



JOINT STOCK COMPANY VILNIAUS VINGIS

2008 04 14 Nr. 5751 1934

To the Securities Commission
Of the Republic of Lithuania
Konstitucijos ave 23
08105 Vilnius

CONFIRMATION OF RESPONSIBLE PERSONS

Following the Article No.21 of the Law on Securities of the Republic of Lithuania and Rules on Preparation and Submission of Periodic and Additional Information of the Lithuanian Securities Commission, we, Neringa Menčiūnienė, Director General of VILNIAUS VINGIS AB and Svetlana Ivanova, Chief Accountant of VILNIAUS VINGIS AB, hereby confirm that, to the best of our knowledge, the annual financial statements of VILNIAUS VINGIS AB for 2007, prepared in accordance with the applicable accounting standards, give a true and fair view of the assets, liabilities, financial position, profit or loss of the Company, that the annual report a true overview of business development and activities, the condition of the Company along with a description of the main risks and uncertainties encountered.

Director General

Neringa Menčiūnienė

Chief Accountant

Svetlana Ivanova

AB Vilniaus Vingis

Annual accounts for the year
2007

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Company details

AB Vilniaus Vingis

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Registered office: Savanorių av. 176,
Vilnius, LT-03154 Lithuania

Board of Directors

Nerijus Dagilis (Chairman)
Darius Janulevičius
Marija Leitonienė

Management

Neringa Menčiūnienė – Managing Director
Svetlana Ivanova – Chief Accountant and Liquidator of UAB Vilniaus Vingio Geba

Auditor

KPMG Baltics, UAB

Banks

AB SEB Bankas
Nordea Bank PLC Vilnius Branch
AB Bankas Snoras
AB Bankas Hansabankas
UniCredit Bank Vilnius Branch

Annual report

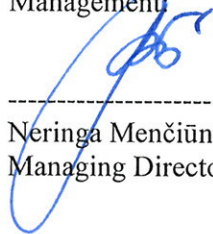
The Board has today discussed and authorized for issue the financial statements and the annual report and has signed the financial statements and report on behalf of the Company.

The 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 financial statements thus give a true and fair view.

We recommend the financial statements to be approved at the Annual General Meeting.

Vilnius, 15 April 2008

Management

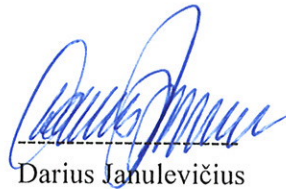


Neringa Menčiūnienė
Managing Director


Board of Directors:



Nerijus Dagilis
(Chairman)



Darius Janulevičius



Marija Leitonienė



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Independent auditor's report to the shareholders of AB Vilniaus Vingis

We have audited the accompanying separate financial statements of AB Vilniaus Vingis (the Company), which comprise the balance sheet as at 31 December 2007, the income statement, the statement of changes in equity and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 5 to 43.

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

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



Opinion

In our opinion, the financial statements give a true and fair view of the financial position of AB Vilniaus Vingis as at 31 December 2007, 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.


Emphasis of matter

Without qualifying our opinion, we draw attention to Note 30 to the separate financial statements which describes that future activity of the Company will depend on the shareholders' decisions regarding the Company's operation as a going concern.

Report on legal and other regulatory requirements

In addition, we have read the annual report for the year ended 31 December 2007 set out on pages 44-74 and have not identified any material inconsistencies between the financial information for the year 2007 included in the annual report and the financial statements for the year ended 31 December 2007.

Vilnius, 15 April 2008
KPMG Baltics, UAB


Leif Rene Hansen
Danish State Authorized
Public Accountant


Domantas Dabulis
Certified Auditor

Income statement

For the year ended 31 December

Litas	Notes	2007	2006
Revenue	4	8,278,313	48,377,558
Cost of sales		(9,615,415)	(49,794,163)
Gross profit		(1,337,102)	(1,416,605)
Distribution expenses	5	(120,870)	(946,097)
Administrative expenses	6	(3,228,543)	(9,819,090)
Other operating income	8	44,184,119	9,669,507
Other operating expenses	8	(6,553,666)	(12,659,752)
Operating (loss) profit before financing costs		32,943,938	(15,172,037)
Decrease in fair value of derivative financial instruments	25	(322,763)	(864,028)
Finance income	9	1,693,694	48,958
Finance expenses	9	(59,491)	(9,002,592)
Profit (loss) before tax		34,255,378	(24,989,699)
Corporate income tax	10	(4,906,530)	2,118,000
Net profit (loss) for the year		29,348,848	(22,871,699)
Earnings loss per share	21	3.39	(2.64)

The notes, set out on pages 10 to 43, are an integral part of these financial statements.

Balance sheet

Litas	Note	2007	2006
ASSETS			
Non-current assets			
Property, plant and equipment	13	83,142	22,806,023
Intangible assets	14	102,358	265,277
Investments	15	906,000	906,000
Deferred tax	11	0	2,118,000
Total non-current assets		1,091,500	26,095,300
Current assets			
Inventories	16	0	3,129,704
Trade receivables	17	1,744,839	3,588,730
Income tax receivable	12	0	501,765
Other receivables	18	54,209,783	1,347,577
Cash and cash equivalents	19	34,192	836,273
Total current assets		55,988,814	9,404,049
TOTAL ASSETS		57,080,314	35,499,349

The notes, set out on pages 10 to 43, are an integral part of these financial statements.

Balance sheet (cont'd)

Litas	Note	2007	2006
EQUITY AND LIABILITIES			
Equity			
Issued capital	20	36,492,420	36,492,420
Share premium		2,211,200	2,211,200
Own shares	20	(3,946,668)	(3,946,668)
Legal reserve	20	2,085,956	2,085,956
Other reserves (distributable)	20	6,565,901	6,565,901
Retained earnings		10,772,936	(18,575,912)
Total equity		54,181,745	24,832,897
Current liabilities			
Interest bearing loans and borrowings	22	0	1,852,706
Derivative financial instrument	25	0	1,721,324
Trade payables		335,214	1,566,197
Income tax payable	12	2,426,739	0
Other payables	23	136,616	5,526,225
Total current liabilities		2,898,569	10,666,452
Total liabilities		2,898,569	10,666,452
TOTAL EQUITY AND LIABILITIES		57,080,314	35,499,349

The notes, set out on pages 10 to 43, are an integral part of these financial statements.

Statement of changes in shareholders' equity

Litas	<u>Share capital</u>	<u>Share premium</u>	<u>Own shares</u>	<u>Legal reserve</u>	<u>Other reserves</u>	<u>Retained earnings</u>	<u>Total</u>
Equity at 31 December 2005	<u>36,492,420</u>	<u>2,211,200</u>	<u>(3,946,668)</u>	<u>2,085,956</u>	<u>4,546,943</u>	<u>6,314,745</u>	<u>47,704,596</u>
Transfer of reserves					2,018,958	(2,018,958)	0
Net loss for 2006						(22,871,699)	(22,871,699)
Equity at 31 December 2006	<u>36,492,420</u>	<u>2,211,200</u>	<u>(3,946,668)</u>	<u>2,085,956</u>	<u>6,565,901</u>	<u>(18,575,912)</u>	<u>24,832,897</u>
Net profit for 2007						29,348,848	29,348,848
Equity at 31 December 2007	<u>36,492,420</u>	<u>2,211,200</u>	<u>(3,946,668)</u>	<u>2,085,956</u>	<u>6,565,901</u>	<u>10,772,936</u>	<u>54,181,745</u>

The notes, set out on pages 10 to 43, are an integral part of these financial statements.

Statement of cash flows

For the year ended 31 December

Litas	2007	2006
Cash flow from operating activities		
Result before tax	34,255,378	(24,989,699)
Adjustments for:		
Depreciation and amortization	1,123,021	6,518,730
Impairment losses on property, plant and equipment	0	439,009
Gain (loss) on revaluation of derivatives to fair value, recognized in the income statement	(1,721,324)	3,070,711
Result on disposals of non current assets	(38,390,916)	3,978,969
Result on sale of shares	(98,498)	0
Result on sale of investment	0	4,804,057
Write-down on inventories	104,707	0
Write-down of amounts receivable from subsidiaries	0	3,838,948
Impairment of doubtful receivables	0	(1,364,913)
Net interest costs	(1,559,982)	286,416
Operating profit (loss) before changes in working capital	(6,287,614)	(3,417,772)
Change in trade and other receivables	2,143,819	4,455,536
Change in inventories	3,024,997	7,524,279
Change in trade creditors and other creditors	(6,620,592)	(3,257,575)
Cash generated from the operating activities	(7,739,390)	5,304,468
Interest received	29,686	24,772
Interest paid	(35,214)	(311,188)
Corporate income tax paid / returned	140,000	920,701
Net cash from operating activities	(7,604,918)	5,938,753
Cash flow from investing activities		
Proceeds from sale of property, plant and equipment	60,153,695	369,033
Proceeds from sale of subsidiaries	0	2,447,000
Proceeds from sale of shares	587,304	0
Acquisition of subsidiaries, net of cash acquired	0	(550,000)
Acquisition of property, plant and equipment	0	(230,406)
Acquisition of shares	(488,806)	0
Loans issued	(52,596,650)	0
Loans repaid	1,000,000	0
Net cash from investing activities	8,655,543	2,035,627
Cash flows from financing activities		
Repayment of borrowings	(1,852,706)	(36,999,757)
Repayment of finance lease liabilities	0	(260,202)
Proceeds of borrowings	0	28,891,612
Net cash from financing activities	(1,852,706)	(8,368,347)
Net increase in cash and cash equivalents	(802,081)	(393,967)
Cash and cash equivalents at 1 January	836,273	1,230,240
Cash and cash equivalents at 31 December	34,192	836,273

The notes, set out on pages 10 to 43, are an integral part of these financial statements.

