financial statements:

In AB Kauno Tiekimas Balance Sheet of 31 December 2007, the assets are evaluated as follows:

- intangible assets: at the acquisition cost less accumulated amortization and impairment value;
- non-current tangible assets: at the acquisition (production) cost less accumulated depreciation;
- financial assets: at the fair value on 30-12-2007, with the revaluation result reflected in the Profit and Loss Account;
- other inventories: at the acquisition value or at the net realisable value, whichever is smaller

- goods for resale: at the acquisition value or net realisable value, whichever is smaller;
- loans and amounts receivable: at the amortised acquisition value;
- other items on the Balance Sheet are valued at the acquisition cost.

The financial statements have produced based on the concept of historic cost, with the exception of non-current tangible assets, which are reflected at historic cost adjusted with respect of indexation in pursuance of the indexation rates prescribed by the Government of the Republic of Lithuania.

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

2.3. Intangible assets

In the Balance Sheet, the intangible assets are stated at their residual value (the accumulated amortization is deducted from the acquisition cost).

Non-pecuniary identifiable assets without a material form that are held in the Company's disposition and that are used by the Company in anticipation to get direct and indirect economic benefits are classified in the category of Intangible Assets.

The directly proportional (linear) method is used to calculate amortization. The quick sale value is LTL1.

The amortization costs are classified as the operating costs of the Company. The running costs of intangible assets as well as other subsequent costs are attributed to the costs of the reporting period when they were incurred.

Software with a 3-year period of amortization is accounted in Intangible Assets.

After a transfer of intangible assets, the Profit and Loss Account, under Other Operations, reflects the result of the transaction: profit or loss.

2.4. Tangible assets

Assets are classified as non-current tangible, if: they are held and controlled by the Company, the Company expects them to bring economic benefits in the future periods, they will be used for a period exceeding one year, their acquisition (production) cost can be reasonably established, and their value exceeds the minimum value established for that group. The minimum value established for all groups of non-current tangible assets is LTL1,000.

The directly proportional (linear) method is used to calculate the depreciation of non-current tangible assets. The depreciation costs are classified in the category of the operating costs of the Company.

The following average life has been established for asset groups:

No	Non-current tangible asset group	Useful life (years)
1	Buildings and constructions	6 - 85
2	Plant and equipment	15
3	Vehicles	3 - 11
4	Other property, plant and equipment	3 - 18

The asset's residual values and useful lives are reviewed and adjusted if appropriate, annually at each year end.

At the moment of acquisition, non-current tangible assets are recognized in the accounting at the acquisition (production) cost. In the Balance Sheet, the tangible assets are stated at the acquisition cost less accumulated depreciation.

Subsequent cost recognized:

Useful life is extended and the serviceability is improved	The asset acquisition cost is increased by the value of works and the useful life period is revised
Serviceability is improved	The asset acquisition cost is increased by the value of works
Useful life is extended	The asset acquisition cost is increased by the value of works and the useful life period is revised
Serviceability is not improved nor useful life is extended; only relevant operation condition is maintained	The cost of works is recognized as the operating costs of the reporting period

Non-current asset depreciation accounting methods have not been applied in the Company.

2.5. Financial asset accounting

In pursuance of IAS 39, financial assets are classified as follows:
- financial assets valued at their fair value in the Profit and Loss Account;
- financial assets held to maturity (no such assets during the reporting period);
- financial assets available for sale;

When the Company first recognizes financial assets, their value is set at the acquisition cost, i.e. the value of the consideration paid. The value of the paid consideration is determined with respect of the total amount paid for the financial assets or the value of other transferred assets. The value of consideration is usually determined based on the transaction price.

The financial assets reflected at the fait value in the Profit and Loss Account are valued based on the.

2.6. Inventories accounting policy

Current assets of the Company that are consumed for generating revenue within one year are classified as inventories. In the accounting and financial statements, inventories are grouped into:
- raw materials and completion goods;
- goods purchased for resale.

In the financial statements, the inventories are stated with respect of the acquisition (production) costs or the net realisable value, whichever is less.

FIFO method is used to assign the acquisition cost of inventories.

The acquisition cost of the goods purchased for resale, raw materials, and completion goods includes the purchase price less discounts on the purchase, purchase related taxes and levies (except for those that will be recovered at a later stage), significant delivery costs, and the costs of preparing the inventories for use.

The cost of goods purchased in foreign currency is calculated at the official exchange rate of the currency of the Republic of Lithuania on the purchase date irrespective of the payment date. The purchase date is defined according to the contract terms in pursuance of INCOTERMS.

The net realisable value of inventories is calculated in accordance with the quantified inventories sales price on the financial statement date less the quantified inventories sales costs. At the end of the reporting year, the value of goods stored in the warehouse of the Company in Lithuania is set at the realizable value.

2.7. Receivables

When the receivables are registered in the accounting, they are stated at the amortised value. When the annual financial statements are being prepared, the receivables are stated at the net value, i.e. after the doubtful debts are deducted. The doubtful debt expense is carried at the Profit and Loss Account for the reporting period.

2.8. Revenue and expense recognition methods

The sales revenue is recognised on accumulation basis, i.e. it is registered in the accounting when it is earned irrespective of the receipt of revenue. Only the increase of the economic benefits of the Company is considered income. The value added tax is not recognised as revenue. The revenue size is agreed by the Company and the customer. That represents the fair value of the goods and services considering the offered and prospective discounts, the return of sold goods, and price-off.

