



# **LIMARKO SHIPPING COMPANY**

AB Limarko Laivininkystés Kompanija

**Annual accounts  
for the year ended 31 December 2006**

## **Contents**

Company details	1
Management's statement on the annual financial statements	2
Independent auditor's report to the shareholders of Limarko Shipping Company AB	3
Income statement	5
Balance sheet	6
Statement of cash flows	7
Statement of changes in equity	8
Notes to the financial statements	9
Annual report of Limarko Shipping Company AB for 2006	30

## **Company details**

### **AB Limarko Laivininkystės Kompanija** **(hereinafter Limarko Shipping Company AB)**

Telephone +370 46 34 00 01

Telefax +370 46 34 11 95

Company code 1403 46648

Registered office: Naujoji Uosto str. 8, LT-92125 Klaipėda, Lietuva

### **Board of Directors**

V.Lygnugaris (Pirmininkas)

I.Uba

E.Bernotas

P. Lawrence

S.Baltuška

### **Management**

V.Lygnugaris (President)

### **Auditors**

KPMG Baltics, UAB

### **Banks**

AB SEB Vilniaus Bankas,

AB Bankas Hansabankas,

AB DnB NORD bankas,

Berenberg Bank.

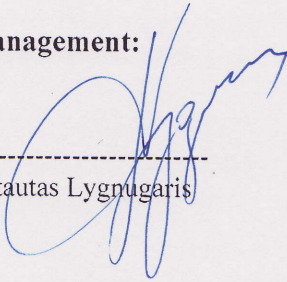
## **Management's statement on the annual financial statements**

The Management has today discussed and authorized for issue the annual financial statements and the annual report for issue and signed then on behalf of the Company.

The annual financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union. We consider that the accounting policies used are appropriate and that the annual financial statements give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union.

Klaipėda, 29 March 2007

**Management:**

  
-----  
Vytautas Lygnugaris



"KPMG Baltics", UAB Klaipėdos filialas  
Šaulių g. 19  
LT 92233 Klaipėda  
Lietuva/Lithuania

Telefonas +370 46 480012  
Telefaksas +370 46 480013  
El. paštas klaipeda@kpmg.lt  
Internetas www.kpmg.lt

## **Independent auditor's report to the shareholders of Limarko Shipping Company AB**

We have audited the accompanying financial statements of Limarko Shipping Company AB, which comprise the balance sheet as at 31 December 2006, and the income statement, the statement of changes in equity and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, set out on pages 5-29.

### **Management's responsibility for the financial statements**

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

### **Auditor's responsibility**

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

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

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

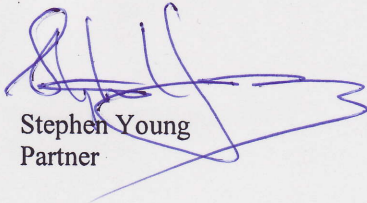
### **Opinion**

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


### **Report on legal and other regulatory requirements**

Furthermore, we have read the Annual Report for the year 2006 set out on pages 30-64 of the Annual Accounts and have not noted any material inconsistencies between the financial information included in it and the financial statements for the year ended 31 December 2006.

Klaipėda, 29 March 2007  
KPMG Baltics UAB



Stephen Young  
Partner



Rokas Kasperavičius  
Certified Auditor

## Income statement

### For the year ended 31 December 2006

In thousand of Lit	Note	2006	2005
Revenue	1	115 673	88 291
Cost of sales	2	-103 368	-65 332
<b>Gross profit</b>		<b>12 305</b>	<b>22 959</b>
Other operating income, net	3	4 837	6 704
Distribution expenses		-23	-160
Administrative expenses	4	-6 181	-6 368
<b>Operating profit before financing costs</b>		<b>10 938</b>	<b>23 135</b>
Financial income		5 769	240
Financial expenses		-4 996	-5 007
<b>Net financial costs/income</b>	5	<b>773</b>	<b>-4 767</b>
<b>Profit before tax</b>		<b>11 711</b>	<b>18 368</b>
Income tax expense	6	-2 110	-2 973
<b>Profit for the year</b>		<b>9 601</b>	<b>15 395</b>
Basic earnings per share (Lit)		0.09	0.14
Diluted earnings per share (Lit)		0.09	0.14

The notes set out on pages 9 to 29 form an integral part of these financial statements.

## Balance sheet

As at 31 December 2006

In thousand of Litass	Note	2006	2005
<b>Assets</b>			
Property, plant and equipment	7	186 009	145 899
Intangible assets	8	96	122
Other investments	9	331	331
Long term receivable		49	75
<b>Total non-current assets</b>		<b>186 485</b>	<b>146 427</b>
Inventories	10	3 464	3 008
Receivable	11	10 439	13 966
Cash and cash equivalents	12	7 804	5 576
<b>Total current assets</b>		<b>21 707</b>	<b>22 550</b>
<b>Total assets</b>		<b>208 192</b>	<b>168 977</b>
<b>Equity</b>			
Issued capital		109 451	109 451
Reserves		6 597	6 597
Retained earnings		(5 664)	(15 265)
<b>Total equity</b>	13	<b>110 384</b>	<b>100 783</b>
<b>Liabilities</b>			
Interest-bearing loans and borrowings	14	66 149	45 197
Deferred tax liabilities	15	6 400	6 198
<b>Total non-current liabilities</b>		<b>72 549</b>	<b>51 395</b>
Interest-bearing loans and borrowings	14	13 168	7 608
Trade and other payables	16	12 091	9 191
<b>Total current liabilities</b>		<b>25 259</b>	<b>16 799</b>
<b>Total liabilities</b>		<b>97 808</b>	<b>68 194</b>
<b>Total equity and liabilities</b>		<b>208 192</b>	<b>168 977</b>

The notes set out on pages 9 - 29 form an integral part of these financial statements.



## Statement of cash flows

For the year ended 31 December 2006

In thousand of Litass	Note	2006	2005
<b>Cash flows from operating activities</b>			
Profit before tax		11 711	18 368
Adjustments for:			
Depreciation	7	16 825	12 380
Amortization	8	66	55
Gain on sales of non-current assets	3	-4 520	-6 482
Written off non-current assets		7	4
Investment income	5	0	-22
Interest expense, net	5	4 635	1 544
<b>Net cash from ordinary activities before any changes in working capital</b>		<b>28 724</b>	<b>25 847</b>
Change in inventories		-456	-1 775
Change in debtors		3 553	-7 598
Change in trade and other payables		992	1 137
<b>Net cash generated from ordinary activities</b>		<b>32 813</b>	<b>17 610</b>
Net interests paid / received		-4 635	-1 344
<b>Net cash from operating activities</b>		<b>28 178</b>	<b>16 266</b>
<b>Cash flows from investing activities</b>			
Acquisition of tangible non-current assets	7	-61 502	-53 548
Acquisitions of intangible non-current assets	8	-40	-75
Proceeds from sale of tangible non-current assets	3	9 080	20 916
Dividends received		0	22
<b>Net cash from investing activities</b>		<b>-52 462</b>	<b>-32 684</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		46 949	38 499
Repayment of borrowings		-13 631	-28 740
Payment of finance lease liabilities		-71	-67
<b>Net cash from financing activities</b>		<b>33 247</b>	<b>9 692</b>
Effects of exchange rate changes on monetary items		-6 735	4 851
<b>Effects of exchange rate changes on monetary items</b>		<b>-6 735</b>	<b>4 851</b>
<b>Net decrease in cash and cash equivalents</b>		<b>2 228</b>	<b>-1 875</b>
<b>Cash and cash equivalents at 1 January</b>		<b>5 576</b>	<b>7 450</b>
<b>Cash and cash equivalents at 31 December</b>		<b>7 804</b>	<b>5 576</b>

The notes set out on pages 9 to 29 form an integral part of these financial statements

## Statement of changes in equity

In thousand of Litas	Note	Share capital	Legal reserve	Retained earnings	Total equity
At 1 January 2005		109 451	6 597	-30 660	85 388
Net profit for 2005				15 395	15 395
At 31 December 2005		109 451	6 597	-15 265	100 783
At 1 January 2006		109 451	6 597	-15 265	100 783
Net profit for 2006				9 601	9 601
At 31 December 2006	13	<b>109 451</b>	<b>6 597</b>	<b>-5 664</b>	<b>110 384</b>

The notes set out on pages 9 to 29 form an integral part of these financial statements.

## **Notes to the financial statements**

### **Significant accounting policies**

Limarko Shipping Company AB (the “Company”) is a company domiciled in Lithuania. The Company is involved in transportation of cargo by sea transport (vessels).

The major shareholder of the Company is UAB Limarko, a company incorporated in Lithuania, which owns 91.07% of the share capital. The ordinary shares of the company are listed on the Vilnius Stock Exchange.

The financial statements were authorised for issue by the directors on 29 March 2007.

### ***Statement of compliance***

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs), as adopted by the European Union.

### ***Basis of preparation***

The financial statements are presented in Litas, the legal currency of Lithuania and considered to be the functional currency of the company, and are prepared on the historical cost basis except for available-for-sale financial assets which are measured at fair value, from accounting records maintained in accordance with Lithuanian laws and regulations.

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the note on property, plant and equipment.

### ***Determination of fair values***

A number of the Company’s accounting policies and disclosures require determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

## **Notes to the financial statements**

### *Investments in debt and equity securities*

The fair value of available-for-sale financial assets is determined by reference to their quoted bid price at the reporting date, if available. If not available available-for-sale financial assets are carried at cost less impairment losses.

### *Trade and other receivables*

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

### *Derivative financial instruments*

The company does not use derivative financial instruments and hedge accounting.

### *Other financial instruments*

Loans and receivables are initially recognized at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. After initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment, if any. Short-term receivables are not discounted.

### *Foreign currency*

Transactions in foreign currencies are translated to Litas at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Litas at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

### *Property, plant and equipment*

Items of property, plant and equipment, including assets under finance lease terms, are stated at cost less accumulated depreciation and impairment losses. The cost of self-constructed assets includes the cost of materials, direct labor costs and an appropriate proportion of production overheads.

Leases under the terms of which the Company assumes substantially all the risks and rewards of the ownership are classified as finance leases. The owner-occupied property acquired by way of a finance lease is stated at the present value of the minimum lease payments at inception of the lease less accumulated depreciation and impairment losses.

## **Notes to the financial statements**

### **Significant accounting policies (continued)**

The Company recognises in the carrying amount of an item of tangible non-current assets the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Company and the costs of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

Costs incurred during regular inspections of vessels are recognised in the carrying amount of the vessels as a replacement. Any remaining carrying amount of the cost of previous inspection is derecognized.

Component accounting is not considered appropriate for vessels.

The base for depreciation property, plant and equipment is cost less expected residual value

Depreciation is charged to the income statement on own assets and assets leased under finance lease terms on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment until it reaches estimated residual value..

The estimated useful lives are as follows:

Land and buildings	11-44 years
Ships and other transport vehicles	4-16 years
Capitalised dry docking expenses	3 years
Other non-current assets	2-7 years

Useful lives, residual values and depreciation methods are reassessed annually.

### ***Leased assets***

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the lease asset is recognised an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the assets leased are not recognised in the Company's balance sheet.

When preparing the financial statements for 2005 the Company applied IFRIC 4 "Determination of lease elements in a transaction", which is obligatory for accounting periods as of 1 January 2006.

## **Notes to the financial statements**

### **Significant accounting policies (continued)**

#### ***Intangible assets***

Intangible assets that are acquired by the company and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged to the income statement on a straight-line basis over the estimated useful life of 3-4 years.

#### ***Investments***

Investments, held by the company are classified as being available-for-sale. Due to an inability to determine the fair value of investments, investments are stated at cost less impairment, if any.