Notes to the annual accounts

1 Reporting entity

The joint stock company AB Vilniaus Vingis (the Company) is a publicly listed company domiciled in Lithuania. The Company's shares are traded on the Current List of the Vilnius Stock Exchange. As at 31 December 2007, the major shareholders were as follows:

	Shares	Shareholding, %
UAB Hermis Capital	5,533,191	60.65%
UAB Finansų Spektro Investicija	1,709,287	18.74%
AB Šiaulių Bankas	905,000	9.92%
AB Vilniaus Vingis	475,817	5.22%
Finasta Fund Alpha, Slegtais Irguld Fonds	204,000	2.24%
AB FMĮ Finasta\	45,000	0.49%
Other shareholders widely held, no more than 5%	250,810	2.75%
	9,123,105	100%

As at 31 December 2007, the Company's Board includes two members from UAB Hermis Capital and one from AB Finasta Įmonių Finansai.

The Company is involved in the manufacture of electronic components. The main products are deflection yokes.

In November 2006, the Company established 100% owned subsidiary UAB Vilniaus Vingio Geba with authorised capital of 906 tLitas. 856 tLitas have been paid in by a non-current asset contribution (for more details see note 15). The subsidiary has assumed the activities of former AB Vilniaus Vingis department, which has been producing deflection yokes.

Employees, who were working in the former department of AB Vilniaus Vingis, were employed by the established subsidiary as of 1 December 2006 in UAB Vilniaus Vingio Geba - 258.

On 25 April 2007, the decision to liquidate subsidiary UAB Vilniaus Vingio Geba has been taken. Liquidation process has been already started and current subsidiary status is "under liquidation".

In October 2005, the Company established two 100% owned subsidiaries: UAB Vilniaus Vingio Gija and UAB Vilniaus Vingio Mechanika with authorised capital of 30 tLitas each. The subsidiaries have assumed the activities of former AB Vilniaus Vingis departments, which were producing plastic elements (UAB Vilniaus Vingio Gija) and tools and equipment (UAB Vilniaus Vingio Mechanika). Non-current assets, related to the activities of both subsidiaries were transferred to the subsidiaries on 30 December 2005 as assets contribution to the share capital of the subsidiaries. In the year 2006 both subsidiaries has been sold to former AB Vilniaus Vingis directors (for more details see note 15).

Employees, who were working in the former departments of AB Vilniaus Vingis, were employed by the established subsidiaries as of 1 January 2006 UAB Vilniaus Vingio Gija – 276, UAB Vilniaus Vingio Mechanika – 136 employees.

Notes to the annual accounts

1 Reporting entity (cont'd)

On March 2006 the Company established a new subsidiary UAB Filmpakas which was 100% owned by the Company. Authorised capital amounted to 500 tLitas and was fully paid by the Company in cash. On June 2006 the subsidiary has been sold. The subsidiary had had no activities before it was sold.

2 Summary of significant accounting principles

Statement of compliance

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

The Board has authorized the annual report for issue on 15 April 2008 and signed the financial statements on behalf of the Company.

Basis of preparation

The financial statements are presented in the national currency – Litas, which is the functional currency of the Company. They are prepared on the historical cost basis.

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

The Company will not prepare consolidated financial statements for the period ending 31 December 2007, as the only subsidiary outstanding as at 31 December 2007 UAB Vilniaus Vingio Geba is considered as not significant in respect to the parent company.

Judgments made by the management in the application of IFRSs, as adopted by the European Union, that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in Note 3.

The accounting policies of the Company as set out below have been consistently applied and coincide with those used in the previous year.

Notes to the annual accounts

2 Summary of significant accounting principles (cont'd)

Foreign currency

Translation of amounts in foreign currencies into the national currency

Transactions in foreign currencies are translated into 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 the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognized in the income statement.

Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, trade payables and other liabilities.

Cash and cash equivalents comprise cash balances and call deposits.

Non-derivative financial instruments are recognized initially at fair value plus, for instruments not at fair value through profit and loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

Financial instruments are recognized on the day of the transaction. Financial assets are derecognized if the Company's contractual rights to the cash flows from the financial assets expire or if the Company transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are derecognized if the Company's obligations specified in the contract expire or are discharged or cancelled.

Receivables are non-derivative financial assets and are not quoted in an active market. They are included into current assets except for maturities greater than 12 months. Loans issued and receivables are initially recognized at fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest rate method, less impairment losses, if any. Short-term receivables are not discounted.

Loans and borrowings and other financial liabilities are stated at the amortized cost using the effective interest rate method basis. Short-term liabilities are not discounted.

Notes to the annual accounts

2 Summary of significant accounting principles (cont'd)

Financial instruments (cont'd)

Derivative financial instruments

In the year 2006 and 2007, the Company had derivative financial instruments (copper swaps) for trading purposes.

Derivative financial instruments are recognized initially at fair value. As at the date of financial statements, derivative financial instruments are revaluated to the fair value as at that date, the gain or loss on their subsequent measurement at fair value is recognized immediately in profit or loss. The fair value is arrived at by reference to the broker quotes.

Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour and any other costs directly attributable to bringing the asset to a working condition for its intended use until the date of its operation, and the costs of dismantling and removing the items and restoring the site on which they are located.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Subsequent costs

After the initial recognition, the costs incurred in replacing a part of property, plant and equipment or related to the reconstruction of such asset, are capitalized only if it is probable that future economic benefits embodied with the item will flow to the Company and the cost of an item can be measured reliably. All other costs are recognized in the income statement as incurred.

Notes to the annual accounts

2 Summary of significant accounting principles (cont'd)

Property, plant and equipment (cont'd)

Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment.

The estimated useful lives are as follows:

- buildings and plant 8 - 60 years;
- machinery and equipment 2 - 15 years;
- transport vehicles 5 - 6 years;
- other assets 2 - 8 years.

Depreciation methods, residual values and useful lives of the assets are reviewed at each reporting date.

Non-current intangible assets

Intangible assets that have a finite useful life and include computer software and licences acquired by the Company are stated at cost less accumulated amortization and impairment.

Amortization is charged to the income statement on a straight-line basis over the estimated useful lives. The estimated useful life of the intangible assets can be specified as follows:

- software and licences 1 - 3 years.

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Leased assets

Leases, in terms of which the Company assumes substantially all the risks and rewards of ownership, are classified as finance leases. Assets acquired by way of finance lease are stated at an amount equal to the lower of fair value and the present value of the minimum lease payments at inception of the lease, less depreciation and impairment losses. All other leases are classified as operating leases.

Notes to the annual accounts

2 Summary of significant accounting principles (cont'd)

Inventories

Inventories, including work in process, are valued at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

The cost of inventories is determined based on FIFO (First-In, First-Out) principle.

In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on operating capacity.

Impairment

A financial asset is impaired if there is objective evidence that certain event or events could have an adverse impact on asset-related cash flows in the future. Significant financial assets must be tested for impairment on an individual basis. The remaining financial assets are grouped according to their credit risk and the impairment for those groups is measured on a portfolio basis. An asset the impairment of which is tested on an individual basis and its impairment loss is continually recognized cannot be included in any group of assets that are tested for impairment on a portfolio basis.

The carrying amounts of the Company's non-financial assets other than inventories and deferred income tax asset are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For the assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date.

An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognized in the income statement.

Calculation of recoverable amount

The recoverable amount of the Company's receivables carried at amortized cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e., the effective interest rate computed at the initial recognition of these financial assets). Receivables with short duration are not discounted.

The recoverable amount of non-financial assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their 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.

Notes to the annual accounts

2 Summary of significant accounting principles (cont'd)

Impairment (cont'd)

Reversals of impairment

An impairment loss in respect of receivables booked at amortized cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognized.

In case of certain changes in events or circumstances, on the basis of which the recoverable value of non-financial assets was calculated, indicating that carrying value on non-financial assets can be recoverable, impairment loss is reversed. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Dividends

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

Employee benefits

The Company does not have any adopted defined contribution and benefit plans and has no share based payment schemes. Post employment obligations to employees retired on a pension are borne by the State.