The goods are considered sold when the following conditions are met: the Company transfers the risk, which is related to the sold goods, to the customer; the Company no longer possesses or controls the sold goods; the economic benefits related to the sales transaction are likely to be received and its size can be reliably quantified; the expenses related to the sales transaction can be reliably quantified.

In 2008, no AB Kauno Tiekimas merchandises were sold by extending a trade credit exceeding one year.

The revenue from the company's financial and investment activities include: received dividends, positive influence of exchange rate differences, interest and late charges, revenue from financial assets revaluation.

The expense is recognised on the accumulation and comparison basis in the reporting period when the revenue related thereto is earned irrespective of the time when the money is spent.

Sales, general and administrative expenses are classified in the category of operating costs.

The result of the transfer of the used non-current tangible and intangible assets is classified as other activities excluding financial and investment activities.

The financial and investment activities include: interests, fines, late charges, result of exchange rate differences, and other revenue and expense of the financial and investment activities.

Fines and late charges are recognised on accumulation basis.

2.9. Methods of accounting for borrowing and other similar expenses

Interests charged on received loans and on property acquired on lease (financial lease) terms as well as other borrowing related expenses are recognised as expense in the periods when they emerge.

The Company is using a bank credit line and factoring. The variable tax rate of the credit lines depends on the VILIBOR (Vilnius Inter Bank Offering Rate) and LIBOR (London Inter Bank Offering Rate) fluctuations. An increase in the credit source price would have a negative impact on the Company business result.

2.10. Taxes

The major taxes paid by the Company include the property tax, the tax on land rent, the VAT, the profits tax, the social tax, and the pollution tax. The Company withholds the income tax of individuals from the employees' salaries/wages and pays the same into the state budget. The Company also pays the social insurance contributions

2.11. Foreign currency transactions

At initial recognition, a foreign currency transaction is stated in the currency of the financial statement at the exchange rate on the transaction day. The Balance Sheet currency items are stated in the currency of the financial statement at the exchange rate on the Balance Sheet date.

Business trip related expenses in foreign currency are reflected in the currency of the financial statement at the exchange rate on the day of leaving on business.

The Balance Sheet currency items are stated in the currency of the financial statement at the exchange rate on the Balance Sheet date.

The differences that emerge when the amounts stated in the currency items are paid at an exchange rate which is different from that at initial recognition or on the last day of the financial accounting (where the currency items have been recognised in the previous financial year) are recognized as revenue and expense of the reporting period.
The Profit and Loss Account, under Financial and Investment Activities, carries only the result of the currency rate differences. The currency used for payments with business partners in Europe is EUR (Euro), in Asia and other continents it is USD (USA dollar).

2.12. Circumstances when only the net result of a business transaction is reflected in the financial statements

The financial statements show only the net result of a business transaction upon the transfer of non-current assets and the receipt of insurance coverage for incurred losses.

2.13. Definition of cash and cash equivalents

The Cash and Cash Equivalents item reflects cash at bank and in hand. The Company holds no current highly liquid debt securities.

2.14. Description of business and geographical segments

A segment is a distinquishable component of the Group that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Company's primary format for segment reporting is based on business segments.
AB Kauno Tiekimas is developing two major business segment groups: sales of goods and rendering services.
The sales of goods include the sales of alumina, hydrate of sodium, etc. The services include the lease of the property owned by the Company and other services provided to the lessees, e.g. loading services, etc.
The Company is supplying hydrate of sodium and bauxites for the alumina factory in Bosnia and sells alumina produced in the said factory. In 2007, the foreign sales of the Company amounted to LTL415,501,977. Lt. The trade of alumina is performed outside Lithuania and its geography is very broad, including European and Asian countries, and the USA.

2.15. Earnings per share

The Company presents data of basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares. During report periods there no any dilutive potential ordinary shares issued by the Company.

2.16. Related parties

Related parties are defined as shareholders, employees, members of the management board, their close relatives and companies that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with the reporting entity, provided the listed relationship empowers one of the parties to exercise the control or significant influence over the party in making financial and operating decisions.

2.17. Provision formation principles

No provisions are formed in AB Kauno Tiekimas annual financial statements for 2008. The reserve of vacation pay and the related social insurance contribution for the next year are attributed to the current liabilities of the Company and are stated on the Balance Sheet under Employment Related Liabilities.

2.18. Company policies and programmes in the fields of environmental protection, energy saving, use of ecological materials and waste utilisation, water pollution and reduction of emissions

The environmental policy of the company aims at reducing the atmospheric air, surface, and ground water pollution. For this purpose, an action plan for 2008 on the reduction of atmospheric pollution under unfavourable pollution dissipation conditions has been drafted. Since continuous flows of cargo trucks are going on the territory of the Company, the Company keeps cleaning and maintaining the territory to prevent the pollution of the surface and ground water. To monitor the pollution, water analysis is performed every three months. In the reporting year the inventory of the air pollution sources was carried out.

2.19. Accounting error correction policy

Errors in the Revenue and Expense items exceeding 0.5% of the revenue stated in the financial statements are consider material errors.

The following methods of correcting the accounting errors for the previous periods are used by the Company:

1. Material mistakes are corrected retrospectively by adjusting the data for the previous financial years/periods that have been distorted due to the error. When the effect of the material error on the financial accounting of the previous periods can not be accurately assessed, the error is corrected prospectively by adjusting only the data of the reporting period.
2. Immaterial errors are corrected prospectively, i.e. they are corrected in the financial statements of the reporting period.