#### ***Trade and other receivables***

Trade and other receivables are stated at their amortised cost less an allowance for estimated doubtful amounts.

#### ***Inventories***

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

#### ***Cash and cash equivalents***

Cash and cash equivalents comprise cash in hand and cash at bank, including call deposits.

#### ***Impairment***

Assets are reviewed for impairment whenever events or changes in circumstances indicate that carrying amount of an asset may not be recoverable.

## **Notes to the financial statements**

### **Significant accounting policies (continued)**

Whenever such indication exists or when it is required to test for impairment, the Company calculates the recoverable amount of the assets. The recoverable amount is the greater of the net selling price and the value in use. The recoverable amount is estimated for individual assets, except for cases when the asset does not generate any cash flows not dependent on other assets or asset groups. When the carrying amount of an asset exceeds its recoverable amount, the value of the asset is impaired and is decreased to its recoverable amount. In assessing the value in use, the estimated future cash flows are discounted to the present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised in the income statement under those costs items which are related to the activity of the impaired asset.

At each balance sheet date the Company estimates whether there is any indication that the previously recognised impairment no longer exists or is decreased. If such indication exists, a recoverable amount is estimated. Impairment losses recognised in prior years are reversed only upon the change of estimates which were used for determination of the recoverable amount, compared to the last recognition of the impairment. In this case the carrying amount of the asset is increased up to its recoverable amount. The increased value cannot exceed the recoverable amount after estimation of depreciation, which would have been if no impairment had been previously recognised. Such a reversal is recognised in the income statement unless the asset is accounted for at a revalued value and the reversal, in this case, would be recognised as an increase of revaluation. Subsequent to such reversal the depreciation rate (if such applied) is adjusted so that in the future the difference between the reversed carrying amount and the residual value would be distributed over the remaining useful lifetime of the asset.

### ***Dividends***

Dividends are recognised as a liability in the period in which they are declared.

### ***Provisions***

A provision is recognised in the balance sheet when the company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

### ***Interest-bearing borrowings***

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings using the effective interest rate method.

## **Notes to the financial statements**

### **Significant accounting policies (continued)**

#### ***Trade and other payables***

Trade and other payables are measured at amortized cost, if under short term then measured at cost.

#### ***Revenue***

Revenue from sales of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

Transfers of risks and rewards vary depending on the individual terms of the contract of sale.

Vessel charter contracts are recognized as turnover according to the percentage of completion method. The stage of completion is assessed by reference of surveys performed.

#### ***Cost of goods sold and services rendered***

Cost of sales include depreciation, wages and salaries and other operating costs incurred in order to obtain the turnover for the year.

Repair expenses of the vessels in connection with regular inspection are capitalised as a part of the asset concerned and amortised during the period of 3 years. Other repair and maintenance expenses of the vessels are recognised as expenses in the year they occur.

#### ***Distribution and administrative expenses***

Distribution and administrative expenses comprise expenses of administrative staff, management, office expenses, etc. including depreciation and amortisation.

#### ***Other operating income and charges***

Other operating income and charges comprise gains and losses from sale of vessels and other non-current assets and other items, which are not directly related to the primary activities of the company.

#### ***Financial income and expenses***

Financial income and expenses comprise interest receivable and payable, realised and unrealised exchange gains and losses regarding debtors and creditors denominated in foreign currencies.



## **Notes to the financial statements**

### **Significant accounting policies (continued)**

Interest income is recognised in the income statement as it accrues. The interest expense component of finance lease payments is recognised in the income statement using the effective interest rate method.

#### ***Income tax***

Income tax on the profit or loss for the year comprises current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year using applicable tax rates and calculated in accordance with Lithuanian tax legislation.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in a foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend is recognized.

#### ***Segment reporting***

A segment is a distinguishable component of the Company that is engaged either in providing 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.

#### ***Subsequent events***

Events subsequent to the year end that provide additional information about the Company's position at the balance sheet date (adjusting events) are reflected in the financial statements. Subsequent events that are not adjusting events are disclosed in the notes when material.

## **Notes to the financial statements**

### **Significant accounting policies (continued)**

#### ***New Standards and interpretations not yet adopted***

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

- IFRS 7 Financial Instruments: Disclosures and the Amendment to IAS 1 Presentation of Financial Statements: Capital Disclosures require extensive disclosures about the significance of financial instruments for an entity's financial position and performance, and qualitative and quantitative disclosures on the nature and extent of risks. IFRS 7 and amended IAS 1, which become mandatory for the Company's 2007 financial statements, will require extensive additional disclosures with respect to Company's financial instruments and share capital.
- IFRS 8 Operating Segments (effective from 1 January 2009). The Standard requires segment disclosure based on the components of the entity that management monitors in making decisions about operating matters. Operating segments are components of an entity about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The Company has not yet completed its analysis of the impact of the new Standard.
- IFRIC 7 Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies addresses the application of IAS 29 when an economy first becomes hyperinflationary and in particular the accounting for deferred tax. IFRIC 7, which becomes mandatory for the Group's 2007 financial statements, is not expected to have any impact on the consolidated financial statements.
- IFRIC 8 Scope of IFRS 2 Share-based Payment addresses the accounting for share-based payment transactions in which some or all of goods or services received cannot be specifically identified. IFRIC 8 will become mandatory for the Company's 2007 financial statements, with retrospective application required. IFRIC 8 is not relevant to the Company's operations as the Company has not entered into any share-based payment arrangements.
- IFRIC 9 Reassessment of Embedded Derivatives requires that a reassessment of whether embedded derivative should be separated from the underlying host contract should be made only when there are changes to the contract. IFRIC 9 becomes mandatory for the Company's 2007 financial statements, with retrospective application required. The Group has not yet determined the potential effect of the interpretation.
- IFRIC 10 Interim Financial Reporting and Impairment prohibits the reversal of an impairment loss recognised in a previous interim period in respect of goodwill, an investment in an equity instrument or a financial asset carried at cost. IFRIC 10 will become mandatory for the Company's 2007 financial statements, and will apply to goodwill, investments in equity instruments, and financial assets carried at cost prospectively from the date that the Group first applied the measurement criteria of IAS 36 and IAS 39 respectively (i.e., 1 January 2004). The adoption of IFRIC 10 is not expected to have any impact on the consolidated financial statements.

## **Notes to the financial statements**

### **Significant accounting policies (continued)**

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

## Notes to the financial statements

### 1. Revenue

In thousand of Litas	2006	2005
Pool operations	37 104	49 829
Voyage charter operations	68 960	31 570
Time charter operations	8 670	5 213
Demurrage	939	1 679
<b>Total revenue</b>	<b>115 673</b>	<b>88 291</b>

As at 31 December 2006 the Company owned 13 reefer ships, one container ship and chartered one dry cargo ship.

During the year 2006 the Company operated 8 ships in pool operations. One of these vessels was sold during 2006 (see note 7).

7 ships were chartered for separate voyages, including one vessel, which was chartered from a related company. 2 of these vessels were acquired during 2006.

Two ships were chartered according to time charter contracts – one during full year 2006, another for 5 months only.

### 2. Cost of sales

In thousand of Litas	2006	2005
Fuel	26 469	10 108
Crew costs	21 372	17 594
Depreciation	16 612	12 140
Repair and maintenance of vessels	14 484	8 908
Port dues	6 959	3 992
Insurance	5 638	4 134
Commissions	4 313	2 165
Lubricating oil	3 185	2 006
Other costs	4 336	4 285
	<b>103 368</b>	<b>65 332</b>

## Notes to the financial statements

### 3. Other operating income

In thousand of Litas	2006	2005
Revenue from sale of non-current assets	9 080	20 916
Cost of sold non-current assets	-4 560	-14 434
Net revenue from sale of non-currents assets	4 520	6 482
Other operating income, net	317	222
	<b>4 837</b>	<b>6 704</b>

During the year 2006 the Company sold one vessel and an administrative building.

### 4. Administrative expenses

In thousand of Litas	2006	2005
Staff costs	3 338	3 649
Business trips	427	375
Depreciation and amortization	279	295
Communication	279	208
Financial, legal advisory	238	266
Exploitation and maintenance of real estate	204	92
Learning/qualification improvement	193	205
Other costs	1 223	1 278
	<b>6 181</b>	<b>6 368</b>

### 5. Net financial costs / income

In thousand of Litas	2006	2005
Financial income		
Dividends received		22
Penalties	62	61
Interest	339	157
Currency exchange rate gain	5 368	0
Total financial income	5 769	240
Financial expenses		
Currency exchange rate loss	-4 974	-1 701
Interest	-22	-13
Other		-3 293
Total financial costs	-4 996	-5 007
	<b>773</b>	<b>-4 767</b>

## Notes to the financial statements

### 6. Income tax expense

#### *Recognised in the income statement*

In thousand of Litass	2006	2005
Current tax expense	-1 908	0
Deferred tax expense	-202	-2 973
Total income tax expense in income statement	<b>-2 110</b>	<b>-2 973</b>

Deferred tax liabilities arise due to a difference in the carrying amounts of property, plant and equipment for financial and tax purposes. Deferred tax assets arise due to the availability of taxable losses carried forward (see note 15).

#### *Reconciliation of effective tax rate*

In thousand of Litass	2006		2005	
Profit before taxation		11 711		18 368
Profit tax using tax rate defined by Profit tax law	19%	2 225	15%	2 755
Tax effect of non-deductable expenses	12%	1 384	6%	1 117
Tax effect of non-taxable income	-10%	-1 199	-6%	-1 014
Effect of tax rate change	-3%	-300	1%	115
		<b>2 110</b>		<b>2 973</b>

A new provisional Law on Social Tax came into effect, which will be valid only from 1 January 2006 to 31 December 2007. According to the law, social tax payers are defined as entities that are obliged to pay profit tax according to the Law of Profit Tax. The taxable base for this additional tax is taxable profit defined in the Law of Profit Tax. The tax rate is 4% in 2006 and 3% in 2007. In such a case, generally the taxable profit is subject to 19% rate for 2006 and shall be subject to 18% rate for 2007.

## Notes to the financial statements

### 7. Property, plant and equipment

In thousand of Litass	Land and buildings	Vessels and cars	Other assets	Under construction, advance payments	Total
<b>Cost</b>					
Balance at 1 January 2005	4 204	162 747	908	3 180	171 039
Acquisitions		53 425	123	0	53 548
Disposals		-26 413	-56	-3 180	-29 649
Balance at 31 December 2005	<u>4 204</u>	<u>189 759</u>	<u>975</u>	<u>0</u>	<u>194 938</u>
Balance at 1 January 2006	4 204	189 759	975	0	194 938
Acquisitions	400	57 819	175	3 108	61 502
Disposals	-1 706	-12 098	-152	0	-13 956
Balance at 31 December 2006	<u>2 898</u>	<u>235 480</u>	<u>998</u>	<u>3 108</u>	<u>242 484</u>
<b>Depreciation and impairment losses</b>					
Balance at 1 January 2005	1 487	49 793	589	0	51 869
Depreciation charge for the year	96	12 129	154	0	12 379
Disposals	0	-15 167	-42	0	-15 209
Balance at 31 December 2005	<u>1 583</u>	<u>46 755</u>	<u>701</u>	<u>0</u>	<u>49 039</u>
Balance at 1 January 2006	1 583	46 755	701	0	49 039
Depreciation charge for the year	93	16 573	159	0	16 825
Disposals	-759	-8 485	-145	0	-9 389
Balance at 31 December 2006	<u>917</u>	<u>54 843</u>	<u>715</u>	<u>0</u>	<u>56 475</u>
<b>Carrying amounts</b>					
At 1 January 2005	2 717	112 954	319	3 180	119 170
At 31 December 2005	<u>2 621</u>	<u>143 004</u>	<u>274</u>	<u>0</u>	<u>145 899</u>
At 1 January 2006	2 621	143 004	274	0	145 899
At 31 December 2006	<u>1 981</u>	<u>180 637</u>	<u>283</u>	<u>3 108</u>	<u>186 009</u>

In column Under construction, advance payments reflects the 3 180 tLTL advance payment for acquired ship in 2007

#### **Security**

As at 31 December 2006, ships with the carrying amount of 132 749 tLTL are pledged to secure bank loans (see note 14).