Provisions

Provisions are recognized in the balance sheet when it is probable that an outflow of economic benefits will be required to settle a present legal or constructive obligation arising from a past event.

Revenue

Sales of goods

Revenue from the sale of goods is recognized in the income statement when significant risk and ownership is transferred to the buyer, when it is probable that economic benefits associated with the transaction will flow to the Company and the amount of the revenue can be measured reliably. Sales are recognized net of VAT, excise tax and price discounts directly related to the sales.

Notes to the annual accounts

2 Summary of significant accounting principles (cont'd)

Revenue (cont'd)

Services rendered, assets disposed

Revenue from the services rendered is recognized in the income statement as the services are rendered in proportion to the stage of completion. The revenue recognized is net of discounts provided.

Lease revenue is recognized in the income statement on a straight-line basis over the term of the respective lease.

Revenue from disposal of assets is recognized in the income statement when the significant risks and rewards of ownership have been transferred to the buyer.

No revenue is recognized if there are significant uncertainties regarding recovery of the consideration due or associated costs, or return of assets disposed is possible or when the significant risks and rewards of ownership cannot be regarded as transferred to the buyer.

Expenses

Operating lease payments

Payments made under operating lease are recognized in the income statement on a straight-line basis over the term of lease.

Finance lease payments

Minimum lease payments are apportioned between finance expenses and the reduction of the outstanding liability using the effective interest rate method. The finance expenses are distributed over the whole period of the finance lease, so as to produce a constant periodic interest rate on the remaining balance of the liability.

Net financing costs

Net financing costs comprise interest expense on borrowings calculated using the effective interest rate method, interest income on funds invested and foreign exchange gains and losses.

Interest income is recognized in the income statement as accrued, using the effective interest rate method. The interest expense component of finance lease payments is recognized in the income statement using the effective interest rate method.

Notes to the annual accounts

2 Summary of significant accounting principles (cont'd)

Income tax

Income tax consists of current and deferred tax. Income tax is recognized in the income statement except to the extent it relates to the items recognized directly in equity, in which case it is recognized in equity.

Current income tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of the assets and liabilities for the financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not calculated for temporary differences recorded at the moment of initial recognition of assets or liabilities when such differences affect neither accounting nor taxable profit. 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.

Deferred tax assets is recognized only to the extent it is probable that the future taxable profits will be available against which the assets can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent it is no longer probable that the related tax benefit will be realized.

Segment reporting

Segment is a distinguishable component of the Company that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Company's primary format for segment reporting is based on business segments.

Earnings per share

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

Notes to the annual accounts

2 Summary of significant accounting principles (cont'd)

Standards, interpretations and amendments to published standards that are not yet effective

New standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2007, and have not been applied in preparing these financial statements:

- Revised IFRS 2 Share-based Payment (effective from 1 January 2009). The revised Standard will clarify the definition of vesting conditions and non-vesting conditions. Based on the revised Standards failure to meet non-vesting conditions will generally result in treatment as a cancellation. The revised IFRS 2 is not relevant to the Company's operations as the Company does not have any share-based compensation plans.
- Revised IFRS 3 Business Combinations (effective for annual periods beginning on or after 1 July 2009). The scope of the revised Standard has been amended and the definition of a business has been expanded. Revised IFRS 3 is not relevant to the company as the Company does not have any interests in subsidiaries.
- 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 revised Standard.
- The revised IAS 1 Presentation of Financial Statements (effective from 1 January 2009). The revised Standard requires information in financial statements to be aggregated on the basis of shared characteristics and introduces a statement of comprehensive income. Items of income and expense and components of other comprehensive income may be presented either in a single statement of comprehensive income with subtotals, or in two separate statements (a separate income statement followed by a statement of comprehensive income). The Company is currently evaluating whether to present a single statement of comprehensive income, or two separate statements.
- Revised IAS 23 Borrowing Costs (effective from 1 January 2009). The revised Standard will require the capitalization of borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. The Company has not yet completed its analysis of the impact of the revised Standard.
- Revised IAS 27 Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 July 2009). In the revised Standard the term minority interest has been replaced by non-controlling interest, and is defined as "the equity in a subsidiary not attributable, directly or indirectly, to a parent". The revised Standard also amends the accounting for non-controlling interest, the loss of control of a subsidiary, and the allocation of profit or loss and other comprehensive income between the controlling and non-controlling interest. The revised IAS 27 is not relevant to the Company's operations as the Company does not have any interests in subsidiaries.

Notes to the annual accounts

2 Summary of significant accounting principles (cont'd)

Standards, interpretations and amendments to published standards that are not yet effective (cont'd)

- 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 as the Company has not entered into any service concession arrangements.
- IFRIC 13 Customer Loyalty Programmes (effective for annual periods beginning on or after 1 July 2008). The Interpretation explains how entities that grant loyalty award credits to customers who buy other goods or services should account for their obligations to provide free or discounted goods or services ('awards') to customers who redeem those award credits. Such entities are required to allocate some of the proceeds of the initial sale to the award credits and recognize these proceeds as revenue only when they have fulfilled their obligations. The Company does not expect the Interpretation to have any impact on the financial statements.
- IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements (hereinafter MFR) and their interactions (effective for annual periods beginning on or after 1 January 2008). The interpretation addresses:
 - 1) when refunds or reductions in future contributions should be regarded as available in accordance with paragraph 58 of IAS 19;
 - 2) how a MFR might affect the availability of reductions in future contributions; and
 - 3) when a MFR might give rise to a liability.No additional liability need be recognized by the employer under IFRIC 14 unless the contributions that are payable under the minimum funding requirement cannot be returned to the company. The Company has not yet completed its analysis of the impact of the new interpretation.

Notes to the annual accounts

3 Significant accounting estimates and judgements

Estimates and assumptions are continually reviewed and are based on historical experience and other factors, representing current situation and reasonable expected future events.

The Company makes estimates and assumptions concerning future events, therefore accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of the assets and liabilities within the next financial year are discussed below.

Impairment losses on receivables

The Company reviews its receivables to assess impairment at least on a quarterly basis. In determining whether impairment loss should be recorded in the income statement, the Company makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of receivables before the decrease can be identified with an individual receivable in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of debtors, national or local economic conditions that influence the group of the receivables.

The management evaluates probable cash flows from the debtors based on historical loss experience related to the debtors with a similar credit risk. Methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

4 Segment reporting

Segments information is presented in respect of the Company's business and geographical segments.

The Company comprises the following main business segments:

- Production activity. The manufacture of electronic components;
- Rent activity. The rent of business and other premises.

Other operations include transportation and other services provided for the clients of the Company.

Notes to the annual accounts

4 Segment reporting (cont'd)

Results for 2007 by business segments can be specified as follows:

	Discontinued production activity	Discontinued rent activity	Un-allocated	Total
Litas				
Revenue	6,353	1,925	0	8,278
Expenses	(8,350)	(1,265)	0	(9,615)
Gross profit	(1,997)	660	0	(1,337)
Operating expenses			(3,349)	(3,349)
Other activity result		1	37,629	37,630
Operating result before financing costs	(1,997)	661	34,280	32,944
Decrease in fair value of derivatives	(323)			(323)
Net financing items			1,634	1,634
Result before tax	(2,320)	661	35,914	34,255
Income tax expenses			(4,906)	(4,906)
Net segment result for the year	(2,320)	661	31,008	29,349
Total assets:	1,704	53	55,323	57,080
Total liabilities	335		2,564	2,899
Capital expenditure	0	0	0	0
Depreciation	747	82	131	961
Amortization of intangible asset	13	0	150	162
Impairment losses on intangible assets and property, plant and equipment	0	0	0	0

Un-allocated profit mainly included gain from sale of the Company's buildings on 4 April 2008.