3. FINANCIAL, CAPITAL, LIQUIDITY RISK MANAGEMENT AND ASSESSMENT OF BUSINESS CONTINUITY

3.1.Financial risk management

The Company has exposure to the following risks:

- credit risk,
- liquidity risk,
- market risk.

This note presents information about the Company exposure to each of the above risks, the Company objectives, policies and processes for measuting and managing risk, and the Company's management of capital.

The Board of Directors has responsibility for the oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

<u>Credit risk</u>

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers. Company's procedures are in force to ensure on a permanent basis that sales are made to customers with an appropriate credit history.

The maximum exposure to credit risk at the reporting date was:

	Carrying amount	
	2008	2007
Trade receivables	67 285 425	119 624 969
Other receivables	32 212 117	36 019 752
Cash and cash equivalents	63 519	309 676
Total	99 561 061	155 954 397

Trade receivables according to country's (in LTL):

Country's	2008	2007
1	2	3
Lithuania	252 630	204 52
Bosnia	42 207 803	99 278 850
Macedonia	0,00	138
USA	19 600 091	18 852 928
Italy	47 121	898
Austria	772 085	413 391
Poland	2 959 350	308 752
Check	103 547	518 135
Slovenia	858 451	0,00
Greece	669	0,00
Hungary	513 678	47 355
Total:	**67 285 425**	**119 624 969**

Other receivables to country's

Country's	2008	2007
1	2	3
Lithuania	28 121	3 238 074
Bosnia	32 183 996	32 752 744
USA	0,00	11 786
Germany	0,00	66 421
Total:	**32 212 117**	**36 019 752**

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.
Typically the Company ensures that it has sufficient cash on demand to meet expected operational expenses, icluding the servicing of financial obligations.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Interest rate risk

The Company's borrowings are subject to variable interest rates related to LIBOR.

As at 31 December 2008, the Company did not use any financial instruments to hedge its exposure to the cash flow risk related to debt instruments with variable interest rates or price risk related to debt instruments with fixed interest rates.

Variable interest rate financial liabilities were as follows (in LTL)

		2008	2007
Credit lines	EUR	48 719 008	42 503 968
Credit lines	USD	27 759 079	21 738 098
Total		76 478 087	64 242 066

Currency risk

Major currency risks of AB Kauno tiekimas occur due to the fact that the Company borrows and seels wholesale in foreign currency. During the reporting period the Company used a derivative financial instrument for foreign currency exchange risk insurance. A loss of LTL838,8thous. was generated after this financial instrument was completed.

		2008	2007
1EUR	=	3,4528 LTL	3,4528 LTL
1USD	=	2,4507 LTL	2,3572 LTL

The functional currency of the Company is Litas (LTL). The Company faces foreign currency risk on purchases and borrowings as well as on sales and amounts receivable that are denominated in USD. The risk related to transactions in EUR is considered to be insignificant as the Lithuanian Litas is pegged to EUR at a fixed rate.

3.2. Capital risk management

The Company's objectives when managing capital are to safequard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Pursuant to the Lithuanian Law on Companies the authorised share capital of a public company must be not less than LTL 100,000 and the sharehoder's equity should not be lower than 50 per cent of the company's registered share capital. As at 31 December 2008 and 31 December 2007, the Company complied with these requirements.

The Company's management monitors the following liability/equity ratios:

	2008	2007
General liquidity coefficient (Current assets/ Current liabilities)	1,10	1,03
Debt-equity coefficient (Total liabilities/ Total equity)	11,41	10,75
Debt coefficient (Total liabilities. Total assets)	0,92	0,91

3.3. Liquidity Risk Management

This procedure is based on the analysis of company financial obligations, which examines the terms and conditions of those obligations, the arising risks, and their management. While assessing the liquidity risk, firstly the main directions of the company business development were identified, which mainly involve trading activities related to:

- alumina, aluminium hydroxide, zeolite, and other alumosilicate products;
- supply of caustic soda, which is necessary in manufacturing the said products;
- wholesale of cement and other construction materials;
- the Customs and terminal services.

With a view to further development of its business activities, the company has entered into a number of important agreements:

- alumina sales to companies and businesses from India, Hungary, Germany, and other countries;
- zeolite sales to international companies;
- hydrate sales to international companies in Slovenia, Turkey, Serbia, etc.

One of the most important raw materials supplied to Bosnia and Herzegovina alumina factory Birač is caustic soda. Caustic soda purchasing contracts have been made with companies in Hungary and Bulgaria; negotiations are being completed with a company in Romania and other companies.

The Customs and terminal services take an important share of the company's business performed nationally as the infrastructure for this purpose is quite well-developed both on the territory of the company and in its vicinities.

The assessment of the liquidity risks must take into account the company's liabilities to the bank:

- a credit line expiring on 1 April 2009, with an expected extension for at least another half a year;
- a factoring contract valid until 5 January 2010;

An increase in financial liabilities aimed at boosting the turnover of the company may be observed if the demand for aluminium and consequently alumina significantly increased on the global aluminium industry markets. The management of the main financial risks related to the existing customers is based on such payment forms as letters of credit, bank guarantees, and pledge of property, while credit agreements are secured collaterals and insurance instruments.

The liquidity risk management of the company gives much attention to the dependence on the customers and suppliers. The company keeps looking for new partners, firstly in the European market of aluminium industry and also globally. Thus, in the event of trading uncertainties with one partner or another, the company seeks to replace them by more reliable ones.