#### **Leased transport vehicles**

The Company leases several transport vehicles under finance lease agreements. At 31 December 2006, the net book value of the leased assets was 5 tLTL (2005: 77 tLTL). Lease obligations are secured by the leased assets (see Note 14).

#### **Depreciation**

Depreciation is recognised in the following line items in the income statement:

In thousand of Litass	2006	2005
Cost of sales	16 612	12 140
Other operating expenses	213	239
	<u>16 825</u>	<u>12 379</u>

## Notes to the financial statements

### 8. Intangible assets

In thousand of Litas	Software	Total
<b>Cost</b>		
Balance at 1 January 2005	135	135
Acquisitions	75	75
Balance at 31 December 2005	210	210
Balance at 1 January 2006	210	210
Acquisitions	40	40
Disposals	-3	-3
Balance at 31 December 2006	247	247
<b>Amortisation and impairment losses</b>		
Balance at 1 January 2005	33	33
Amortisation for the year	55	55
Balance at 31 December 2005	88	88
Balance at 1 January 2006	88	88
Amortisation for the year	66	66
Disposals	-3	-3
Balance at 31 December 2006	151	151
<b>Carrying amounts</b>		
At 1 January 2005	102	102
At 31 December 2005	122	122
At 1 January 2006	122	122
At 31 December 2006	96	96

### 9. Investments

In thousand of Litas	2006	2005
Available-for-sale investments	331	331
	<b>331</b>	<b>331</b>

Available-for-sale investments include 20% of the shares of Alpha Reefer Transport GmbH. Alpha Reefer Transport GmbH is the company, through which Limarko Shipping Company AB earns pool revenue.

Although the Company has 20% investment in Alpha Reefer Transport GmbH, it does not have representation in the Board and management and, therefore, does not exercise significant influence. Accordingly, it is not treated as an associated entity under IFRS.



## Notes to the financial statements

### 10. Inventories

In thousand of Litas	2006	2005
Raw materials and consumables	191	70
Fuel	2 472	2 202
Lubricating oil	871	806
	<b>3 534</b>	<b>3 078</b>
Allowance for slow moving inventory	-70	-70
	<b>3 464</b>	<b>3 008</b>

### 11. Receivable

In thousand of Litas	2006	2005
Trade receivable	7 240	6 083
Prepayments	310	5 347
Deferred expenses	2 482	2 286
Other receivable	407	250
	<b>10 439</b>	<b>13 966</b>

The majority of deferred expenses comprise prepaid insurance expenses.

### 12. Cash and cash equivalents

In thousand of Litas	2006	2005
Bank balances	7 723	5 524
Cash in hand	81	52
	<b>7 804</b>	<b>5 576</b>

As at 31 December 2006 the Company has 2 904 thousand USD in the current account and as cash in hand.

## Notes to the financial statements

### 13. Share capital

As at 31 December 2006, the authorised share capital, issued and fully paid, comprised 109 450 664 ordinary shares at a par value of Litas 1 each.

Holders of ordinary shares are entitled to one vote per share in the meeting of the Company and are entitled to receive dividends as declared from time to time and to residual assets.

The shareholders at the balance sheet date were as follows:

	<b>Paprastosis akcijos</b>	<b>Nuosavybė</b>
UAB Limarko	99 671 379	91%
Other minority shareholders	9 779 285	9%
	<b>109 450 664</b>	<b>100%</b>

The shares are listed in Vilnius Stock Exchange.

### *Legal reserves*

Under Lithuanian legislation, an annual allocation to the legal reserve should amount to at least 5% of the net profit until the reserve makes up 10% of the share capital. The reserve cannot be distributed.

### *Earnings per share*

Basic earnings per share are calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year:

	<b>2006</b>	<b>2005</b>
Average weighted number of shares in issue	109 450 664	109 450 604
Net result for the year, in thousand Litas	9 601	15 395
Earning per share, in Litas	0.09	0.14

The Company has no convertible shares or diluted potential shares and, therefore, basic and diluted earnings per share are the same.

## Notes to the financial statements

### 14. Interest-bearing loans and borrowings

The company's interest-bearing loans and borrowings are as follows:

Lending institution	Ref	Principal amount	Balance 2006 12 31	Balance 2005 12 31
AB "SEBVilniaus bankas"	a)	5 600 tUSD	10 521	13 969
AB "SEBVilniaus bankas"	b)	6 000 tEUR	18 127	20 717
AB "SEBVilniaus bankas"	c)	6 200 tUSD	13 941	18 043
AB "Hansabankas"	d)	16 281 tUSD	36 723	
"Nordea Finance Leasing"	e)		5	76
Total liabilities			79 317	52 805
Less: current portion			-13 168	-7 608
<b>Total long term portion of net liabilities</b>			<b>66 149</b>	<b>45 197</b>

Interest rates for the loans are variable and relate to LIBOR, varying from LIBOR+0.8% to LIBOR+1.35%.

a) The loan was received to finance the acquisition of the vessel "Andromeda". The loan should be repaid by 31 December 2011 in quarterly payments. The loan is secured by pledging the vessel "Andromeda".

b) The loan was received to finance the acquisition of the vessel "Serenada". The loan should be repaid by 11 August 2012 in quarterly payments. The loan is secured by pledging the vessel "Serenada".

c) The loan was received to finance the acquisition of the vessel "Libra". The loan should be repaid by 23 October 2012 in quarterly payments. The loan is secured by pledging the vessel "Libra".

d) The loan was received to finance the acquisition of the vessels "Pluto" and "Uranus". The loan should be repaid by 3 January 2013 in quarterly payments. The loan is secured by pledging the vessels "Pluto", "Uranus" and "Astra".

e) Liabilities to Nordea Finance Leasing comprise leasing of one transport vehicle.

The effective interest rate for the period was between 4% and 6% per annum.

## Notes to the financial statements

### *Finance lease liabilities*

Finance lease liabilities are payable as follows:

In thousands of Litas	Minimum lease payments	Interest	Principal	Minimum lease payments	Interest	Principal
	2006	2006	2006	2005	2005	2005
Less than one year	5	0	5	72	1	71
Between one and five years				5	0	5
More than five years						
<b>TOTAL</b>	<b>5</b>	<b>0</b>	<b>5</b>	<b>77</b>	<b>1</b>	<b>76</b>

Terms of the lease agreements do not include any contingent rent payment.

## 15. Deferred tax assets and liabilities

### *Deferred tax assets and liabilities*

Deferred tax assets and liabilities are attributable to the following items calculated at a rate of 18% (2005 : 19%):

In thousand of Litas	Assets		Liabilities		Net	
	2006	2005	2006	2005	2006	2005
Property, plant and equipment	0	0	6 505	6 794	6 505	6 794
Tax value of tax loss carry-forwards recognised	0	-583	0	0	0	-583
Provisions	-105	-13	0	0	-105	-13
Tax (assets) / liabilities	<b>-105</b>	<b>-596</b>	<b>6 505</b>	<b>6 794</b>	<b>6 400</b>	<b>6 198</b>

The difference in tax and financial values of property plant and equipment arose due to faster depreciation for tax purposes. Moreover, dry docking repair costs are capitalised and depreciated over a period of 3 years in the financial statements. However, for calculation of the taxable income the dry docking costs are expensed in the period of acquisition.

## 16. Trade and other payables

In thousand of Litas	2006	2005
Trade payable	6 046	6 105
Amounts received in advance	924	0
Remuneration payable	3 177	2 499
Other payable	1 944	587
	<b>12 091</b>	<b>9 191</b>

## Notes to the financial statements

### 17. Financial instruments

Exposure to credit, interest rate and currency risks arises in the normal course of the company's business.

#### *Credit risk*

Management has a credit policy in place, and the exposure to credit risk is monitored on an ongoing basis. At the balance sheet date, there were no significant concentrations of credit risk.

#### *Foreign exchange risk*

The Company is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than Litas or euro (Lithuanian Litas is linked to euro at a fixed rate equal 3.4528 LTL / EUR).

As at 31 December 2006, the Company held the following position in foreign currencies:

	USD	RUB	EUR	GBP	DKK	JPY	SEK	ZAR	NOK	SGD	LTL
Prepayments	10 000	610 000	19 167			2 967 985					90 835
Trade amounts receivable	2 660 129		67 438								9 866
Other amounts receivable	48 109		22 010	42							146 460
Current account	2 895 167		6 521								84 879
Cash	8 723		7 320								32 696
Financial liabilities	-23 262 773		-5 250 000								
Trade payables	-1 240 954		-530 249	-18 234	-41 653	-8 088 106	-60 419	-304 714	-4 305	-9 273	-521 320
Amounts received in advance	-325 967		-19 156								
	<u>-19 207 567</u>	<u>610 000</u>	<u>-5 676 949</u>	<u>-18 192</u>	<u>-41 653</u>	<u>-5 120 121</u>	<u>-60 419</u>	<u>-304 714</u>	<u>-4 305</u>	<u>-9 273</u>	<u>-156 585</u>

The position in foreign currencies is translated into Litas at the exchange rate ruling at the balance sheet date.

#### *Interest rate risk*

Company's financial liabilities are subject to variable interest rates, related to LIBOR varying from LIBOR+0.8% to LIBOR+1.35%.

### 18. Contingencies and capital commitments

At 27 December 2006, at the Extraordinary General Meeting the shareholders of Limarko laivininkystės kompanija decided to approve the purchase of bareboat chartered motor vessel "Siuita". The purchase agreement was concluded on 22 March 2007.

## Notes to the financial statements

### 19. Related parties

Limarko Shipping Company AB is a subsidiary of UAB Limarko, which owns 91.07% of the share capital.

UAB Limarko Jūrų Agentūra is a subsidiary of UAB Limarko too.

Related party transactions are as follows:

In thousand of Litas	31 December 2006			31 December 2005		
	Receivable	Payable	Advance payment	Receivable	Payable	Advance payment
UAB "Limarko"	0	37	3 108	0	0	0
UAB "Limarko jūrų agentūra"	0		0	0	0	0
	<b>0</b>	<b>37</b>	<b>3 108</b>	<b>0</b>	<b>0</b>	<b>0</b>

In thousand of Litas	Year 2006		Year 2005	
	Sales	Purchases	Sales	Purchases
UAB "Limarko"	1	4 804	629	5 232
UAB "Limarko jūrų agentūra"	16	266		
	<b>17</b>	<b>5 070</b>	<b>629</b>	<b>5 232</b>

Remuneration to management is included in "staff costs" of administrative expenses (see note 4):

In thousand of Litas	2006	2005
Management remuneration	1 056	1 189
	<b>1 056</b>	<b>1 189</b>

Loans outstanding, granted to the management, are recorded as long-term receivable and are as follows:

In thousand of Litas	2006	2005
Loans to management	49	75
	<b>49</b>	<b>75</b>

All related party transactions are carried out on an arm's-length basis.

### 20. Subsequent events

On 9<sup>th</sup> of February 2007 Limarko Shipping Company AB has completed the purchase of the m/v Capella. The vessel was built in Japan in 1993. Its maximum performing speed is 18 knots, 134 m in length vessel and is capable of carrying 3,450 standard euro-pallets. The m/v Capella can carry fruits, vegetables, frozen or perishable food products.