Notes to the annual accounts

4 Segment reporting (cont'd)

Results for 2006 by business segments can be specified as follows:

tLitas	Production activity	Rent activity	Other operations	Un-allocated	Total
Revenue	42,961	5,129	287		48,377
Expenses	46,347	3,168	279		49,794
Gross profit	(3,386)	1,961	8		(1,417)
Operating expenses				(10,765)	(10,765)
Other activity result				(2,990)	(2,990)
Operating result before financing costs	(3,386)	1,961	8	(13,755)	(15,172)
Decrease in fair value of derivatives				(864)	(864)
Net financing items	(8,953)				(8,953)
Result before tax	(12,339)	1,961	8	(14,619)	(24,989)
Income tax income				2,118	2,118
Net segment result for the year	(12,339)	1,961	8	(12,501)	(22,871)
Total assets:	19,744	7,681		8,074	35,499
Total liabilities:	1,448	439		8,779	10,666
Capital expenditure		25		205	230
Depreciation	5,486	375		401	6,262
Amortization of intangible asset	58			199	257
Impairment losses on intangible assets and property, plant and equipment	439				439

Notes to the annual accounts

4 Segment reporting (cont'd)

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

Results for 2007 by geographical segments can be specified as follows:

€Litas	Lithuania	Hungary	Poland	Other	Total
Revenue	2,044	5,951	283	0	8,278
Expenses	1,757	6,991	867		9,615
Gross profit	288	(1,040)	(585)	0	(1,337)
Operating expenses	(3,277)	(66)	(6)		(3,349)
Other activity results	37,630				37,630
Operating result before financing costs	34,641	(1,106)	(591)	0	32,994
Decrease in fair value of derivatives	(323)				(323)
Net financing expenses	1,634				1,634
Result before tax	35,952	(1,106)	(591)	0	34,255
Income tax expense	(4,906)				(4,906)
Net segment result for the year	31,046	(1,106)	(591)	0	29,349
Total assets:	56,939	0	96	45	57,080
Total liabilities:	2,810	0	0	88	2,898
Capital expenditure:	0	0	0	0	0

Notes to the annual accounts

4 Segment reporting (cont'd)

Results for 2006 by geographical segments can be specified as follows:

€Litas	Lithuania	Hungary	Poland	Other	Total
Revenue	18,260	24,172	5,945		48,377
Expenses	15,985	27,550	6,259		49,794
Gross profit	2,275	(3,378)	(314)	0	(1,417)
Operating expenses	(10,765)				(10,765)
Other activity results	(2,990)				(2,990)
Operating result financing costs	(11,480)	(3,378)	(314)	0	(15,172)
Decrease in fair value of derivatives	(864)				(864)
Net financing expenses	(8,953)				(8,953)
Result before tax	(21,297)	(3,378)	(314)	0	(24,989)
Income tax expense	2,118				2,118
Net segment result for the year	(19,179)	(3,378)	(314)	0	(22,871)
Total assets	35,230	264	5	0	35,499
Total liabilities	10,373			293	10,666
Capital expenditure	230				230

5 Distribution expenses

Litas	2007	2006
Transportation	72,750	287,250
Salaries and social insurance	1,754	378,797
Depreciation	627	13,598
Commissions	0	109,430
Other	45,739	157,022
	120,870	946,097

Notes to the annual accounts

6 Administrative expenses

Litas	2007	2006
Salaries and social insurance	877,481	3,563,726
Support	526,355	190
Territory guards and cleaning	165,950	744,505
Depreciation and amortization of non current asset	282,555	929,316
Utilities	118,193	279,785
Real estate and other tax	58,312	232,440
Cars exploitation	46,783	153,570
Repairs	15,813	469,868
Intermediary services	7,901	467,867
Business trips	1,872	58,015
Impairment for amounts receivable	0	1,364,913
Impairment for non current asset	0	439,009
Employee training	0	5,509
Other	1,127,328	1,110,377
	3,228,543	9,819,090

7 Personnel expenses

Litas	2007	2006
Wages and salaries	887,880	9,946,369
Compulsory social security contributions	254,947	3,070,541
	1,142,827	13,016,910

Staff costs include wages and salaries and emoluments (including social security contributions) for the management of 314 tLitas (2006: 1,173 tLitas).

The Company had 6 employees at the end of 2007 (2006: 48 employees). In 2007: 42 employees were dismissed, and redundancy payments amounted to 424 tLitas, including social security contributions (in 2006: 599 employees were dismissed and redundancy payments amounted to 3,633 tLitas).

Notes to the annual accounts

8 Other operating income and expenses

Litas	2007	2006
Gain from sales of property, plant and equipment	43,265,715	369,033
Sales of raw materials and goods for resale	896,203	8,500,643
Service resale to subsidiaries	0	746,755
Gain from unclaimed trade liabilities	0	8,269
Other gains	22,201	44,807
Other operating income	44,184,119	9,669,507
Loss from disposed property, plant and equipment	4,874,265	4,109,746
Costs of sales of raw materials and goods for resale	1,567,855	8,521,415
Raw materials written-off	104,707	0
Other costs	6,839	28,591
Other operating expenses	6,553,666	12,659,752
Other activity result	37,630,453	(2,990,245)

9 Financial income and expenses

Litas	2007	2006
Interest for loans	1,565,510	42
Profit from sale of subsidiary	0	2,000
Profit from shares sales	98,498	0
Deposit account interest	21,643	0
Interest income	8,043	24,772
Fines and delays	0	22,144
Financial income	1,693,694	48,958
Interest expense on bank borrowings and lease	35,214	311,188
Foreign exchange loss	13,330	12,711
Bank commission	7,943	31,466
Other financial expenses	2,880	2,221
Amounts receivable from subsidiaries written off	124	3,838,948
Loss from sale of subsidiaries	0	4,806,058
Financial expenses	59,491	9,002,592
Financial items, net	1,634,203	(8,953,634)

In the year 2006 the Company sold 3 of its subsidiaries: UAB Vilniaus Vingio Gija, UAB Vilniaus Vingio Mechanika and UAB Filmpakas.

Sale of UAB Vilniaus Vingio Gija and UAB Vilniaus Vingio Mechanika resulted in a loss amounting to 4,806 tLitas. Furthermore, according to the decision of the Company's Board of Directors, amounts receivable for productions, services and materials provided during period from January 2006 to July 2006 to mentioned subsidiaries, were written off. Loss due to the amounts receivable written-off comprises 3,839 tLitas. Subsidiary UAB Fimplakas has been sold with 2 thousand Litas profit.

For more details about Company's subsidiaries refer to Note 15 *Investment in subsidiaries*.

Notes to the annual accounts

10 Corporate income tax expenses

Litas	2007	2006
Current tax expense		
Current income tax	(2,323,775)	0
Current temporary social tax	(464,755)	
Corporate income tax corrections for previous periods	0	0
	<u>(2,788,530)</u>	<u>0</u>
Deferred tax expense		
Deferred tax expense	(2,118,000)	0
Deferred tax income		2,118,000
	<u>(2,118,000)</u>	<u>2,118,000</u>
Total income tax expense	<u>(4,906,530)</u>	<u>2,118,000</u>

The reconciliation of the effective tax rate is as follows:

Litas	2007		2006	
Result before tax		34,255		(24,989)
Income tax using effective tax rate	18.0%	6,166	19.0%	(4,748)
Amounts receivable written-off	0.0%	5	(3.1)%	782
Impairment for non-current asset		0	(0.3)%	84
Other non-deductible expenses	0.0%	5	(0.1)%	35
Utilization of tax losses for which no deferred tax asset was recognized	(3.7)%	(1,270)	0%	0
Unrecognized deferred tax asset on temporary deductible differences		0	(7.6)%	1,902
Adjustment for effect of increased corporate income tax rate for unrecognized deferred tax asset		0	0.6%	(173)
	<u>14.3%</u>	<u>4,906</u>	<u>8.5%</u>	<u>(2,118)</u>

Notes to the annual accounts

11 Deferred tax

tLitas	2007		2006	
	Temporary difference	Deferred tax (15%)	Temporary difference	Deferred tax (18%)
Difference between tax basis and carrying amount of inventories	0	0	1,137	204
Impairment on trade receivable	320	48	320	58
Impairment on other receivable	836	125	836	150
Accrued expenses	0	0	116	21
Taxable loss carried forward	230	35	19,933	3,588
	1,386	208	22,342	4,021
Unrecognized deferred tax asset		(208)		(1,902)
Deferred tax asset as at 31 December		0		2,118

Taxable loss carried forward related to loss from derivative financial instruments, which can be carried forward for 3 years and netted only with profit from investing activity.

Deferred tax asset has not been recognized due to uncertainty of its realization.

The movement in the deferred tax asset account is as follows:

Litas	2007	2006
Deferred tax asset at 1 January	2,118,000	0
Change in deferred tax asset	(2,118,000)	2,118,000
Deferred tax asset at 31 December	0	2,118,000

12 Current tax assets and liabilities

The current tax liability of 2,427 tLitas (2006: 501 tLitas asset) represents the amounts of income tax and temporary social tax payable in respect of current period.