3.4. Assessment of business continuity

Before the financial reports were produced, the management of AB Kauno Tiekimas performed business continuity procedures focusing on the following key factors: performance of assumed obligations, commodity markets and products, the budget and borrowing needs, financial risk management, and other factors that may have an impact on the fundamentals of the company business continuity.

Based on the available information on the future one-year period, the management of the company declare that up to now no significant uncertainties related to the assessment of the continuity of the company business have been observed and no hesitations related to further business are anticipated.

However, with the respect of the difficult current economic conditions, the management point out that the company still faces a certain risk due to uncertain economic changes that may take place in the future. Since the business of the company is closely related to the major economic factors that are observed in the European and global aluminium industry markets, it is assumed that negative developments in certain conditions or events in business environment may also result in negative consequences in the economic and financial activities of the company. To secure the business continuity under such circumstances, the company would seek to discharge its obligations or to defer the same with the help of financial institutions and by efficient use and management of internal resources.

Therefore it is currently concluded that no significant uncertainties that might bring hesitation about the possible business continuity in the future have been identified.

4. COMMENTS PRESENTED IN THE EXPLANATORY NOTES

The comments to AB Kauno Tiekimas Explanatory Notes comprise tables explaining material items of financial statements. The textual part provides concise further information.

4.1. Non-current intangible assets

Information on the changes in non-current intangible assets over the reporting year is provided in Table 4.1-1 **Non-current intangible assets.**

Table 4.1-1. **Non-current intangible assets**

Indices	Software, LTL 2008	Software, LTL 2007
Residual value at the end of the previous financial year	1 137	2,270
a) Non-current intangible assets at acquisition cost		
At the end of the previous financial year	6 920	6,920
Changes of the financial year: - purchase of assets	1 000	
At the end of the financial year	7 920	6,920
b) Amortization		
At the end of the previous financial year	5 783	4,650
Changes of the financial year: - amortization of the financial year	1 383	1,133
At the end of the financial year	7 166	5 783
d) Residual value at the end of the financial year (a) – (b) – (c)	754	1 137

Table 4.1-2. **Useful life of intangible assets**

Groups of intangible assets	Average useful life (in years)
Development works	
Goodwill	
Patents, licences, etc.	
Software	Three
Other intangible assets	

4.2 Non-current tangible assets

Revaluation methods have not been applied for AB Kauno Tiekimas non-current assets. The Company has no contractual obligations to acquire non-current tangible assets. The Company has pledged its assets to a credit institution as a security for using the credit line. Information on the movement of the non-current tangible assets in the reporting year and in 2007 is given in Tables 4.2.-1 and 4.2.-2.

Table 4.2-1. **Non-current tangible assets, 2008**

Indices	Buildings and structures	Plant and equipment	Vehicles	Other property	Construction in progress	Total
1	2	3	4	5	6	7
Residual value at the end of the previous financial year	2 363 142	58 027	202 424	79 542		2 703 135
a) Acquisition cost						
At the end of the previous financial year	5 098 129	127 001	343 578	392 276		5 960 984
Changes of the financial year:						
• Purchase of assets				23 536		23 536
• Assets assigned and written down (-)	- 10 000		- 4 153	- 8 722		- 22 875
• Transfer from one item to another +/-						

1	2	3	4	5	6	7
At the end of the financial year	5 088 129	127 001	339 425	407 090		5 961 645
b) Depreciation						
At the end of the previous financial year	2 734 987	68 974	141 154	312 734		3 257 849
Changes of the financial year:						
- depreciation of the financial year	197 645	13 499	53 758	38 833		303 735
- depreciation of assets assigned to other persons and written down (-)	- 3 388		- 4 151	- 8 716		- 16 255
At the end of the financial year	2 929 244	82 473	190 761	342 851		3 545 329
c) Residual value at the end of the financial year (a) + (b) - (c) - (d)	2 158 885	44 528	148 664	64 239		2 416 316

Table 4.2-2. **Non-current tangible assets, 2007**

Indices	Buildings and structures	Plant and equipment	Vehicles	Other property	Construction in progress	Total
1	2	3	4	5	6	7
Residual value at the end of the previous financial year	1,277,569	2	276,998	92,474	2,160	1,649,203
a) Acquisition cost						
At the end of the previous financial year	3,893,451	59,501	387,334	423,057	2,160	4,765,503
Changes of the financial year:						
- purchase of assets	1,204,678	67,500		39,778		1,311,956
- assets assigned and written down (-)			-43,756	-70,559		-114,315
-transfer from one item to another +/(-)					-2,160	-2,160
At the end of the financial year	5,098,129	127,001	343,578	392,276	0	5,960,984
b) Depreciation						
At the end of the previous financial year	2,615,882	59,499	110,336	330,583		3,116,300
Changes of the financial year:						
- depreciation of the financial year	119,105	9,475	56,742	48,772		234,094
- depreciation of assets assigned to other persons and written down (-)			-25,924	-66,621		-92,545
At the end of the financial year	2,734,987	68,974	141.154	312,734		3,257,849
c) Residual value at the end of the financial year (a) + (b) - (c) - (d)	2,363,142	58,027	202,424	79,542		2,703,135

Table 4.2-3. **Useful life of tangible assets**

Groups of non-current tangible assets	Average useful life (in years)
Buildings and structures	6 – 85
Plant and equipment	15
Vehicles	3 – 11
Other plant, equipment, tools, and fixtures	2 – 18
Other tangible assets	

Table 4.2-4. **Depreciated non-current tangible assets still in use**

Asset group	Acquisition cost (LTL)	
	2008	**2007**
Buildings and structures	1 018 524	1,018,524
Plant and equipment		59,501
Vehicles	5 508	9,661
Other plant, equipment, tools, and fixtures	275 424	183,763
Total:	**1 302 856**	**1,271,449**

The Company does not have non-current assets, which are temporarily not used.