The acquisition of the vessel was financed by AB Bankas Hansabankas. The loan amounts to 11 284 tUSD and should be repaid by 31 December 2013.

## **Notes to the financial statements**

### **21. Segment reporting**

The Company operates exclusively in the international shipping market and accordingly neither geographical or business segment reporting is appropriate. Revenue from reefer vessels comprises more than 91,5% of the total revenue in 2006. The revenue split is presented in note 1.



# LIMARKO LAIVININKYSTĖS KOMPANIJA

## Annual Report for the year 2006



## **1. The reporting cycle for which the annual report was drawn up**

The annual report was drawn up for the year 2006; all numbers were presented as of 31 December 2006, unless otherwise indicated. In the report AB "Limarko Shipping Company" may be designated as Enterprise, Company or Issuer.

## **2. Issuer and its contact information**

Issuer name:	AB "Limarko Shipping Company"
Legal and organizational form:	Public Limited Liability Company
Authorized capital:	109,450,664 LTL
Date and place of registration:	9 September 1991, Board of Klaipėda City
Registration certificate:	No. AB 95 - 114
Company code:	140346648
VAT payer's code:	LT403466412
Enterprise register:	Register of Legal Persons of the Republic of Lithuania
Office address:	Naujoji Uosto str. 8, LT-92125 Klaipėda, Lithuania
Telephone number:	8 46 340001
Fax number:	8 46 341195
E-mail address:	<a href="mailto:info@limarkoshipco.lt">info@limarkoshipco.lt</a>
Website address:	<a href="http://www.limarko.lt">www.limarko.lt</a>

## **3. The Nature of the Issuer's Main Activity**

The main activity of AB "Limarko Shipping Company" is transportation of cargo by water (sea) transport. In previous years the Company was mainly operating in the market of frozen sea cargo transportation. On 17 November 2004 the General Shareholders Meeting resolved to expand the fleet by acquiring dry-cargo vessels. The main activity of AB "Limarko Shipping Company" became split into two fields: transportation of frozen and dry sea cargo.

The Company may engage in other activities provided for in the Articles of Association.

## **4. Agreements with Intermediaries of Public Trading in Securities**

On 29 April 2003 the Company signed the Issuer's Service Agreement with the bank AB SEB "Vilniaus bankas", represented by the Department of Finance Markets, located at the address Gedimino pr. 12, Vilnius, tel. (8 5) 268 2687, fax (8 5) 262 6043.

## **5. Information about trading in the Issuer's securities on regulated markets**

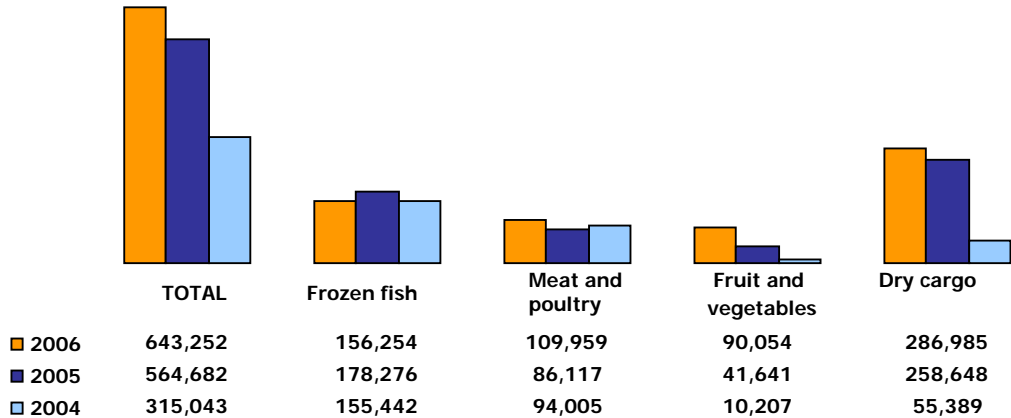
On 22 May 2000 the Issuer's shares were admitted to the lists of Vilnius Stock Exchange. Presently the VSE Current List of trading contains 109,450,664 ordinary registered shares of AB "Limarko Shipping Company" at par value of one LTL each. The ISIN code of these securities is LT0000119646.

## **6. The objective review of the Company's state, activity performance and development; the description of the main risk types and uncertainties encountered by the enterprise**

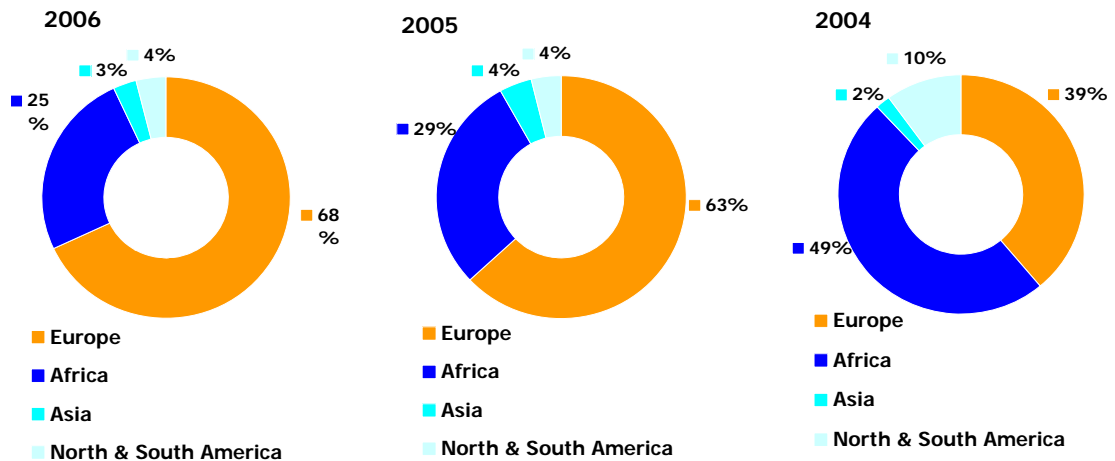
On 31 December 2006 the Enterprise's fleet consisted of 13 own reefer-vessels, one container vessel "Serenada" and a chartered dry-cargo vessel.

In January 2006 AB "Limarko Shipping Company" acquired two sister motor vessels "Pluto" and "Uranus", and sold motor vessel "Orionas" in summer. In 2006 total investments in the modernization of the fleet exceeded the level 57 million LTL.

In 2006 AB “Limarko Shipping Company” had transported 643 thousand tons of cargo in total, whereof 55 percent were accounted for by frozen or chilled food products, and the remaining 45 percent were accounted for by dry cargo. On the year over year basis the amount of cargoes transported by the Enterprise had increased by 14 percent:



The main operation regions of the vessels controlled by the Company remain the continents of Europe and Africa, which respectively accounted for 68 and 25 percent of all transported cargoes. Transportations in the region of North and South America constituted 4 percent, while in Asia 3 percent of all transportations:



In the spring of 2006 in the United Kingdom there was founded the company “Limarko UK Limited”. Its objective is to increase the sales and further strengthen the Enterprise’s positions in the reefer market.

Risk factors related to the Issuer's activity:

Economic risk factors. The vessels of AB "Limarko Shipping Company" are operating in the international market of sea cargo transportation, and the quality of its rendered services conforms to the international requirements. Upon evaluation of the Enterprise's competitiveness it may be asserted that the potential of employees and vessels in possession allow at present to successfully operate in this market; nevertheless, in order to maintain the competitiveness of our services in the future, it is indispensable to pay attention to the renewal of the fleet, the implementation of which is sought by selling old vessels that require large operation costs and by acquiring newer ones.

The Enterprise's services realization volume depends on the situation in the international market. It is not dependant on monopoly consumers.

Procurement opportunities – of raw materials, consumables, manufacturing areas, workforce and financial resources – are unlimited. Raw materials and services are bought from diverse suppliers; consequently, the Company is not dependant on particular suppliers.

In the market of frozen cargo transportation there exists the influence of seasonality, which manifests itself in the decrease of transportation prices in the summer season.

Political risk factors. The main political risk factor is the frequent alteration of laws and other normative acts effective in the Republic of Lithuania that regulate the commercial and economic activity of enterprises. This hampers the planning of a long-term company activity strategy. This factor is characteristic of the activity of practically all enterprises in Lithuania.

A positive factor is the fact that according to the nature of its activity the Company's relations with companies from other countries are also regulated by the norms of the international maritime law, which are stable.

Although in the year 2006 the European Commission permitted Lithuania to use the privilege of replacing the profit tax of shipping enterprises by a tonnage tax for ten years period, however, no law amendments confirming the same have been adopted. There is an expectation that amendments to the Law on Profit Tax will be adopted and shall come into force and effect retroactively from the beginning of January 2007. Then, already for the year 2007 shipping enterprises could pay a tonnage tax.

Social risk factors. The average salary in the Enterprise exceeds the average salary in Lithuania, and there are no problems concerning the payment thereof. Part of the Enterprise's employees belongs to the trade-union of AB "Limarko Shipping Company".

Technical-technological risk factors. The technical condition of the Enterprise's vessels is supervised by classification companies authorized by the national supervisory authority in charge of the technical condition of vessels. These companies certify that vessels conform to the international standards for the technical condition of vessels, that they may be operated and that no obstacles are applied to them in ports. The Enterprise's vessels undergo scheduled maintenance works, as well as dock repair works every 2-3 years in ship-repair enterprises in Lithuania and abroad.

Ecological risk factors. According to the nature of its activity, the Company releases no pollution into the environment; therefore, no fines for environment pollution had to be paid. There is no possibility of suspending the Company's activity due to the negative impact on the environment.

The main ecological risk factor is related to the operation of the Company's vessels – there exists a possibility that the negative impact on the environment may be done in the case of a vessel's incident. However, the Company's vessels are insured in respect of incidents and consequences thereof, so in these cases the damage to the environment would be indemnified and fines would be paid by the insurance company, and such incidents and consequences thereof would have no impact on the Company's financial status.

## 7. Analysis of financial and non-financial activity results

In the year 2006 the turnover of AB "Limarko Shipping Company" amounted to 115.7 million LTL and was by 31 percent larger than in the year 2005, when the Enterprise's turnover was 88.3 million LTL. The Enterprise's net profit in the year 2006 amounted to 9.6 million LTL.

The main financial results of AB "Limarko Shipping Company":

LTL	2006	2005
Income	115,673,241	88,290,584
EBITDA	22,991,925	28,865,526
<i>EBITDA margin</i>	<i>19.9%</i>	<i>32.7%</i>
EBIT	6,101,325	16,430,932
<i>EBIT margin</i>	<i>5.3%</i>	<i>18.6%</i>
Net profit (loss)	9,601,256	15,395,273
<i>Net profit (loss) margin</i>	<i>8.3%</i>	<i>17.4%</i>
Equity	110,384,776	100,783,519
Financial debts	79,317,601	52,805,061
Total assets	208,191,933	168,977,753
Efficiency indicators:		
Return on assets, ROA	4.6%	9.1%
Return on equity, ROE	8.7%	15.3%
Return on investment/Return on capital employed, ROCE	5.1%	10.0%

Although in the year 2006 the Company's income increased by 31 percent, still its activity, like that of all other shipping enterprises operating in the transportation market, was negatively influenced by high fuel prices and weak US dollar. These causes as well as the scheduled maintenance works of the majority of the fleet during the year 2006 had influence over the Company's profitability indicators. On the other hand, fuel prices that decreased at the end of 2006, favourable natural conditions and positive trends in the market at the beginning of the current year allow for a positive evaluation of the year 2007.