Notes to the annual accounts

13 Property, plant and equipment

Litas	Buildings	Machinery and equipment	Tools, fixtures and fittings	Transport vehicles	Total
Cost or deemed cost					
Balance at 1 January 2006	25,277,588	26,984,476	24,937,655	1,702,269	78,901,988
Additions		1,914	34,787	145,677	182,378
Disposals	(263,774)	(13,641,100)	(11,300,141)	(1,323,601)	(26,528,616)
Contribution to subsidiaries		(3,239,385)	(2,091,558)	(139,270)	(5,470,213)
Reclassifications	0	(2,632)	2,632	0	0
Balance at 31 December 2006	<u>25,013,814</u>	<u>10,103,273</u>	<u>11,583,375</u>	<u>385,075</u>	<u>47,085,537</u>
Balance at 1 January 2007	25,013,814	10,103,273	11,583,375	385,075	47,085,537
Additions	0	0	0	0	0
Disposals	(25,013,814)	(10,100,459)	(11,372,517)	(302,397)	(46,789,187)
Balance at 31 December 2007	<u>0</u>	<u>2,814</u>	<u>210,858</u>	<u>82,678</u>	<u>296,350</u>
Depreciation and impairment losses					
Balance at 1 January 2006	8,837,375	17,422,959	16,858,345	1,254,591	44,373,270
Depreciation for the year	438,989	2,851,326	2,855,045	116,72	6,262,080
Impairment loss	0	76,202	379,62	(16,813)	439,009
Disposals	(70,000)	(11,255,747)	(9,866,417)	(988,468)	(22,180,628)
Contribution to subsidiaries	0	(2,706,606)	(1,789,938)	(117,669)	(4,614,213)
Reclassifications	0	(2,630)	(2,630)	0	0
Balance at 31 December 2006	<u>9,206,364</u>	<u>6,385,504</u>	<u>8,439,285</u>	<u>248,361</u>	<u>24,279,514</u>
Balance at 1 January 2007	9,206,364	6,385,504	8,439,285	248,361	24,279,514
Depreciation for the year	73,165	388,092	471,135	28,183	960,575
Impairment loss	0	0	0	0	0
Disposals	(9,279,529)	(6,770,785)	(8,719,545)	(257,022)	(25,026,881)
Balance at 31 December 2007	<u>0</u>	<u>2,811</u>	<u>190,875</u>	<u>19,522</u>	<u>213,208</u>
Carrying amounts					
At 1 January 2006	16,440,213	9,561,517	8,079,310	447,678	34,528,718
At 31 December 2006	<u>15,807,450</u>	<u>3,717,769</u>	<u>3,144,090</u>	<u>136,714</u>	<u>22,806,023</u>
At 1 January 2007	15,807,450	3,717,769	3,144,090	136,714	22,806,023
At 31 December 2007	<u>0</u>	<u>3</u>	<u>19,983</u>	<u>63,156</u>	<u>83,142</u>

Notes to the annual accounts

13 Property, plant and equipment (cont'd)

Depreciation has been allocated as follows:

Litas	2007	2006
Production costs	744,993	5,201,338
Administrative expenses	132,741	672,666
Rent costs	82,215	374,678
Distribution expenses	627	13,598
Total	960,575	6,262,280

Property plant and equipment with a book value of 856 tLitas has been transferred to the subsidiary as at 31 December 2006 as non current asset contributions to its share capital, as explained in note 15 to the annual accounts.

On 24 October 2006, the Company has signed real estate sales agreement, according to which, buildings located in Savanorių av. 176, Vilnius has been sold on 4 April, 2007, after full payment from the buyer has been received. Agreed sales price comprise 59,000 thousand Litass, excluding VAT. Profit from real estate sale for the year 2007 amounts to 43,266 tLitas.

Other non-current assets of the Company have been sold with loss amounting to 4,874 tLitas.

Leased plant and machinery

As at 31 December 2006 the Company had repaid all financial leasing liabilities and has no assets under financial leasing agreements as at 31 December 2007.

As at 31 December 2007 the Company has no asset rented.

Security

At 31 December 2007, the Company has no asset pledged.

Notes to the annual accounts

14 Intangible fixed assets

Litas	Licenses and certificates	Software	Total
Cost			
Balance at 1 January 2006	397,982	1,122,571	1,520,553
Additions	24,528	23,500	48,028
Disposals	(255,010)	(2,100)	(257,110)
Balance at 31 December 2006	167,500	1,143,971	1,311,471
Balance at 1 January 2007	167,500	1,143,971	1,311,471
Additions	0	0	0
Disposals	(77,415)	(670,936)	(748,351)
Balance at 31 December 2007	90,085	473,035	563,120
Amortization and impairment losses			
Amortization at 1 January 2006	312,957	733,683	1,046,640
Amortization for the year	57,520	199,130	256,650
Disposals	(254,998)	(2,098)	(257,096)
Amortization at 31 December 2006	115,479	930,715	1,046,194
Amortization at 1 January 2007	115,479	930,715	1,046,194
Amortization for the year	34,588	127,858	162,446
Disposals	(77,406)	(670,472)	(747,878)
Amortization at 31 December 2007	72,661	388,101	460,762
Carrying amount			
At 1 January 2006	85,025	388,888	473,913
At 31 December 2006	52,021	213,256	265,277
At 1 January 2007	52,021	213,256	265,277
At 31 December 2007	17,424	84,934	102,358

Amortization has been allocated as follows:

Litas	2007	2006
Administrative expenses	149,814	256,650
Production costs	12,632	0
Total	162,446	256,650

Notes to the annual accounts

15 Investments in subsidiaries

In November 2006, the Company has established a 100% owned subsidiary UAB Vilniaus Vingio Geba. The investment is stated at cost.

Litas	2007	2006
Paid in share capital of UAB Vilniaus Vingio Geba	<u>906,000</u>	<u>906,000</u>

The share capital of the subsidiary has been fully paid as at 31 December 2007. Share capital of subsidiary UAB Vilniaus Vingio Geba comprise 50 tLitas paid in cash and other 856 tLitas has been contributed by non-current asset. Non-current assets have been transferred as at 1 December 2006, and its book value could be specified as follows:

Litas	Net book value
Machinery and equipment	532,779
Tools, fixtures and fittings	301,620
Transport vehicles	<u>21,601</u>
Total contribution	<u>856,000</u>

In 2007 AB Vilniaus Vingis Board of Directors has taken decision to start the liquidation process for the subsidiary UAB Vilniaus Vingio Geba. Currently, the subsidiary is still under liquidation.

The main ratios of UAB Vilniaus Vingio Geba:

Litas	At the end of financial year
Total asset	200,423
Shareholder equity	200,423
Financial year net result	(683,236)
Sales income	3,093,865

Sales income of subsidiary UAB Vilniaus Vingio Geba for year 2007, comprise income received for production services provided to parent company AB Vilniaus Vingis (see note 27).

During year 2006, the Company sold three subsidiaries, which were established in year 2005 and 2006:

- UAB Filmpakas
- UAB Vilniaus Vingio Gija
- UAB Vilniaus Vingio Mechanika

The subsidiary UAB Filmpakas has been sold with 2 tLitas profit. The subsidiary had no activities till it was sold.

Notes to the annual accounts

15 Investments in subsidiaries (cont'd)

Sale of the subsidiaries UAB Vilniaus Vingio Gija and UAB Vilniaus Vingio Mechanika has resulted in a loss of 8,645 tLitas which is disclosed below:

Litas	Vilniaus Vingio Gija	Vilniaus Vingio Mechanika	Total
Cost of investments	4,336,841	2,414,217	6,751,058
Sales price	1,000,000	945,000	1,945,000
Sales result	(3,336,841)	(1,469,217)	(4,806,058)
Amounts receivable from subsidiaries written-off	(1,735,251)	(2,103,697)	(3,838,948)
Final loss related to the sale of subsidiaries	(5,072,092)	(3,572,914)	(8,645,006)

16 Inventories

Litas	2007	2006
Raw materials	0	1,699,118
Finished goods	0	1,430,586
Net book value at 31 December	0	3,129,704

Raw materials as at 31 December 2006 consist of plastics, wires, metals and other materials used in production.

Inventories charged to the income statement are as follows:

Litas	2007	2006
Cost of sales (produced goods sold)	9,615,415	49,794,163
Other operating expenses (goods for resale sold, raw materials, spare parts sold)	1,567,855	8,521,415
Other operating expenses (raw materials) written-off	104,707	0
	11,287,977	58,315,578

17 Trade receivables

Litas	2007	2006
Trade receivables	2,066,450	3,910,341
Accumulated impairment	(321,611)	(321,611)
Net book value at 31 December	1,744,839	3,588,730

Notes to the annual accounts

18 Other receivables

Litas	2007	2006
Short term loans	52,596,650	1,000,000
Interest receivable	1,539,017	0
VAT and other tax overpayment	56,773	316,377
Prepayments and deferred charges	6,102	18,650
Other receivables	11,241	12,550
Net book value at 31 December	54,209,783	1,347,577

Terms and repayment schedules of the loans issued

Litas	Maturity	Total
Loan to UAB Hermis Capital of LTL 37,000 thousand, 4% annual interest	2008.03.01	35,416,650
Loan to AB Invalda of LTL 18,000 thousand, 4% annual interest	2008.03.01	17,180,000
Loans balance at the end of the year		52,596,650

Interest accrued as at 31 December 2007 include interest of 1,528 tLitas for loans provided to shareholders specified above, and 11 tLitas interest receivable from formed subsidiary UAB Vilniaus Vingio Gija.

In February 2008, loan agreements have been changed foreseeing new maturity date of the loans - 1 June 2008.