4.3. Non-current financial assets (in the Profit and Loss Account reflected at the fair value)

Table 4.3.1. **Financial assets**

Indices	Other financial assets 2008	Other financial assets 2007
Balance at the beginning of the financial year	8 025 971	8,360,459
a) acquisitions		99,639
b) sales		-434,127
c) Balance at the end of the financial year	8 025 971	8,025,971

4.4. Inventories

The total inventories value, balance value, and the write-down to net realisable value are shown in table 4.4 – 1 **Inventories.**

Table 3.4–1. **Inventories**

	2008			2007		
Indices	**Raw materials and completion goods**	**Goods purchased for resale**	**Total**	**Raw materials and completion goods**	**Goods purchased for resale**	**Total**
a) Inventories acquisition cost At the end of the previous financial year	20 316	11 376 755	11 397 071	7,476	572,909	580,385
At the end of the financial year	1 896	1 756 482	1 768 378	20,316	11,376,755	11,397,071
b) Write-down to net realisable value (reversal) At the end of the previous financial year		106 824	106 824		112,818	112,818
At the end of the financial year		83 092	83 092		106,824	106,824
c) Net realisable value at the end of the financial year (a) - (b)	11 896	1 673 390	1 685 286	20,316	11,269,931	11,290,247
Differences in cost methods where LIFO formula was applied						
Value of pledged inventories						
Inventories held by third persons						

The amount of write down to the net realisable value at the end of the financial year declined by LTL23,732. The goods impairment costs were reversed. The decrease resulted from the retail sales of goods over the reporting period.

4.5. Prepayments

Table 4.5-1 **"Prepayments by countries"**

in Litas

Country	Payment type	2008	2007
Great Britain	Advance payment	71 034	94 176
Bosnia	Advance payment	14 554 599	
Lithuania	Deferred expenses	35 253	61 132
Great Britain	Deferred expenses	2 122	12 176
Sweden	Arbitration Tribunal	550 325	
Total:		15 213 333	167 484

Meaning prepayments amount is to Stockholm Arbitration Tribunal at ICC. A litigation between Company and supplier from India is carried in Stockholm Arbitration Tribunal at ICC. Dispute between the parties begun since Company terminated bauxite supply contract since delivered cargo had not complied with determined specifications I a material way. The main legal issues in this case are following:

- Whether the deviation in cargo specifications should be treated as a fundamental breach of the contract;
- Whether AB Kauno tiekimas informed supplier from India on fundamental breach and termination of a contract in legitimate, timely manner and according the established rules.

Mostly of the case facts are in favour of Company, however the case is complicated and it is quite difficult to forecast the outcome of it, since sufficient CISG practice on termination of the contacts does not exists. On the other hand, the chances that supplier from India claim would be awarded in full are pretty low (i. e. a claim to compensate a lost profit most definitely should be declined). At the moment parties have presented to the Tribunal most of witness statements, documents and rejoinders (replies to rejoinders), it is planned that hearings in tribunal will take place approximately on 31 August – 3 September, 2009.

4.6. Receivables

the trade debts incurred for the sold goods and provided services are reflected.

The information is provided in Table 4.6- 1 **Receivables**

Table 4.6-1. **Receivables**

	2008	**2007**
Groups of major receivables	**Balance value (LTL)**	
Trade debtors	67,285,425	119,624,969
Including trade	67,032,795	119,420,447
Service	252,630	204,522
Other amounts receivable	32,212,117	36,069,024

4.7. Other current assets (in the Profit and Loss Account reflected at the fair value)

This part of the Balance Sheet reflects the current financial assets and the profit tax and social insurance contribution refundable by the state budget. At the beginning of the financial year the Company owned current financial assets in the amount of LTL19,494,721. In the end of the year reporting and in the interim financials statements of the year the shares listed on the Stock Exchange are reflected at the market price. In the reporting year the share revaluation costs amounted to LTL5,593,301.

	2008	**2007**
Indices	**Short term investments**	
Balance at the beginning of the financial year	19,494,721	19,123,360
a) acquisition		595,587
b) transfer		
c) revaluation	- 5,593,301	-224,226
Balance at the end of the financial year	13,901,420	19,494,721

4.8. Capital

The structure of the authorised capital is shown in Table 4.8-1 **Structure of authorised capital**

Table 4.8-1 **Structure of authorised capital**

Indices	Number of shares	Amount (LTL)
Share capital structure at the end of the financial year		
1. By types of shares		
1.1. Ordinary shares		
1.2. Preference shares	10,180,884	10,180,884
1.3. Employee shares		
1.4. Special shares		
1.5. Other shares		
TOTAL:	10,180,884	10,180,884
2. State or municipal capital		
Own shares held by the Company		
Shares held by subsidiaries		

4.9. Draft Distribution of Profit

AB Kauno Tiekimas profit is distributed in the manner prescribed by the Law on Companies. The financial statements are accompanied by the draft distribution of profit for 2008. The general meeting approves the annual financial statements of the Company and the draft distribution of profit.