Total investments in the modernization of the fleet in 2006 exceeded the level of 57 million LTL. The Enterprise is planning investments in the vessels in accordance with the long-term company fleet renewal and expansion strategy, covering the period up to the year 2010. Concrete decisions depend on the situation in the world market. Currently in the global market of frozen cargo transportation there prevail favourable trends for vessel owners. The market of fruit, vegetables, frozen and chilled food products transportation is growing every year by 4 percent on the average, while the number of reefer vessels operating in the international market practically is not changing.

Market experts forecast that this ratio between the demand and supply of reefer vessels that is favourable for vessel owners will remain in the proximate years.

On 31-12-2006 the Company employed 430 employees, whereof 390 worked in the fleet and 40 in the administration.

In implementing the human resources policy, the Company is seeking to continuously enhance the qualification of the Company employees. The Company employees participated in intensive English courses organized by the Lithuanian Ship Owners Association – the implementation of the project “Qualification and Skills Improvement for Employees of Members of the Lithuanian Ship Owners Association” was completed. During the project 170 employees of Limarko Group participated in English courses.

In the year 2006 the Enterprise had further carried on an active social activity. For the second year in turn it supported the participation of the yacht “Lietuva” in the regatta “The Tall Ships’ Races”. It traditionally sponsored Klaipėda Sea Festival, Klaipėda Rowing Sport Centre, Lithuanian State Symphony Orchestra, and Klaipėda Castle Jazz Festival. By being a socially responsible Company, AB “Limarko Shipping Company” rendered assistance to Juozas Karosas Music School, to Liudvikas Stulpinas Basic School and to the community of large families.

## **8. References and additional explanatory notes regarding the data presented in the annual financial accountability**

All financial data provided in this annual report are calculated according to the International Financial Accountability Standards and audited, unless indicated otherwise.

The Company’s auditor – UAB “KPMG Baltics”.

## **9. Information about own shares acquired and owned by the enterprise**

During the reporting cycle the Company had acquired none of its own shares.

## **10. Material events since the close of the previous financial year**

On 9 February 2007 AB “Limarko Shipping Company” acquired motor vessel “Capella”. The motor vessel was built in 1993 in Japan. The maximum vessel speed is 18 knots. The vessel of 134 metres in length is designed for carriage of 3,450 standard Europalettes. Motor vessel “Capella” may carry fruit, vegetables, frozen or perishable food products (meat, fish). After completing the vessel acquisition deal, the total capacity of the refrigerators controlled by the Enterprise has increased by the tenth and now amounts to 4 million cubic feet.

## **11. Plans and forecast for the enterprise’s activity**

Considering the trends in the international market, in the year 2007 the Company is planning to earn about 12 million LTL of pre-tax profit and reach the turnover of 140 million LTL.

In the year 2007 approximately 70 million LTL are intended to be invested in the modernization of the fleet. In February of the current year the motor vessel “Capella” was already acquired. Given favourable conditions for the acquisition of vessels as well as an optimum ratio between the price and the quality, it is planned to acquire one more reefer-vessel and one dry-cargo vessel or a container vessel during this year.

## 12. The Issuer's Authorized Capital Structure

On 31 December 2006 the Enterprise's authorized capital constituted 109,450,664 ordinary registered shares at the par value of 1 LTL each.

The company shareholders have the following property rights:

- 1) To receive a share of the Company's profit (dividend);
- 2) To receive a share of assets of the Company under liquidation;
- 3) To obtain shares gratuitously if the authorized capital is being increased from the Company's funds, excluding exceptions established by the Law on Companies;
- 4) To acquire, with the right of priority, any shares issued by the Company or convertible bonds, unless the General Meeting resolves to revoke this right for all shareholders;
- 5) To devise all or part of shares to one or more persons;
- 6) To assign all or part of shares to other persons by the right of ownership;
- 7) To lend money in favour of the Company;
- 8) Other property rights established by the Company's Articles of Association.

The company shareholders have the following non-property rights:

- 1) To participate in General Shareholders Meetings;
- 2) To obtain all information regarding the Company's economic activity;
- 3) To appeal to a court against the decisions or actions taken by the General Meeting, the Board or the head of the administration. One or more shareholders are entitled, without a separate authority, to claim the indemnification of damage caused to the shareholders;
- 4) To conclude an agreement with an auditing firm for the inspection of the Company's activity and documentation;
- 5) Other non-property rights established by the laws and the Company's Articles of Association.

The structure of the authorized capital of AB "Limarko Shipping Company" according to the types of shares:

Type of shares	Number of shares	Par value	General Nominal value	Portion in authorized capital
Ordinary registered shares	109,450,664	1 LTL	109,450,664	100%

**All shares of AB "Limarko Shipping Company" are paid-up.**

## 13. Restrictions on assignment of securities

N/A.

## 14. Shareholders

The total number of shareholders of AB "Limarko Shipping Company" on 31 December 2006 was 460.

Shareholders who on 31 December 2006 owned more than 5% of the Company's authorized capital:

Shareholder's name, surname (enterprise name, form, office address, enterprise register code)	Number (units) of shares belonging to shareholders by the right of ownership	Owned portion of the authorized capital	Portion of votes granted by shares belonging by the right of ownership	Portion of votes belonging to a shareholder jointly with associated persons
UAB "Limarko" (Naujoji Uosto str. 8, Klaipėda, enterprise code 4076537)	99,671,379	91.07%	91.07%	91.07%
Skandinaviska Enskilda Banken (Sergels Torg 2, 10640 Stockholm, code 502032908101)	6,327,335	5.78%	5.78%	5.78%

**15. Shareholders having special control rights & Description of such rights**

N/A.

**16. All restrictions on voting rights**

N/A.

**17. All mutual agreements by shareholders, of which the Issuer is aware and due to which the assignment of securities and (or) voting rights may be restricted**

N/A.

**18. Employees**

	2006	2005
<b>Average number of employees:</b>	<b>428</b>	<b>400</b>
Managing personnel	6	6
On-shore employees	32	32
Seamen	390	362
<b>Education:</b>		
Higher	94	87
Special secondary (advanced vocational)	174	160
Secondary	160	165
<b>Average gross salary:</b>		
Managing personnel	14,664 LTL	16,509 LTL
On-shore employees	3,824 LTL	3,948 LTL
Seamen (with daily allowance)	3,893 LTL	3,556 LTL

## Notes to the financial statements

### 19. Procedure for the amendment of the Issuer's Articles of Association

The Law on Companies of the Republic of Lithuania establishes that the amendment of the Articles of Association is an exclusive right of the General Shareholders Meeting.

The Company's Articles of Association stipulate that a decision concerning the amendment of the Articles of Association shall be taken by the majority, i.e. 2/3 of all votes cast by the shareholders entitled to vote and participating in the meeting.

### 20. Issuer's bodies

The Company's Articles of Association determine that the Company's bodies are the General Meeting, the Board and the Head of the Administration.

The Articles of Association state that the competence of the General Meeting is established by the Law on Companies.

The Company's Board is the Company's management body, comprised of 5 members, elected in the order established by the Law on Companies for the term of four years. The Board members shall be recalled in the order established by the Law on Companies.

The Company's Articles of Association establish that the Board solves the main production, organizational, financial and economic matters of the Company, analyzes and appropates the activity strategy, the application of financial resources, approves the Company's organizational and management structure, elects and recalls the head of the administration and the chief finance officer as well as performs other functions established by the Law on Companies.

The head of the administration – the president – is elected and recalled by the Board in the order established by the Law on Companies. The competence of the head of the administration is established by the Law on Companies - the head of the administration is responsible for the organization of the Company's activity, the implementation of its goals, is entitled to conclude deals in his sole discretion, excluding the cases established by the Law on Companies when the decision regarding the deal is to be adopted by the Board. While performing his activity, the head of the administration shall follow the decisions of the General Meeting and the Board.

### 21. Members of collegial bodies, the Company's chief executive officer, the chief finance officer

Personal status	Name, surname	Number of shares owned by the Issuer	Start date	End date
<b>Board:</b>				
Chairperson of the Board	Vytautas Lygnugaris	-	21-05-2003	21-05-2007
Board member	Igoris Uba	-	21-05-2003	21-05-2007
Board member	Sigitas Baltuška	-	25-07-2005	21-05-2007
Board member	Egidijus Bernotas	-	07-07-2004	21-05-2007
Board member	Paul Lawrence	-	27-12-2006	21-05-2007
<b>Head of administration and Director for Finance:</b>				
President	Vytautas Lygnugaris	-	07-10-2003	-
Director for Finance	Renaldas Vyšniauskas	-	17-02-2004	-



## **Notes to the financial statements**

### **22. Information on compliance with the corporate governance code**

In accordance with Article 21, part 3, of the Law on Securities of the Republic of Lithuania and Clause 20.5 of the Trading Rules of Public Limited Liability Company “Vilnius Stock Exchange”, Public limited liability company “*Limarko Shipping Company*” shall disclose how it complies with the governance code of companies whose securities are traded on a regulated market and its specific provisions. The information is provided in Annex 1 to this Annual report.

### **23. Data on published information**

In the year 2006 the Issuer published the following notices on material events:

- 01-02-2006 The sales of AB “Limarko Shipping Company” in the year 2005
- 23-02-2006 The activity result of AB “Limarko Shipping Company” in the year 2005
- 23-03-2006 General Shareholders Meeting
- 27-04-2006 Activity Results for the first quarter of 2006
- 28-04-2006 Decisions of the General Shareholders Meeting
- 31-07-2006 The Result for the first half-year of 2006
- 30-10-2006 The Result for the three-quarters of 2006
- 27-11-2006 General Shareholders Meeting
- 30-11-2006 Correction of the Activity Forecast for the year 2006
- 15-12-2006 Amendment to the Agenda of the Extraordinary General Shareholders Meeting
- 15-12-2006 Draft resolutions of the Extraordinary General Shareholders Meeting
- 27-12-2006 Decisions of the Extraordinary General Shareholders Meeting

All information concerning material events publicly announced in 2006 is available for familiarization at the office of AB “Limarko Shipping Company” at the address: Naujoji Uosto str. 8, Klaipėda, and on the Company’s website [www.limarko.lt](http://www.limarko.lt).

All material events related to the Company’s activity and information about the time and place of the General Shareholders Meeting and other notices to be served to the shareholders and other persons were published in Lithuanian daily newspaper “Lietuvos rytas” in the order established by the laws of the Republic of Lithuania.

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

The public company „Limarko laivininkystės kompanija“, following Article 21 paragraph 3 of the Law on Securities of the Republic of Lithuania and item 20.5 of the Trading Rules of the Vilnius Stock Exchange, discloses its compliance with the Governance Code, approved by the VSE for the companies listed on the regulated market, and its specific provisions. In the event of non-compliance with the Code or with certain provisions thereof, it must be specified which provisions are not complied with and the reasons of non-compliance.