19 Cash and cash equivalents

Litas	2007	2006
Term deposits	0	547,756
Cash at bank	30,294	256,062
Cash in hand	3,898	32,455
Cash and cash equivalents at the end of the year	34,192	836,273

Notes to the annual accounts

20 Capital and reserves

Share capital

The share capital comprises 9,123,105 ordinary shares with a nominal value of 4 Litas each and the total share capital amounts to 36,492,420 Litas.

The holders of the 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 capital repayment in case of decrease of the capital.

Reacquired own shares

The Company did not acquire any of its own shares on the Vilnius Stock Exchange in year 2007 or 2006:

Litas	2007		2006	
	Number of shares	Total, Lit	Number of shares	Total, Lit
At 1 January	475,817	3,946,688	475,817	3,946,688
Treasury shares acquired in the market	0	0	0	0
At 31 December	475,817	3,946,688	475,817	3,946,688

Reacquired own shares are shown as a deduction from the equity at their acquisition price.

Legal reserve

The legal reserve in the amount of 2,086 tLitas (2006: 2,086 tLitas) is a compulsory reserve under Lithuanian legislation. Annual contributions of minimum 5% of the profit available for distribution, are required until the legal reserve reaches 10% of the authorised capital.

Other reserves

Other distributable reserves in the amount of 6,566 tLitas (2006: 6,566 tLitas) were formed according to the shareholders decision and comprise the reserve for own shares acquisition.

Before profit allocation, all distributable reserves are transferred to retained earnings and re-distributed by the shareholders decision each year.

Notes to the annual accounts

21 Earnings per share

Basic earnings per share are calculated by dividing the net profit or loss attributable to shareholders by the weighted average number of ordinary shares in issue during the year. The average number of ordinary shares reacquired by the Company is excluded from shares outstanding during the year.

Litas	2007	2006
Shares issued 1 January	9,123,105	9,123,105
Effect of own shares	(475,817)	(475,817)
Average weighted number of shares in issue	8,647,288	8,647,288
Net result for the year, Litas	29,348,848	(22,871,699)
Profit/loss per share, Litas	3.39	(2.64)

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

22 Interest bearing loans and other non-current liabilities

Litas	2007	2006
Short term, secured financing facility	0	1,852,706
Net book value at 31 December	0	1,852,706

At the end of the year 2006 the Company had a credit of 1,853 tLitas, which during year 2007 was fully repaid.

23 Other creditors

Litas	2007	2006
Salaries and related taxes	3,067	35,963
Advances	0	5,006,519
Collateral for the rent	0	210,926
Vacation allowances	0	67,337
Payable to customs	0	4,094
Other payable and accrued charges	133,549	201,386
Net book value at 31 December	136,616	5,526,225

Advances received as at 31 December 2006 include 5,000 tLitas advance for the buildings, made according to buildings sale agreement signed on 24 October 2006, and other advances of 7 tLitas.

Other payable as at 31 December 2007 include 114 tLitas dividends payable (116 tLitas in 2006) and other amounts payable of 20 tLitas.

Notes to the annual accounts

24 Financial risk management

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk,
- Liquidity risk,
- Market risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these annual accounts.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers.

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. This allowance for impairment includes only specific loss, related to individually significant trade and other receivables.

As at 31 December 2007 the Company has overdue amount of 1,472 tLitas receivable from its formed subsidiary. No impairment was recognized on the amount receivable, as the management is confident the amount will be settled.

Liquidity risk

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

Typically the Company ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Notes to the annual accounts

24 Financial risk management (cont'd)

Market risk

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

Interest rate risk

The Company has no borrowings, which are subject to variable interest rate. As at 31 December 2007, the Company did not use any financial instruments to hedge its exposure to the cash flow risk related to debt instruments with variable interest rates or price risk related to debt instruments with fixed interest rates.

Currency risk

The functional currency of the Company is Litas (LTL). The Company faces foreign currency risk on purchases and borrowings that are denominated in currencies other than Litas and EUR. The risk related to transactions in EUR is considered to be insignificant as the Lithuanian Litas is pegged to EUR at a fixed rate. The currency giving rise to this risk is primarily US Dollars. The Company did not use any instruments to hedge its exposure to foreign currency exchange risk.

The Company held position in foreign currencies as stated below:

	31 December 2007		31 December 2006	
	EUR	USD	EUR	USD
tLitas				
Trade debtors	28	18	264	50
Prepayments and other receivables	1		5	
Fair value derivative financial instruments				(1,606)
Cash	1		11	548
Borrowings			(1,853)	
Trade creditors		(38)	(106)	(186)
Advances received			(6)	0
	30	(20)	(1,685)	(1,194)

Exchange rate of US Dollars was 2.3572 LTL / USD as at 31 December 2007.

Notes to the annual accounts

24 Financial risk management (cont'd)

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital and proposes the level of dividends to ordinary shareholders based on the Company's financial results and strategic plans.

There were no changes in the Company's approach to capital management during the year.

25 Derivative financial instruments

On 28 November 2005, the Company entered into a copper swap transaction with a bank. The derivative financial instrument was designated as held for trading.

According to the contract, the Company agreed to exchange standard copper quantity of 100 tones at a fixed price for the same notional quantity at its average monthly price (by reference to the London Metal Exchange) at 15 monthly intervals, the first being set on 31 December 2005 and the last on 28 February 2007. The total notional quantity of copper under the contract is 1,500 tones.

On 31 December 2005, the Company realized USD 63 thousand or 184 tLitas gain on the first exchange of 100 tones notional quantity of copper. As at 31 December 2005, the outstanding not matured swap of 1,400 tones is stated at fair value, estimated by reference to a quotation of the contract market value received from the bank as at 31 December 2005. The fair value of the contract is USD 400 thousand or 1,165 tLitas. The fair value of the swap contract reflected in the balance sheet is USD 463 thousand or 1,349 tLitas (including the receivable for the matured part of the contract of USD 63 thousand or 184 tLitas).

On 19 January 2006, the swap contract was cancelled partially, i.e. except for 100 tones swap maturing on 31 January 2006. A gain of USD 539 thousand or 1,535 tLitas was realized on the cancellation. The amount was paid to the Company on 23 January 2006.

On maturity of the not cancelled part of the mentioned swap contract on 31 January 2006, the Company realized USD 79 thousand or 225 tLitas gain, which was paid to the Company on 2 February 2006.

On 16 January 2006, the Company entered into a copper swap transaction with a bank for a notional quantity of 2,250 tones of copper, maturing on 30 April 2007. The swap was cancelled on 25 January 2006. The Company realized a gain of USD 108 thousand or 303 tLitas on the cancellation, which was paid to the Company on 27 January 2006.

Notes to the annual accounts

25 Derivative financial instruments (cont'd)

On 25 July 2006, the Company entered into a new copper swap transaction with a bank. According to the contract, the Company agreed to exchange standard copper quantity of 50 tones at a fixed price for the same notional quantity at its average monthly price (by reference to the London Metal Exchange) at 15 monthly intervals, the first being set on 2 August 2006 and the last on 31 October 2007. The total notional quantity of copper under the contract is 750 tones.

As at 31 December 2006, the Company suffered USD 18 thousand or 45 tLitas loss on the first exchange of 200 tones notional quantity of copper. As at 31 December 2006, the outstanding not matured swap of 500 tones is stated at fair value, estimated by reference to a quotation of the contract market value received from the bank as at 31 December 2006. The fair value of the contract is USD 611 thousand or 1,607 tLitas. The fair value of the swap contract reflected in the balance sheet is USD 654 thousand or 1,721 tLitas (including the payable for the matured part of the contract of USD 43 thousand or 114 tLitas).

On 1 March 2007, the swap contract was cancelled. A loss of USD 549 thousand or 1,442 tLitas incurred on the cancellation. The amount was paid by the Company on 5 March 2007. Before the swap was cancelled, the company has suffered additional loss of USD 187 thousand or 487 tLitas in year 2007.

After fair value of copper swap accrued as at 31 December 2006 has been recognized in 2007 year result, final result related to derivative financial instruments amounted to 323 tLitas loss.

26 Fair value of financial instruments

Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties on an arm's length transaction, other than in forced or liquidation sale. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate.

The fair value of the assets and liabilities reported in the balance sheet as at 31 December 2007 do not differ significantly from their carrying amounts except for immovable property, plant and equipment whose amortized cost differs significantly from its fair value.

Financial assets as at 31 December 2007:

Litas	Carrying amount	Fair value
Trade receivables	1,744,839	1,744,840
Other receivables	54,209,783	54,209,782
Cash and cash equivalents	34,192	34,192
Total	55,988,814	55,988,814

Notes to the annual accounts

26 Fair value of financial instruments (cont'd)

Financial liabilities as at 31 December 2007:

Litas	Carrying amount	Fair value
Trade payables	335,214	335,215
Other liabilities	136,616	136,615
Total	471,830	471,830

27 Related parties

The related parties of the Company are its shareholders holding an interest that gives control or significant influence over the Company (refer to information on the composition of the Board below), the subsidiaries UAB Vilniaus Vingio Gija, UAB Vilniaus Vingio Mechanika, UAB Vilniaus Vingio Geba, members of the key management personnel in AB Vilniaus Vingis and of the subsidiaries, as well as close members of the family of the mentioned shareholders and the management personnel.