Table 4.9-1 **Draft Distribution of Profit**

Items	Amount (LTL)
1. Undistributed profit (loss) of the previous financial year at the end of the reporting financial year	5,336,096
2. Net profit (loss) of the reporting financial year	(5,472,646)
3. The profit (loss) of the reporting financial year non-recognised in the Income Statement	N/A
4. Transfers from reserves for covering losses	136,550
5.Transfers from reserves	525,200
Including warehouse renovation	500,000
warehouse renovation	400,000
6. Shareholders' contributions for covering losses	N/A
7. Total distributable profit (loss):	**525,20**
8. Profit share distributed to statutory reserves	N/A
9. Profit share distributed to reserve for the acquisition of owns shares	N/A
10. Profit share distributed to other reserves	N/A
including the planed warehouse renovation	N/A
11. Profit share for paying out dividends	N/A
12. Profit share for annual bonuses for the board members, employee bonuses and other purposes	N/A
1.3. Undistributed profit (loss) at the end of the reporting financial year brought forward to the following financial year	**525,200**

4.10.Basic earnings per share

Basic earnings per share are calculated as follows:

	2008	2007
Net profit (loss) LTL	(5,472,646)	377,632
Number of shares (units)	10,180,884	10,180,884
Profit (loss) per share	- 0,537	0,037

Company has no dilutive potential shares or convertibles. The diluted earnings per share are the same as the basic earnings per share.

4.11. Reserve formation purposes and restrictions of their use

The annual deductions to the legal reserve are established by the general meeting. The deductions to the legal reserve may not be less than 1/20 of the net profit and they shall be made until the legal reserve amounts to 1/10 of the authorised capital. Other reserves are formed and cancelled under the resolution of AB Kauno Tiekimas general meeting in the manner prescribed by the law.

4.12. Description of the principles of accounting for grants (subsidies) and assets received gratis.

In 2008 the Company received no grants or gratis assets.

4.13. Debts due, liabilities.

Financial debts

The company is using a credit line and factoring granted by a bank. At the end of the reporting period the company owed the bank LTL111.3m. In 2008 a long-term LTL13.3m loan was received for a period of 10 years. At the end of the year, the balance of the loan amounted to LTL12.1m.

To secure the long-term loan the company has pledged its non-current assets with the residual value of LTL1,498,948, all the present and future monetary means of the company with the banks, the shares of other companies held by the company, without the right of claim under contracts.

Table 4.13-1 **Financial debts**

Indicies	2008			2007		
	Due amounts or parts thereof					
Classification of amounts due by type	**Within one financial year**	**After one year but no later than within five years**	**After five years**	**Within one financial year**	**After one year but no later than within five years**	**After five years**
Financial debts:	115,100,997		10,754,363	110,832,198		
1.To credit institutions	112,659,196		10,754,363	103,919,978		
Including current portion of non-current debts	1,330,436					
2. Other financial debts	2,441,801			6,912,220		

The loan interest rate was established in line with the market interest rate, which is reviewed every three months and therefore the accounting value of the loans corresponds to its fair value. There were no capitalised borrowing expenses during the accounting period.

Table 4.13-2 **Other debts**

Indicies	**2008**			**2007**		
	Due amounts or parts thereof					
Classification of amounts due by type	Within one financial year	After one year but no later than within five years	After five years	Within one financial year	After one year but no later than within five years	After five years
Other debts including						
debts to suppliers	1,906,234			65,428,346		
received advance payments	234,866			2,774,816		
profits tax liabilities						
liabilities linked with employment relations	417,688			320,330		
other debts	1,199,287			1,514,556		
TOTAL	**3,758,075**			**70,038,048**		

In 2008, the Company was making payments in cash (bank transfers) as well as by way of offsetting: in its financial accounting the Company was registering the settled commensurate counterclaims. The Company has evidences that in the future it will not have to settle the liabilities by using its economic resources or loans (written agreements signed by the heads of the companies). In 2008, the total value of offsets amounted to LTL375,684.

4.14. Financial and investing activities revenue and expenses by material amounts

Table 4.14 - 1 **Results of financial and investing activities**

Indices	2008	2007
a) REVENUE FROM FINANCIAL AND INVESTING ACTIVITIES	2 135 640	6,894,475
Description of material amounts:		
Positive influence of exchange rate differences		2,626,212
Other financial revenue		
Including received dividends	32 124	14,429
profit from share transfer		161,523
investment revaluation revenue		1,892,159
interests	2 103 152	2,199,832
late charges		
other	364	320
b) EXPENSES FOR FINANCIAL AND INVESTING ACTIVITIES	15 138 186	9,244,040
Negative influence of exchange rate differences	526 690	
Interests, commission fees	8 986 244	7,112,390
Other financial expenses	855	8
Penalties	31 095	15,258
Investment revaluation expenses	5 593 302	2,116,384
c) RESULT OF FINANCIAL AND INVESTING ACTIVITIES (a – b)	- 13 002 546	-2,349,565

4.15. Expenses by their nature

Type of expenses	2008	2007
1	2	3
Cost of goods sold		
Aluminium cost	320 178 460	321 335 908
Caustic soda cost	57 520 961	35 679 356
Aluminium hydroxide cost	788 089	3 566 488
Zeolite cost	18 091 266	6 192 928
Cost of other goods	247 998	99 778
Total:	**396 826 774**	**366 874 458**
Operating / sales expenses		
Quality control	720 148	589 691
Sea freight services	16 772 260	42 245 149
Road freight services	1 370 668	
Total:	**18 863 076**	**42 834 840**
General and administrative expenses		
Salaries, social insurance contributions, accumulation	2 717 947	2 624 508
Gas, electricity, water	103 664	92 466
Rent of premises, utilities	267 648	95 675
Communications, Internet	170 820	200 327
Business trip expenses	454 810	683 122
Banking services	58 928	231 521
Depreciation of non-current tangible assets	291 441	234 142
Amortisation of long-term intangible assets	1 383	1 133
Tax expenses	208 715	165 737
Vehicle operation and maintenance	131 615	104 981
IT troubleshooting	103 572	86 393
Write-off of bad debts	83 863	37 604