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
<p><b>Principle I: Basic Provisions</b></p> <p><b>The overriding objective of a company should be to operate in common interests of all the shareholders by optimizing over time shareholder value.</b></p>		
<p>1.1. A company should adopt and make public the company's development strategy and objectives by clearly declaring how the company intends to meet the interests of its shareholders and optimize shareholder value.</p>	<p>Yes</p>	<p>The company prepares and on a yearly basis reviews its expansion strategy, the main aspects of which are disclosed in notices on material events, annual prospects – reports.</p>
<p>1.2. All management bodies of a company should act in furtherance of the declared strategic objectives in view of the need to optimize shareholder value.</p>	<p>Yes</p>	
<p>1.3. A company's supervisory and management bodies should act in close co-operation in order to attain maximum benefit for the company and its shareholders.</p>	<p>Yes</p>	
<p>1.4. A company's supervisory and management bodies should ensure that the rights and interests of persons other than the company's shareholders (e.g. employees, creditors, suppliers, clients, local community), participating in or connected with the company's operation, are duly respected.</p>	<p>Yes</p>	
<p><b>Principle II: The corporate governance framework</b></p> <p><b>The corporate governance framework should ensure the strategic guidance of the company, the effective oversight of the company's management bodies, an appropriate balance and distribution of functions between the company's bodies, protection of the shareholders' interests.</b></p>		

2.1. Besides obligatory bodies provided for in the Law on Companies of the Republic of Lithuania – a general shareholders’ meeting and the chief executive officer, it is recommended that a company should set up both a collegial supervisory body and a collegial management body. The setting up of collegial bodies for supervision and management facilitates clear separation of management and supervisory functions in the company, accountability and control on the part of the chief executive officer, which, in its turn, facilitate a more efficient and transparent management process.	No	The Supervisory Board is not formed in the Company.
2.2. A collegial management body is responsible for the strategic management of the company and performs other key functions of corporate governance. A collegial supervisory body is responsible for the effective supervision of the company’s management bodies.	Yes	Collegial management body – the Board – is responsible for strategic management of the company.
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	See Commentary to Recommendation 2.1. above
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. <sup>1</sup>	Yes	
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. <sup>2</sup>	Yes	The Board is composed of 5 (five) members.

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

<sup>2</sup> Definitions ‘*executive director*’ and ‘*non-executive director*’ are used in cases when a company has only one collegial body.

<p>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.</p>	<p>N/A</p>	<p>See Commentary to Recommendation 2.1. above</p>
<p>2.7. Chairman of the collegial body elected by the general shareholders' meeting may be a person whose current or past office constitutes no obstacle to conduct independent and impartial supervision. Where a company should decide not to set up a supervisory board but rather the board, it is recommended that the chairman of the board and chief executive officer of the company should be a different person. Former company's chief executive officer should not be immediately nominated as the chairman of the collegial body elected by the general shareholders' meeting. When a company chooses to depart from these recommendations, it should furnish information on the measures it has taken to ensure impartiality of the supervision.</p>	<p>No</p>	<p>Chief executive officer and the chairman of the board is the same person.</p>
<p><b>Principle III: The order of the formation of a collegial body to be elected by a general shareholders' meeting</b></p> <p><b>The order of the formation a collegial body to be elected by a general shareholders' meeting should ensure representation of minority shareholders, accountability of this body to the shareholders and objective monitoring of the company's operation and its management bodies.<sup>3</sup></b></p>		
<p>3.1. The mechanism of the formation of a collegial body to be elected by a general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure objective and fair monitoring of the company's management bodies as well as representation of minority shareholders.</p>	<p>Yes</p>	

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

<p>3.2. Names and surnames of the candidates to become members of a collegial body, information about their education, qualification, professional background, positions taken and potential conflicts of interest should be disclosed early enough before the general shareholders' meeting so that the shareholders would have sufficient time to make an informed voting decision. All factors affecting the candidate's independence, the sample list of which is set out in Recommendation 3.7, should be also disclosed. The collegial body should also be informed on any subsequent changes in the provided information. The collegial body should, on yearly basis, collect data provided in this item on its members and disclose this in the company's annual report.</p>	<p>No</p>	<p>The company in the near future intends to change the practice of disclosing information on candidates to become members of a collegial body and to provide this information in company's annual report, in accordance with recommendations of the Code.</p>
<p>3.3. Should a person be nominated for members of a collegial body, such nomination should be followed by the disclosure of information on candidate's particular competences relevant to his/her service on the collegial body. In order shareholders and investors are able to ascertain whether member's competence is further relevant, the collegial body should, in its annual report, disclose the information on its composition and particular competences of individual members which are relevant to their service on the collegial body.</p>	<p>Yes</p>	
<p>3.4. In order to maintain a proper balance in terms of the current qualifications possessed by its members, the collegial body should determine its desired composition with regard to the company's structure and activities, and have this periodically evaluated. The collegial body should ensure that it is composed of members who, as a whole, have the required diversity of knowledge, judgment and experience to complete their tasks properly. The members of the audit committee, collectively, should have a recent knowledge and relevant experience in the fields of finance, accounting and/or audit for the stock exchange listed companies.</p>	<p>Yes</p>	
<p>3.5. All new members of the collegial body should be offered a tailored program focused on introducing a member with his/her duties, corporate organization and activities. The collegial body should conduct an annual review to identify fields where its members need to update their skills and knowledge.</p>	<p>Yes</p>	

<p>3.6. In order to ensure that all material conflicts of interest related with a member of the collegial body are resolved properly, the collegial body should comprise a sufficient<sup>4</sup> number of independent<sup>5</sup> members.</p>	<p>Yes</p>	<p>Board members Mr. Egidijus Bernotas and Mr. Sigita Baltuška are considered as independent members.</p>
<p>3.7. A member of the collegial body should be considered to be independent only if he is free of any business, family or other relationship with the company, its controlling shareholder or the management of either, that creates a conflict of interest such as to impair his judgment. Since all cases when member of the collegial body is likely to become dependant are impossible to list, moreover, relationships and circumstances associated with the determination of independence may vary amongst companies and the best practices of solving this problem are yet to evolve in the course of time, assessment of independence of a member of the collegial body should be based on the contents of the relationship and circumstances rather than their form. The key criteria for identifying whether a member of the collegial body can be considered to be independent are the following:</p> <ol style="list-style-type: none"> <li>1) He/she is not an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) of the company or any associated company and has not been such during the last five years;</li> <li>2) He/she is not an employee of the company or some any company and has not been such during the last three years, except for cases when a member of the collegial body does not belong to the senior management and was elected to the collegial body as a representative of the employees;</li> <li>3) He/she is not receiving or has been not receiving significant additional remuneration from the company or associated company other than remuneration for the office in the collegial body. Such additional remuneration includes participation in share options or some other performance based pay systems; it does not include compensation payments for the previous office in the company (provided that such payment is no way related with later position) as per pension plans (inclusive of deferred compensations);</li> </ol>	<p>Yes</p>	

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

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

<p>4) He/she is not a controlling shareholder or representative of such shareholder (control as defined in the Council Directive 83/349/EEC Article 1 Part 1);</p> <p>5) He/she does not have and did not have any material business relations with the company or associated company within the past year directly or as a partner, shareholder, director or superior employee of the subject having such relationship. A subject is considered to have business relations when it is a major supplier or service provider (inclusive of financial, legal, counseling and consulting services), major client or organization receiving significant payments from the company or its group;</p> <p>6) He/she is not and has not been, during the last three years, partner or employee of the current or former external audit company of the company or associated company;</p> <p>7) He/she is not an executive director or member of the board in some other company where executive director of the company or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) is non-executive director or member of the supervisory board, he/she may not also have any other material relationships with executive directors of the company that arise from their participation in activities of other companies or bodies;</p> <p>8) He/she has not been in the position of a member of the collegial body for over than 12 years;</p> <p>9) He/she is not a close relative to an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) or to any person listed in above items 1 to 8. Close relative is considered to be a spouse (common-law spouse), children and parents.</p> <p>3.8. The determination of what constitutes independence is fundamentally an issue for the collegial body itself to determine. The collegial body may decide that, despite a particular member meets all the criteria of independence laid down in this Code, he cannot be considered independent due to special personal or company-related circumstances.</p>		
---	--	--

<p>3.9. Necessary information on conclusions the collegial body has come to in its determination of whether a particular member of the body should be considered to be independent should be disclosed. When a person is nominated to become a member of the collegial body, the company should disclose whether it considers the person to be independent. When a particular member of the collegial body does not meet one or more criteria of independence set out in this Code, the company should disclose its reasons for nevertheless considering the member to be independent. In addition, the company should annually disclose which members of the collegial body it considers to be independent.</p>	No	See Commentary to Recommendation 3.2. above.
<p>3.10. When one or more criteria of independence set out in this Code has not been met throughout the year, the company should disclose its reasons for considering a particular member of the collegial body to be independent. To ensure accuracy of the information disclosed in relation with the independence of the members of the collegial body, the company should require independent members to have their independence periodically re-confirmed.</p>	Yes	
<p>3.11. In order to remunerate members of a collegial body for their work and participation in the meetings of the collegial body, they may be remunerated from the company's funds.<sup>6</sup>. The general shareholders' meeting should approve the amount of such remuneration.</p>	N/A	
<p><b>Principle IV: The duties and liabilities of a collegial body elected by the general shareholders' meeting</b></p> <p><b>The corporate governance framework should ensure proper and effective functioning of the collegial body elected by the general shareholders' meeting, and the powers granted to the collegial body should ensure effective monitoring<sup>7</sup> of the company's management bodies and protection of interests of all the company's shareholders.</b></p>		
<p>4.1. The collegial body elected by the general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure integrity and transparency of the company's financial statements and the control system. The collegial body should issue recommendations to the company's management bodies and monitor and control the company's management performance.<sup>8</sup></p>	Yes	

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

<sup>7</sup> See Footnote 3.

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



<p>4.2. Members of the collegial body should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders with due regard to the interests of employees and public welfare. Independent members of the collegial body should (a) under all circumstances maintain independence of their analysis, decision-making and actions (b) do not seek and accept any unjustified privileges that might compromise their independence, and (c) clearly express their objections should a member consider that decision of the collegial body is against the interests of the company. Should a collegial body have passed decisions independent member has serious doubts about, the member should make adequate conclusions. Should an independent member resign from his office, he should explain the reasons in a letter addressed to the collegial body or audit committee and, if necessary, respective company-not-pertaining body (institution).</p>	<p>Yes</p>	
<p>4.3. Each member should devote sufficient time and attention to perform his duties as a member of the collegial body. Each member of the collegial body should limit other professional obligations of his (in particular any directorships held in other companies) in such a manner they do not interfere with proper performance of duties of a member of the collegial body. In the event a member of the collegial body should be present in less than a half<sup>9</sup> of the meetings of the collegial body throughout the financial year of the company, shareholders of the company should be notified.</p>	<p>Yes</p>	
<p>4.4. Where decisions of a collegial body may have a different effect on the company's shareholders, the collegial body should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed on the company's affairs, strategies, risk management and resolution of conflicts of interest. The company should have a clearly established role of members of the collegial body when communicating with and committing to shareholders.</p>	<p>Yes</p>	

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

<p>4.5. It is recommended that transactions (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions), concluded between the company and its shareholders, members of the supervisory or managing bodies or other natural or legal persons that exert or may exert influence on the company's management should be subject to approval of the collegial body. The decision concerning approval of such transactions should be deemed adopted only provided the majority of the independent members of the collegial body voted for such a decision.</p>	<p>Yes</p>	
<p>4.6. The collegial body should be independent in passing decisions that are significant for the company's operations and strategy. Taken separately, the collegial body should be independent of the company's management bodies<sup>10</sup>. Members of the collegial body should act and pass decisions without an outside influence from the persons who have elected it. Companies should ensure that the collegial body and its committees are provided with sufficient administrative and financial resources to discharge their duties, including the right to obtain, in particular from employees of the company, all the necessary information or to seek independent legal, accounting or any other advice on issues pertaining to the competence of the collegial body and its committees.</p>	<p>Yes</p>	