As at 31 December 2007, the Company's Board includes two members from Hermis Capital UAB, one from AB Finasta Įmonių Finansai.

During 2006, the Company paid in the share capital of the newly established subsidiaries and transferred non-current assets to them for increase in their share capital.

Purchases and sales to the Company's current and former subsidiaries are disclosed below:

Company	Type of transaction	2007	2006
Purchases:			
UAB Vilniaus Vingio Gija	Production services	0	4,697,273
UAB Vilniaus Vingio Gija	Other services	0	43,486
UAB Vilniaus Vingio Mechanika	Production services	0	8,590
UAB Vilniaus Vingio Mechanika	Other services	0	65,278
UAB Vilniaus Vingio Geba	Production services	3,093,865	298,178
Total:		3,093,865	5,112,805
Sales:			
UAB Vilniaus Vingio Gija	Materials	0	5,563,473
UAB Vilniaus Vingio Gija	Costs compensation	0	627,416
UAB Vilniaus Vingio Gija	Consultation services	0	592,954
UAB Vilniaus Vingio Gija	Premises lease	0	510,837
UAB Vilniaus Vingio Gija	Other services	0	104,673
UAB Vilniaus Vingio Gija	Non-current asset	0	19,723
UAB Vilniaus Vingio Mechanika	Materials	0	678,262
UAB Vilniaus Vingio Mechanika	Consultation services	0	153,801
UAB Vilniaus Vingio Mechanika	Costs compensation	0	149,294
UAB Vilniaus Vingio Mechanika	Premises lease	0	137,014
UAB Vilniaus Vingio Mechanika	Other services	0	6,518
UAB Vilniaus Vingio Mechanika	Non-current asset	0	788
UAB Vilniaus Vingio Geba	Other services	239,041	72,298
Total:		239,041	8,617,051

Notes to the annual accounts

27 Related parties (cont'd)

Movable non current assets with the book value amounting to 206 tLitas were sold to the AB Vilniaus Vingis former directors in 2006 year. Sale income for items sold amount to 77 tLitas, therefore the company has suffered the loss of 129 tLitas from these sale operations.

Both the subsidiaries of the Company UAB Vilniaus Vingio Gija and UAB Vilniaus Vingio Mechanika were bought by former directors of the Company. Loss from the subsidiaries sold amounts to 4,806 tLitas. In addition, amounts receivable from these companies for material, services provided in 2006 year, amounting to 3,839 tLitas have been written off.

For payment to the management refer to Note 7.

28 Subsequent events

On 28 and 29 February 2008, loan agreements signed with UAB Hermis Capital and AB Invalda have been changed. According to new conditions, loans repayment date has been changed from 1 March 2008 to 1 June 2008.

There were no other subsequent events after the balance sheet date, which require adjustments or additional disclosure in the financial statements.

29 Contingencies

The Company issued legal claims to customers regarding the settlement of overdue receivable for amount of 1,114 tLitas.

The Company issued a claim to its previous employees due to their fraudulent activities within the Company. The claim issued amounted to 578 tLitas. As to court decision taken on 4 September 2007, only fine of 2 tLitas has been imposed to the former employees.

30 Uncertainty

Financial statements have been prepared on a going concern basis as the Company has sufficient funds to continue its activity.

Production and rent activity has been ceased after real estate, machinery and equipment of the Company have been sold in first half of year 2007.

Cash funds received from the sale of non current assets are currently lent to shareholders for an annual interest of 4%.

Activity of the Company will depend on the shareholders' decisions regarding the operation of the Company as a going concern.

Annual report of AB Vilniaus Vingis for the year 2007

Reporting period for which the report has been prepared

The report has been prepared for the 2007.

Main data about the Issuer

Name of the Issuer	Vilniaus Vingis AB
Code in the Register of Enterprises	1225 97830
Authorised capital	36 492 420 LTL
Address	Savanoriu ave. 176, LT-03154 Vilnius, Lithuania
Telephone	+370 5 239 25 00
Fax	+370 5 239 25 55
E-mail address	info@vingis.lt
Internet address	www.vingis.lt
Legal and organisational form	public company (joint-stock company)
Date and place of registration	25 February 1994, State Enterprise Centre of Registers
Date and place of re-registration	28 September 2001, State Enterprise Centre of Registers
Register	Register of Legal Persons

Activity

The Company is involved in the manufacture of electronic components.

Share capital

The share capital comprises 9,123,105 ordinary shares with a nominal value of Litas 4 each and the total share capital amounts to Litas 36,492,420.

There is the Agreement with Finasta JSC FMI due to arrangement of securities invoices.

Shareholders

On 31 December 2007 the total number of Vilniaus Vingis AB shareholders was 656.

Shareholders who held more than 5 per cent of the Issuer's authorised capital or / and votes on 31 December 2007:

Name of the shareholder (name of the company, its type, address of head office, code in the Register of Enterprises)	Number of ordinary registered shares owned by the right of ownership	Part in the authorised capital, %	Part of votes given by the shares owned by the right of ownership, %	Part of votes of shareholders that are acting jointly, %
HERMIS CAPITAL UAB A. Tumėno Str.4, 01109 Vilnius, Lithuania 1256 99527	5,533,191	60.65	63.99	---
FINANCIAL SPECTRUM INVESTMENT Konstitucijos Ave. 23, LT-08105 Vilnius, Lithuania 132209272	1,709,287	18.74	19.77	---
ŠIAULIŲ BANKAS Tilžės Str 149 Šiauliai, Lithuania 112025254	905,000	9.92	10.47	---
VILNIAUS VINGIS AB Savanoriu Ave. 176, LT-03154 Vilnius, Lithuania 1225 97830	475,817	5.22	---	---

Main characteristics of the shares of Vilniaus Vingis AB

Type of shares	ISIN Code	Number of shares	Nominal value, LTL	Total nominal value, LTL
Ordinary registered shares	LT0000103673	9,123,105	4.00	36,492,420.00

Trading shares of Vilniaus Vingis AB

Period	Price, LTL			Turnover, LTL			Date of the last session	Total turnover	
	Highest	Lowest	Last session	Biggest	Smallest	Last session		Number of shares	LTL
1 st quarter of 2007	6.15	5.66	6.00	5,664,051	0	0	30.03.2007	3,200,526	18,641,120.83
2 nd quarter of 2007	6.20	5.45	6.09	11,020,031	0	0	29.06.2007	2,875,455	17,144,259.52
3 rd quarter of 2007	6.00	5.50	5.94	316,613.88			27.09.2007	145,733	858,554.45
4 th quarter of 2007	6.21	5.94	6.21	1,021,700			28.12.2007	208,213	1,251,162.36

Capitalisation of shares of Vilniaus Vingis AB, LTL

Last session date	Capitalisation, LTL
30.03.2007	54,738,630.00
29.06.2007	55,559,709.45
27.09.2007	54,191,243.70
28.12.2007	56,564,482.05

Members of the managing bodies

Vilniaus Vingis AB has the General Meeting, a single-person management organ – the manager (General Director) and collegial management organ – the Board. The Supervisory Board is not formed in the Company.

The Board is elected by the General Meeting for a term of 4 years. The Board has 3 members.

The Board elects and removes from office the manager of the Company, fixes his salary, approves his job description, provides incentives for him and imposes penalties.

Position held, names and surnames, data about participation in the Issuer's authorised capital

Name, surname	Position held	Share of the capital held, %	Share of the votes held, %
THE BOARD			
Nerijus Dagilis	Chairman	-	-
Darius Janulevičius	Member	-	-
Marija Leitonienė	Member	-	-
ADMINISTRATION			
Neringa Menčiūnienė	General Director	-	-
Svetlana Ivanova	Chief Accountant	-	-

2007.02.15 Sales of production of Vilniaus Vingis AB
2007.03.19 Agenda of general meeting of shareholders
2007.03.20 DISCLOSURE ABOUT ACQUISITION OF A BLOCK OF SHARES
2007.03.20 DISCLOSURE ABOUT DISPOSAL OF A BLOCK OF SHARES
2007.03.20 DISCLOSURE ABOUT ACQUISITION OF A BLOCK OF SHARES
2007.03.29 Regarding one's own shares
2007.04.04 Supplemented agenda of the General Meeting
2007.04.06 Audited activity results of Vilniaus Vingis AB in 2006
2007.04.06 Draft resolutions of the General Meeting
2007.04.11 Financial Statements for the year 2006 and annual Report
2007.04.12 Sales of the first quarter in 2007
2007.04.17 Vilniaus Vingis AB Major shareholder announcements
2007.04.18 Company Announcement
2007.04.20 Resolutions of the ordinary General Shareholder's Meeting
2007.04.23 Notification acquisition of a block of shares
2007.04.24 Vilniaus Vingio Geba UAB cease the production of deflection yokes
2007.04.24 Vilniaus Vingio Geba ceases the production of not promising deflection yokes.
2007.05.09 Vilniaus Vingis AB Board's meeting
2007.05.28 Notification disposal/acquisition of a block of shares
2007.05.31 Financial statements for the I quarter 2007
2007.07.24 Preliminary results of activities for first half year of 2007
2007.07.26 Due to Tender Offer
2007.08.31 Consolidated financial statements and interim report for the first half of 2007
2007.09.25 Correction: Financial statements for the I quarter 2007
2007.10.25 Preliminary results of activities for the nine months of 2007
2007.11.08 Intermediate consolidated financial statements for the nine months of 2007
2007.11.23 CORRECTION: Consolidated financial statements and interim report for the first half of 2007
2007.11.27 Notification acquisition (disposal) of a block of shares
2007.11.28 CORRECTION: Intermediate consolidated financial statements for the nine months of 2007

Main information about Company's results for year 2007

The last year for the Company was the year of great changes.