1	2	3
Audit	30 000	15 000
Other	348 414	386 537
Total:	**4 972 821**	**4 959 146**
Profits tax expenses		
Profits tax	28 758	237 086
Adjustments related to previous periods	(3 640)	(51 882)
Total:	**25 118**	**185 204**

4.16. Use of derivatives

A significant portion of tradig performed by our company is made in USA dollars. In 2008 this currency suffered major exchange rate fluctuations. Since the estimated revenue from sales in September amounted to over four million dollars, the management decided to enter into a forward currency contract with the bank to protect against the risks of USA dollar exchange rate fluctuations. The estimated profit accounted for LTL247.2 thousand. However, despite various forecasts by Lithuanian and global economists, after the company signed the contract with the bank, the USA dollar exchange rate started growing and the company lost LTL835.8 thousand in pursuing the terms and conditions of the transaction. The said expenses were recognised as a loss for insuring the currency exchange risks and they were attributed to legal deductions with respect of profits tax.

4.17. Amounts of revenue from exchange of goods or services

In 2008, the Company did not execute any exchange of non-current tangible or financial assets, goods or services.

4.18. Information on business and geographic segments

AB Kauno Tiekimas renders services and carries out retail business in Lithuania, whereas the wholesale business is done outside Lithuania. A customs post, warehouses, and an IE terminal are located on the territory of the Company in Lithuania. The services rendered in Lithuania include the lease of the property owned by the Company and the related services. The wholesale trade is taken up by the branch of the Company, which supplies hydrate of sodium and bauxites for the alumina factory in Bosnia and sells alumina produced in the said factory.

The sales revenue in financial year 2008 increased in comparison with previous financial year 2007 LTL 10,8m or 2,6 percents. Services revenue in financial year 2008, in comparison with previous financial year 2007, increased 6.2 percents. Trade revenue in financial year 2008, in comparison with previous financial year 2007, increased 2,6 percents.

In the reporting period, there were slight changes in the customer geography. In comparison with previous financial year 2007, the sales increased to buyers from Romania, Poland and Switzerland. The company has new customers from Norway, Austria, Hungary but during the first half year has not sales to India and China.
The revenue and results of the business and geographic segments are provided in Tables:

- No 1 Income statement by business segments for the year 2008;
- No 2 Balance Sheet by business segments;
- No 3 Information on geographical segments for the year 2008;

Table No1. **Income statement by business segments for the year 2008**

No	Items	Services		Trade		Total	
		2008	2007	2008	2007	2008	2007
1	2	3	4	5	6	7	8
I.	SALES INCOME	1,960,131	1,878,662	426,191,731	415,501,977	428,151,862	417,380,639
II.	COST OF SALES			396,826,774	366,874,458	396,826,774	366,874,458

1	2	3	4	5	6	7	8
III.	GROSS PROFIT (LOSS)	1,960,131	1,878,662	29,364,957	48,627,519	31,325,088	50,506,181
IV.	OPERATING COSTS	2,136,919	1,883,257	21,695,927	45,910,729	23,835,897	47,793,986
V.	OPERATING PROFIT (LOSS)	- 141,788	-4,595	7,669,030	2,716,790	7,489,191	2,712,195
VI.	OTHER ACTIVITIES	64,535	213,438	-1,759	-13,232	65,827	200,206
VI.1	Income	99,535	231,213	1,292	2,327	100,827	233,540
VI.2	Expenses	35,000	17,775	3,051	15,559	35,000	33,334
VII.	FINANCING AND INVESTING ACTIVITIES	-5,595,377	-39,393	-7,407,169	-2,310,172	-13,002,546	2,349,565
VII.1	Income	53	2,077,062	2,135,587	4,817,413	2,135,640	6,894,475
VII.2	Expenses	5,595,430	2,116,455	9,542,756	7,127,585	15,138,186	9,244,040
IX.	PROFIT (LOSS) BEFORE TAX	-5,707,630	169,450	260,102	393,386	-5,447,528	562,836
X.	PROFIT TAX		73,832	25,118	111,372	25,118	185,204
XI.	NET PROFIT (LOSS)	-5,707,630	95,618	234,984	282,014	-5,472,646	377,632

Table No2. **Balance Sheet by business segments**

No	Items	Services		Trade		Total	
		2008	2007	2008	2007	2008	2007
I.	**ASSETS**	**24,980,079**	**30,909,499**	**115,984,260**	**166,784,297**	**140,964,339**	**197,693,796**
I.I	NON-CURRENT	10,359,727	10,582,658	93,435	147,585	10,453,162	10,730,243
I.I.1	Intangible	751	1,134	3	3	754	1,137
I.I.2	Tangible	2,322,884	2,555,553	93,432	147,582	2,416,316	2,703,135
I.I.3	Financial	8,036,092	8,025,971			8,036,092	8,025,971
I.I.4	Other						
I.2	CURRENT	14,620,352	20,326,841	115,890,825	166,636,712	130,511,177	186,963,553
II.	**LIABILITIES**	**302,672**	**859,819**	**129,310,763**	**180,010,427**	**129,613,435**	**180,870,246**
II.1	LOMG-TERM LIABILITIES			10,754,363		10,754,363	
II.2	SHORT-TERM LIABILITIES	302,672	859,819	118,556,400	180,010,427	118,859,072	180,870,246