---

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

<p>4.7. Activities of the collegial body should be organized in a manner that independent members of the collegial body could have major influence in relevant areas where chances of occurrence of conflicts of interest are very high. Such areas to be considered as highly relevant are issues of nomination of company's directors, determination of directors' remuneration and control and assessment of company's audit. Therefore when the mentioned issues are attributable to the competence of the collegial body, it is recommended that the collegial body should establish nomination, remuneration, and audit committees. Companies should ensure that the functions attributable to the nomination, remuneration, and audit committees are carried out. However they may decide to merge these functions and set up less than three committees. In such case a company should explain in detail reasons behind the selection of alternative approach and how the selected approach complies with the objectives set forth for the three different committees. Should the collegial body of the company comprise small number of members, the functions assigned to the three committees may be performed by the collegial body itself, provided that it meets composition requirements advocated for the committees and that adequate information is provided in this respect. In such case provisions of this Code relating to the committees of the collegial body (in particular with respect to their role, operation, and transparency) should apply, where relevant, to the collegial body as a whole.</p>	<p>No</p>	<p>Audit, nomination and remuneration committees are not formed in the Company. As the number of Board members is small and change in the membership of the Board is rare, we consider the committees to be unnecessary.</p>
<p>4.8. The key objective of the committees is to increase efficiency of the activities of the collegial body by ensuring that decisions are based on due consideration, and to help organize its work with a view to ensuring that the decisions it takes are free of material conflicts of interest. Committees should present the collegial body with recommendations concerning the decisions of the collegial body. Nevertheless the final decision shall be adopted by the collegial body. The recommendation on creation of committees is not intended, in principle, to constrict the competence of the collegial body or to remove the matters considered from the purview of the collegial body itself, which remains fully responsible for the decisions taken in its field of competence.</p>	<p>N/A</p>	
<p>4.9. Committees established by the collegial body should normally be composed of at least three members. In companies with small number of members of the collegial body, they could exceptionally be composed of two members. Majority of the members of each committee should be constituted from independent members of the collegial body. In cases when the company chooses not to 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</p>	<p>N/A</p>	

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

<p>4.12. Nomination Committee.</p> <p>4.12.1. Key functions of the nomination committee should be the following:</p> <ul style="list-style-type: none"> <li>• Identify and recommend, for the approval of the collegial body, candidates to fill board vacancies. The nomination committee should evaluate the balance of skills, knowledge and experience on the management body, prepare a description of the roles and capabilities required to assume a particular office, and assess the time commitment expected. Nomination committee can also consider candidates to members of the collegial body delegated by the shareholders of the company;</li> <li>• 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;</li> <li>• Assess on regular basis the skills, knowledge and experience of individual directors and report on this to the collegial body;</li> <li>• Properly consider issues related to succession planning;</li> <li>• Review the policy of the management bodies for selection and appointment of senior management.</li> </ul> <p>4.12.2. Nomination committee should consider proposals by other parties, including management and shareholders. When dealing with issues related to executive directors or members of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) and senior management, chief executive officer of the company should be consulted by, and entitled to submit proposals to the nomination committee.</p>	<p>N/A</p>	
<p>4.13. Remuneration Committee.</p> <p>4.13.1. Key functions of the remuneration committee should be the following:</p> <ul style="list-style-type: none"> <li>• 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;</li> <li>• 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;</li> <li>• Make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies;</li> <li>• 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);</li> <li>• Make general recommendations to the executive directors</li> </ul>	<p>N/A</p>	

<p>and members of the management bodies on the level and structure of remuneration for senior management (as defined by the collegial body) with regard to the respective information provided by the executive directors and members of the management bodies.</p> <p>4.13.2. With respect to stock options and other share-based incentives which may be granted to directors or other employees, the committee should:</p> <ul style="list-style-type: none"> <li>• Consider general policy regarding the granting of the above mentioned schemes, in particular stock options, and make any related proposals to the collegial body;</li> <li>• Examine the related information that is given in the company's annual report and documents intended for the use during the shareholders meeting;</li> <li>• 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.</li> </ul> <p>4.13.3. Upon resolution of the issues attributable to the competence of the remuneration committee, the committee should at least address the chairman of the collegial body and/or chief executive officer of the company for their opinion on the remuneration of other executive directors or members of the management bodies.</p>		
<p>4.14. Audit Committee.</p> <p>4.14.1. Key functions of the audit committee should be the following:</p> <ul style="list-style-type: none"> <li>• 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);</li> <li>• 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;</li> <li>• 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;</li> <li>• 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;</li> <li>• Monitor independence and impartiality of the external auditor, in particular by reviewing the audit company's compliance with applicable guidance relating to the rotation of audit partners, the level of fees paid by the company, and similar issues. In order to prevent occurrence of material conflicts of interest, the committee, based on the auditor's disclosed inter alia data on all remunerations paid by the company to the auditor and network, should at all times monitor nature and extent of the non-audit services. Having regard to the principals and guidelines established in the 16 May 2002 Commission Recommendation 2002/590/EC, the committee should determine and apply a formal policy</li> </ul>	<p>N/A</p>	

<p>establishing types of non-audit services that are (a) excluded, (b) permissible only after review by the committee, and (c) permissible without referral to the committee;</p> <ul style="list-style-type: none"> <li>• Review efficiency of the external audit process and responsiveness of management to recommendations made in the external auditor’s management letter.</li> </ul> <p>4.14.2. All members of the committee should be furnished with complete information on particulars of accounting, financial and other operations of the company. Company’s management should inform the audit committee of the methods used to account for significant and unusual transactions where the accounting treatment may be open to different approaches. In such case a special consideration should be given to company’s operations in offshore centers and/or activities carried out through special purpose vehicles (organizations) and justification of such operations.</p> <p>4.14.3. The audit committee should decide whether participation of the chairman of the collegial body, chief executive officer of the company, chief financial officer (or superior employees in charge of finances, treasury and accounting), or internal and external auditors in the meetings of the committee is required (if required, when). The committee should be entitled, when needed, to meet with any relevant person without executive directors and members of the management bodies present.</p> <p>4.14.4. Internal and external auditors should be secured with not only effective working relationship with management, but also with free access to the collegial body. For this purpose the audit committee should act as the principal contact person for the internal and external auditors.</p> <p>4.14.5. The audit committee should be informed of the internal auditor’s work program, and should be furnished with internal audit’s reports or periodic summaries. The audit committee should also be informed of the work program of the external auditor and should be furnished with report disclosing all relationships between the independent auditor and the company and its group. The committee should be timely furnished information on all issues arising from the audit.</p> <p>4.14.6. The audit committee should examine whether the company is following applicable provisions regarding the possibility for employees to report alleged significant irregularities in the company, by way of complaints or through anonymous submissions (normally to an independent member of the collegial body), and should ensure that there is a procedure established for proportionate and independent investigation of these issues and for appropriate follow-up action.</p> <p>4.14.7. The audit committee should report on its activities to the collegial body at least once in every six months, at the time the yearly and half-yearly statements are approved.</p>		
---	--	--

<p>4.15. Every year the collegial body should conduct the assessment of its activities. The assessment should include evaluation of collegial body’s structure, work organization and ability to act as a group, evaluation of each of the collegial body member’s and committee’s competence and work efficiency and assessment whether the collegial body has achieved its objectives. The collegial body should, at least once a year, make public (as part of the information the company annually discloses on its management structures and practices) respective information on its internal organization and working procedures, and specify what material changes were made as a result of the assessment of the collegial body of its own activities.</p>	<p>No</p>	<p>There is no assessment of and/or information on the activities of the Board, as this not foreseen by legislation.</p>
<p><b>Principle V: The working procedure of the company’s collegial bodies</b></p> <p><b>The working procedure of supervisory and management bodies established in the company should ensure efficient operation of these bodies and decision-making and encourage active co-operation between the company’s bodies.</b></p>		
<p>5.1. The company’s supervisory and management bodies (hereinafter in this Principle the concept ‘collegial bodies’ covers both the collegial bodies of supervision and the collegial bodies of management) should be chaired by chairpersons of these bodies. The chairperson of a collegial body is responsible for proper convocation of the collegial body meetings. The chairperson should ensure that information about the meeting being convened and its agenda are communicated to all members of the body. The chairperson of a collegial body should ensure appropriate conducting of the meetings of the collegial body. The chairperson should ensure order and working atmosphere during the meeting.</p>	<p>Yes</p>	
<p>5.2. It is recommended that meetings of the company’s collegial bodies should be carried out according to the schedule approved in advance at certain intervals of time. Each company is free to decide how often to convene meetings of the collegial bodies, but it is recommended that these meetings should be convened at such intervals, which would guarantee an interrupted resolution of the essential corporate governance issues. Meetings of the company’s supervisory board should be convened at least once in a quarter, and the company’s board should meet at least once a month<sup>11</sup>.</p>	<p>Yes</p>	

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



<p>5.3. Members of a collegial body should be notified about the meeting being convened in advance in order to allow sufficient time for proper preparation for the issues on the agenda of the meeting and to ensure fruitful discussion and adoption of appropriate decisions. Alongside with the notice about the meeting being convened, all the documents relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body are present or certain issues of great importance to the company require immediate resolution.</p>	<p>Yes</p>	
<p>5.4. In order to co-ordinate operation of the company's collegial bodies and ensure effective decision-making process, chairpersons of the company's collegial bodies of supervision and management should closely co-operate by co-coordinating dates of the meetings, their agendas and resolving other issues of corporate governance. Members of the company's board should be free to attend meetings of the company's supervisory board, especially where issues concerning removal of the board members, their liability or remuneration are discussed.</p>	<p>N/A</p>	
<p><b>Principle VI: The equitable treatment of shareholders and shareholder rights</b></p> <p><b>The corporate governance framework should ensure the equitable treatment of all shareholders, including minority and foreign shareholders. The corporate governance framework should protect the rights of the shareholders.</b></p>		
<p>6.1. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all their holders.</p>	<p>Yes</p>	

6.2. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.	Yes	
6.3. Transactions that are important to the company and its shareholders, such as transfer, investment, and pledge of the company's assets or any other type of encumbrance should be subject to approval of the general shareholders' meeting. <sup>12</sup> All shareholders should be furnished with equal opportunity to familiarize with and participate in the decision-making process when significant corporate issues, including approval of transactions referred to above, are discussed.	No	According to the Statutes of the company, decisions on the purchase, transfer, lease or mortgage of fixed assets the value whereof amounts to over 1/20 of the company's authorised capital as well as on offering guarantee, surety for the discharge of obligations of other entities, when the amount of the obligations exceeds 1/20 of the company's authorised capital are taken by the Board.
6.4. Procedures of convening and conducting a general shareholders' meeting should ensure equal opportunities for the shareholders to effectively participate at the meetings and should not prejudice the rights and interests of the shareholders. The venue, date, and time of the shareholders' meeting should not hinder wide attendance of the shareholders. Prior to the shareholders' meeting, the company's supervisory and management bodies should enable the shareholders to lodge questions on issues on the agenda of the general shareholders' meeting and receive answers to them.	Yes	

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

<p>6.5. It is recommended that documents on the course of the general shareholders' meeting, including draft resolutions of the meeting, should be placed on the publicly accessible website of the company in advance<sup>13</sup>. It is recommended that the minutes of the general shareholders' meeting after signing them and/or adopted resolutions should be also placed on the publicly accessible website of the company. Seeking to ensure the right of foreigners to familiarize with the information, whenever feasible, documents referred to in this recommendation should be published in English and/or other foreign languages. Documents referred to in this recommendation may be published on the publicly accessible website of the company to the extent that publishing of these documents is not detrimental to the company or the company's commercial secrets are not revealed.</p>	<p>Yes</p>	
<p>6.6. Shareholders should be furnished with the opportunity to vote in the general shareholders' meeting in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.</p>	<p>Yes</p>	
<p>6.7. With a view to increasing the shareholders' opportunities to participate effectively at shareholders' meetings, the companies are recommended to expand use of modern technologies in voting processes by allowing the shareholders to vote in general meetings via terminal equipment of telecommunications. In such cases security of telecommunication equipment, text protection and a possibility to identify the signature of the voting person should be guaranteed. Moreover, companies could furnish its shareholders, especially foreigners, with the opportunity to watch shareholder meetings by means of modern technologies.</p>	<p>No</p>	<p>The company is of the opinion that at present there is no need to implement the said means. In addition, the shareholders have not requested for such means.</p>
<p>7.1. Any member of the company's supervisory and management body should avoid a situation, in which his/her personal interests are in conflict or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory and management body should, within reasonable time, inform other members of the same collegial body or the company's body that has elected him/her, or to the company's shareholders about a situation of a conflict of interest, indicate the nature of the conflict and value, where possible.</p>	<p>Yes</p>	