Table No3. **Information on geographic segments for the year 2008**

Segments (regions)	**2008 m.**			**2007 m.**		
	Revenue	Expenses	Result of operations	Revenue	Expenses	Result of operations
Lithuania	2 262 010	2 384 917	- 122 907	1 878 662	1 998 639	-119 977
Poland	16 308 553	16 233 707	74 846	3 270 215	3 247 924	22 291
Switzerland	183 600 659	179 080 920	4 519 739	85 994 642	85 408 480	586 162
Bosnia	51 839 239	50 861 899	977 340	36 025 435	35 779 876	245 559
India				123 994 633	123 149 453	845 180
Romania	93 917 488	92 927 872	989 616	303 861	301 790	2 071
Slovenia	6 968 835	6 846 531	122 304	7 368 867	7 318 639	50 228
Check	2 885 575	2 819 440	66 135	3 281 022	3 258 658	22 364
Grees	106 173	105 758	415	326 577	324 351	2 226
British Virgin Islands				17 741 265	17 620 336	120 929
USA	36 841 884	35 801 455	1 040 429	78 703 849	78 167 383	536 466
Turkey	1 946 017	1 919 083	26 934	1 782 789	1 770 637	12 152
China				5 391 996	53 551 668	367 528
Austria	12 611 209	12 486 984	124 225			
Hungary	6 871 023	6 886 171	-15 148			
Norway	10 981 699	11 294 746	-313 047			
Italy	1 011 498	1 013 188	-1 690			
Other				2 780 626	2 770 610	19 016
All enterprises	428 151 862	420 662 671	7 489 191	417 380 639	414 668 444	2 712 195

4.19. Employees

At the end of the previous financial year the Company employed 55 persons. At the end of the year 2008 the Company employed 56 persons.

4.20. Amounts calculated to managers and related persons, other transferred assets and guarantees.

The managers of the company include: the general director of the parent company, the CEO, the branch director .

Indices	Financial year	Previous financial year	Closing balance of the financial year
1	2	3	4
A. Amounts calculated during the year linked with employment relations to:			
1. Managers	221,760	279,500	
2. Other connected persons	-		
B. Loans granted by the Company to:			
1. Managers	-	-	
2. Other connected persons	-	-	
C. Loans obtained from:			
1. Managers	-	-	
2. Other connected persons	-	-	
D. Assets transferred gratis and presents to:			
1. Managers			
2. Other connected persons	-	-	
E. Miscellaneous guarantees issued on behalf of the Company to:			
1. Managers	-	-	
2. Other connected persons			
F. Other material amounts calculated during a year to:			
1. Managers			
2. Other connected persons	-	-	
	-	-	
G. Other liabilities material to the Company of:			
1. Managers	-	-	
2. Other connected persons			
H. Assets sold to:			
1. Managers	-	-	
2. Other connected persons			
Average number of management personnel during the year	3	4	

4.21. Related legal persons

Information on transactions with related legal persons (in LTL) is provided in the table below:

Indices	2008	2007	Receivable amount or balance 31-12-2008	Payable amount or balance 31-12-2008
A. Total sales of goods or services, including:	510,008	490,689	91,766	
1. Key shareholders (corporate)				
2. Other enterprises	510,008	490,689	91,766	
B. Total purchase of goods or services, including:	102,803	1,205,927		10,385
1. Key shareholders (corporate)		18,270		
2. Other enterprises	102,803	1,187,657		10,385
C. Total received loans, including:	372,187,486	191,710,178		11,328,760
1. Key shareholders (corporate)				
2. Other enterprises	372,187,486	191,710,178		111,328,760

4.22. Nature of correct errors, amounts of corrections and comparative data
When financial statements are made, an error is considered material when it comes up to 0.5 percent of the sales revenue stated in the financial accounting. When the financial statements of 31-12-2008 were made, the corrected errors and amounts of corrections did not exceed the established limit.

4.23. Annual inventory
The annual inventory supporting the data of the financial statements of 31-12-2008 was completed as follows:

As per 31-10-2008: materials and fuel;
As per 30-11-2008: non-current tangible and intangible assets;
As per 31-12-2008: goods for resale, non-current assets, receivables and payable debts;
As per 31-12-2008: cash;
As per 31-12-2008: receivable and payable amounts, advance payments;
As per 31-12-2008: holiday reserve;
As per 31-12-2008: non-current and current financial assets.

4.24. Contingent liabilities
The Company does not have other significant contingent liabilities except for pledged assets and other obligations to bank, mentioned in note 4.12.
The Company rent land plot from the State. The annual rent free in 2008 amounted to 34 thousand Litas. The environmental obligations (cleaning, restoration, etc.) are incumbent on the rented state land.

4.25. Short summary of events after the balance sheet date
On 8 January 2009 the company board passed a resolution on purchasing real property in Balkan region. On 4 February 2009 the company was granted a licence for freight forwarding by railway within the Republic of Lithuania. Under a resolution of the company board, on 6 March 2009 a guarantee for the benefit of AB Šiaulių bankas was issued by pledging the shares held by the company, the market value whereof on the transaction date was LTL271.6 thousand.

Irena Keblerienė
Director General