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

**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.**

<p>7.2. Any member of the company’s supervisory and management body may not mix the company’s assets, the use of which has not been mutually agreed upon, with his/her personal assets or use them or the information which he/she learns by virtue of his/her position as a member of a corporate body for his/her personal benefit or for the benefit of any third person without a prior agreement of the general shareholders’ meeting or any other corporate body authorized by the meeting.</p>	<p>Yes</p>	
<p>7.3. Any member of the company’s supervisory and management body may conclude a transaction with the company, a member of a corporate body of which he/she is. Such a transaction (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions) must be immediately reported in writing or orally, by recording this in the minutes of the meeting, to other members of the same corporate body or to the corporate body that has elected him/her or to the company’s shareholders. Transactions specified in this recommendation are also subject to recommendation 4.5.</p>	<p>Yes</p>	
<p>7.4. Any member of the company’s supervisory and management body should abstain from voting when decisions concerning transactions or other issues of personal or business interest are voted on.</p>	<p>Yes</p>	

**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.**

<p>8.1. A company should make a public statement of the company’s remuneration policy (hereinafter the remuneration statement). This statement should be part of the company’s annual accounts. Remuneration statement should also be posted on the company’s website.</p>	<p>No</p>	<p>The company does not disclose remuneration statement. However, the company in its Annual Report discloses the total of salaries paid to the directors of the company.</p>
--	-----------	--

<p>8.2. Remuneration statement should mainly focus on directors' remuneration policy for the following year and, if appropriate, the subsequent years. The statement should contain a summary of the implementation of the remuneration policy in the previous financial year. Special attention should be given to any significant changes in company's remuneration policy as compared to the previous financial year.</p>	<p>N/A</p>	
<p>8.3. Remuneration statement should leastwise include the following information:</p> <ul style="list-style-type: none"> <li>• Explanation of the relative importance of the variable and non-variable components of directors' remuneration;</li> <li>• Sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration;</li> <li>• Sufficient information on the linkage between the remuneration and performance;</li> <li>• The main parameters and rationale for any annual bonus scheme and any other non-cash benefits;</li> <li>• A description of the main characteristics of supplementary pension or early retirement schemes for directors.</li> </ul>	<p>N/A</p>	
<p>8.4. Remuneration statement should also summarize and explain company's policy regarding the terms of the contracts executed with executive directors and members of the management bodies. It should include, inter alia, information on the duration of contracts with executive directors and members of the management bodies, the applicable notice periods and details of provisions for termination payments linked to early termination under contracts for executive directors and members of the management bodies.</p>	<p>N/A</p>	

<p>8.5. The information on preparatory and decision-making processes, during which a policy of remuneration of directors is being established, should also be disclosed. Information should include data, if applicable, on authorities and composition of the remuneration committee, names and surnames of external consultants whose services have been used in determination of the remuneration policy as well as the role of shareholders' annual general meeting.</p>	<p>N/A</p>	
<p>8.6. Without prejudice to the role and organization of the relevant bodies responsible for setting directors' remunerations, the remuneration policy or any other significant change in remuneration policy should be included into the agenda of the shareholders' annual general meeting. Remuneration statement should be put for voting in shareholders' annual general meeting. The vote may be either mandatory or advisory.</p>	<p>N/A</p>	
<p>8.7. Remuneration statement should also contain detailed information on the entire amount of remuneration, inclusive of other benefits, that was paid to individual directors over the relevant financial year. This document should list at least the information set out in items 8.7.1 to 8.7.4 for each person who has served as a director of the company at any time during the relevant financial year.</p> <p>8.7.1. The following remuneration and/or emoluments-related information should be disclosed:</p> <ul style="list-style-type: none"> <li>• 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;</li> <li>• The remuneration and advantages received from any undertaking belonging to the same group;</li> <li>• 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;</li> <li>• 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;</li> <li>• 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;</li> <li>• Total estimated value of non-cash benefits considered as remuneration, other than the items covered in the above points.</li> </ul> <p>8.7.2. As regards shares and/or rights to acquire share options and/or all other share-incentive schemes, the following information should be disclosed:</p> <ul style="list-style-type: none"> <li>• The number of share options offered or shares granted by the company during the relevant financial year and their conditions of application;</li> <li>• 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;</li> <li>• When the pension scheme is a defined-benefit scheme, changes in the directors' accrued benefits under that scheme during the relevant financial year;</li> <li>• 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.</li> </ul>	<p>N/A</p>	

<ul style="list-style-type: none"> <li>• 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;</li> <li>• All changes in the terms and conditions of existing share options occurring during the financial year.</li> </ul> <p>8.7.3. The following supplementary pension schemes-related information should be disclosed:</p> <p>8.7.4. The statement should also state amounts that the company or any subsidiary company or entity included in the consolidated annual financial statements of the company has paid to each person who has served as a director in the company at any time during the relevant financial year in the form of loans, advance payments or guarantees, including the amount outstanding and the interest rate.</p>		
<p>8.8. Schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements should be subject to the prior approval of shareholders' annual general meeting by way of a resolution prior to their adoption. The approval of scheme should be related with the scheme itself and not to the grant of such share-based benefits under that scheme to individual directors. All significant changes in scheme provisions should also be subject to shareholders' approval prior to their adoption; the approval decision should be made in shareholders' annual general meeting. In such case shareholders should be notified on all terms of suggested changes and get an explanation on the impact of the suggested changes.</p>	N/A	No schemes are applied in the company.
<p>8.9. The following issues should be subject to approval by the shareholders' annual general meeting:</p> <ul style="list-style-type: none"> <li>• Grant of share-based schemes, including share options, to directors;</li> <li>• Determination of maximum number of shares and main conditions of share granting;</li> <li>• The term within which options can be exercised;</li> <li>• The conditions for any subsequent change in the exercise of the options, if permissible by law;</li> <li>• 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.</li> </ul>	N/A	
<p>8.10. Should national law or company's Articles of Association allow, any discounted option arrangement under which any rights are granted to subscribe to shares at a price lower than the market value of the share prevailing on the day of the price determination, or the average of the market values over a number of days preceding the date when the exercise price is determined, should also be subject to the shareholders' approval.</p>	N/A	

<p>8.11. Provisions of Articles 8.8 and 8.9 should not be applicable to schemes allowing for participation under similar conditions to company’s employees or employees of any subsidiary company whose employees are eligible to participate in the scheme and which has been approved in the shareholders’ annual general meeting.</p>	<p>N/A</p>	
<p>8.12. Prior to the annual general meeting that is intended to consider decision stipulated in Article 8.8, the shareholders must be provided an opportunity to familiarize with draft resolution and project-related notice (the documents should be posted on the company’s website). The notice should contain the full text of the share-based remuneration schemes or a description of their key terms, as well as full names of the participants in the schemes. Notice should also specify the relationship of the schemes and the overall remuneration policy of the directors. Draft resolution must have a clear reference to the scheme itself or to the summary of its key terms. Shareholders must also be presented with information on how the company intends to provide for the shares required to meet its obligations under incentive schemes. It should be clearly stated whether the company intends to buy shares in the market, hold the shares in reserve or issue new ones. There should also be a summary on scheme-related expenses the company will suffer due to the anticipated application of the scheme. All information given in this article must be posted on the company’s website.</p>	<p>N/A</p>	
<p><b>Principle IX: The role of stakeholders in corporate governance</b></p> <p><b>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.</b></p>		
<p>9.1. The corporate governance framework should assure that the rights of stakeholders that are protected by law are respected.</p>	<p>Yes</p>	
<p>9.2. The corporate governance framework should create conditions for the stakeholders to participate in corporate governance in the manner prescribed by law. Examples of mechanisms of stakeholder participation in corporate governance include: employee participation in adoption of certain key decisions for the company; consulting the employees on corporate governance and other important issues; employee participation in the company’s share capital; creditor involvement in governance in the context of the company’s insolvency, etc.</p>		
<p>9.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.</p>		



**Principle X: Information disclosure and transparency**

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

<p>10.1. The company should disclose information on:</p> <ul style="list-style-type: none"> <li>• The financial and operating results of the company;</li> <li>• Company objectives;</li> <li>• Persons holding by the right of ownership or in control of a block of shares in the company;</li> <li>• Members of the company’s supervisory and management bodies, chief executive officer of the company and their remuneration;</li> <li>• Material foreseeable risk factors;</li> <li>• Transactions between the company and connected persons, as well as transactions concluded outside the course of the company’s regular operations;</li> <li>• Material issues regarding employees and other stakeholders;</li> <li>• Governance structures and strategy.</li> </ul> <p>This list should be deemed as a minimum recommendation, while the companies are encouraged not to limit themselves to disclosure of the information specified in this list.</p> <p>10.2. It is recommended that consolidated results of the whole group to which the company belongs should be disclosed when information specified in item 1 of Recommendation 10.1 is under disclosure.</p> <p>10.3. It is recommended that information on the professional background, qualifications of the members of supervisory and management bodies, chief executive officer of the company should be disclosed as well as potential conflicts of interest that may have an effect on their decisions when information specified in item 4 of Recommendation 10.1 about the members of the company’s supervisory and management bodies is under disclosure. It is also recommended that information about the amount of remuneration received from the company and other income should be disclosed with regard to members of the company’s supervisory and management bodies and chief executive officer as per Principle VIII.</p> <p>10.4. It is recommended that information about the links between the company and its stakeholders, including employees, creditors, suppliers, local community, as well as the company’s policy with regard to human resources, employee participation schemes in the company’s share capital, etc. should be disclosed when information specified in item 7 of Recommendation 10.1 is under disclosure.</p>	<p>No</p>	<p>Consolidated group results are not disclosed. The company does not disclose remuneration statement.</p>
--	-----------	--

<p>10.5. Information should be disclosed in such a way that neither shareholders nor investors are discriminated with regard to the manner or scope of access to information. Information should be disclosed to all simultaneously. It is recommended that notices about material events should be announced before or after a trading session on the Vilnius Stock Exchange, so that all the company's shareholders and investors should have equal access to the information and make informed investing decisions.</p>	<p>Yes</p>	
<p>10.6. Channels for disseminating information should provide for fair, timely and cost-efficient access to relevant information by users. It is recommended that information technologies should be employed for wider dissemination of information, for instance, by placing the information on the company's website. It is recommended that information should be published and placed on the company's website not only in Lithuanian, but also in English, and, whenever possible and necessary, in other languages as well.</p>	<p>Yes</p>	
<p>10.7. It is recommended that the company's annual reports and other periodical accounts prepared by the company should be placed on the company's website. It is recommended that the company should announce information about material events and changes in the price of the company's shares on the Stock Exchange on the company's website too.</p>	<p>No</p>	<p>The company does not place on its website the information on changes in the prices of the shares on the Stock Exchange.</p>
<p><b>Principle XI: The selection of the company's auditor</b></p> <p><b>The mechanism of the selection of the company's auditor should ensure independence of the firm of auditor's conclusion and opinion.</b></p>		
<p>11.1. An annual audit of the company's financial statements and report should be conducted by an independent firm of auditors in order to provide an external and objective opinion on the company's financial statements.</p>	<p>Yes</p>	
<p>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.</p>	<p>Yes</p>	
<p>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.</p>	<p>Yes</p>	