The situation in the market has significantly worsened, if to compare with the year 2006, and was distinguished for the dramatic change in the decrease of production in the deflection yokes segment.

With a view to concentrate on the direct activity only, i.e. production of deflection yokes, The Company sold real estate owned (by the ownership right) by AB Vilniaus Vingis. Having called the tender, the complex of real estate in Vilnius (Savanorių av.), including administrative, production and warehousing buildings and premises, was sold for 59 million Litās. The profit generated by the Company from sales of the buildings amounted to 43,26 million Litās.

Due to critically decreased orders for deflection yokes, on 25 April 2007, the Board of AB Vilniaus Vingis accepted a decision to stop production of deflection yokes and liquidate the subsidiary UAB Vilniaus Vingio Geba, the production of deflection yokes to which was transferred at the end of 2006. AB Vilniaus Vingis owns (by ownership right) 100 % of the shares of UAB Vilniaus Vingio Geba. The subsidiary started its activity on 1 December 2006. The authorized capital of the established subsidiary amounted to 50 tLitās. It was divided in 50,000 ordinary registered shares with a nominal value of 1 Litās each. The authorized capital of the subsidiary was paid in by monetary contributions. In December 2006, the authorized capital of UAB Vilniaus Vingio Geba was increased by non-monetary contribution consisting of non-current movable assets of AB Vilniaus Vingis, related to production of deflection yokes. AB Vilniaus Vingis used the non-monetary contribution while paying for 856 000 ordinary registered shares of UAB Vilniaus Vingio Geba, the total nominal value and the emission price of which amounted to 856,000 Litās. Currently, the share capital of UAB Vilniaus Vingio Geba is 906 tLitās. Besides, 258 employees left for the subsidiary UAB Vilniaus Vingio Geba. Having announced liquidation of the Company, 256 employees were dismissed in 2007, and redundancy payments performed amounted to 1.1 million Litās. At the moment, the liquidation procedure of the subsidiary is being performed.

It was expected that sales of the Company in 2007 would make 8.5 million Litās, profit from other activity, after the real estate of The Company is sold, would reach 43 million Litās, and profit before taxes in 2007 would make 17 million Litās. Investment in renovation of the production and diversification has not been foreseen.

The objectives of the Company for 2007 have been achieved, i.e. the production sales amount to 6.2 million Litās (or by 36.7 million Litās less than in 2006) and the profit before taxes amounted to 34.3 million Litās. Decisions of the management accepted in due time to stop unprofitable production of deflection yokes resulted in higher profit than expected.

Last year production of deflection yokes comprised 416.7 thousand units or by 86.6% less than in 2006.

In 2007 the Company incurred a loss of 1.3 million Litās from the main activities. In 2006, the loss comprised 1.4 million Litās. The results from the main activities were negatively influenced by the following reasons:

The Company has been performing production of deflection yokes only until the 25th of April;

As of April 2007, the Company had no income related to rent of property.

Having stopped the production and having sold the buildings, the Company was constantly decreasing the number of employees. During 2007, the number of employees, working in AB Vilniaus Vingis and UAB Vilniaus Vingio Geba decreased from 306 to 8. At the end of the year, AB Vilniaus Vingis employed 6 persons and UAB Vilniaus Vingio Geba – 2 employees.

Operating costs of the accounting year, if compared to 2006, decreased by 7.4 million Litās due to decreased sales and other administrative costs. Operating costs were negatively influenced by redundancy compensations paid to employees of The Company amounting to 0.3 million Litās (excluding social insurance tax).

When performing other activity, the Company generated the profit of 37.6 million Litās, including the profit from sales of the buildings of 43.3 million Litās, and loss from sales of other tangible non-current movable assets comprised 5 million Litās. In 2007, the Company sold all technological equipment for production of deflection yokes, other facilities and machinery. The equipment was sold with loss, as the equipment is specific and can be used only for production of deflection yokes.

Profit of 1.3 million Litās was generated from financial and investing activities, including the interest from loans granted of 1.6 million Litās, profit from sales of financial assets reached 98.5 tLitās, interest paid to banks amounted to 35.2 tLitās and currency exchange loss amounted to 13.3 tLitās.

Realized loss related to swap copper contracts in 2007 amounted to 322.7 tLitās. The swap agreement was cancelled on 1 March 2007.

During 2007, the cash flows of the Company went up. The Company has no liabilities to banks. Besides, trade creditors decreased significantly from 1.6 million Litās to 0.3 million Litās, i.e. 1.3 million Litās.

As at the end of the accounting year, the Company has own shares amounting to 475,817 units, and it makes 5.22% of the authorized capital. The nominal value of the shares held is 1,903,268.00 Litās, and the acquisition value is of 3,946,668.00 Litās.

The Company had neither branches nor representative offices during the accounting year.

Further activity of the Company will depend on the shareholders' decisions regarding the operation of the Company as a going concern.

Currently, the Company invests at a profit, seeking maximum financial benefit.

It is expected that in 2008 the Company will receive up to 1 million Litās interest for the loans granted.

Managing Director

Neringa Menčiūnienė

Disclosure form concerning the compliance with the Governance Code for the company Vilniaus Vingis AB listed on the regulated market

The company Vilniaus Vingis AB, following Article 21 paragraph 3 of the Law on Securities of the Republic of Lithuania and item 20.5 of the Trading Rules of the Vilnius Stock Exchange, discloses its compliance with the Governance Code, approved by the VSE for the companies listed on the regulated market, and its specific provisions.

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICAB LE	COMMENTARY
<p>Principle I: Basic Provisions</p> <p>The overriding objective of a company should be to operate in common interests of all the shareholders by optimizing over time shareholder value.</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.	Yes	The company announces the forecast and objectives through distribution Service of Vilnius Stock Exchange. The company can't to disclose some features of strategy due to competitive fight in the market.
1.2. All management bodies of a company should act in furtherance of the declared strategic objectives in view of the need to optimize shareholder value.	Yes	The company's organs of government are united to implement the main objectives and tasks.
1.3. A company's supervisory and management bodies should act in close co-operation in order to attain maximum benefit for the company and its shareholders.	Yes	The company's Board accepts all important items and decisions. Ordinary Board's meetings are made one time per quarter, extraordinary – acc. to the proposal by Board's Chairman due to acceptance on discussions of important items and solutions.
1.4. A company's supervisory and management bodies should ensure that the rights and interests of persons other than the company's shareholders (e.g. employees, creditors, suppliers, clients, local community), participating in or connected with the company's operation, are duly respected.	Yes	The company is seeking to guarantee the rights of all main concerned groups.

<p>Principle II: The corporate governance framework</p> <p>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.</p>		
<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.</p>	<p>No</p>	<p>A Supervisory Board is not formed in the Company.</p> <p>General Shareholders Meeting for which the Board is accounted carries out the control of Board.</p>
<p>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.</p>	<p>Yes</p>	<p>The collegiate government body is formed in company - Management Board.</p>
<p>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.</p>	<p>No</p>	<p>The company doesn't keep this recommendation, only the collegiate body – Board is formed.</p>
<p>2.4. The collegial supervisory body to be elected by the general shareholders' meeting should be set up and should act in the manner defined in Principles III and IV. Where a company should decide not to set up a collegial supervisory body but rather a collegial management body, i.e. the board, Principles III and IV should apply to the board as long as that does not contradict the essence and purpose of this body.¹</p>	<p>Yes</p>	<p>The company keeps the largest majority, indicated in provided statutes principle III, however, doesn't keep provided statutes due to forming of committees in principle IV.</p>

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

<p>2.5. Company's management and supervisory bodies should comprise such number of board (executive directors) and supervisory (non-executive directors) board members that no individual or small group of individuals can dominate decision-making on the part of these bodies.²</p>	<p>Yes</p>	<p>The company's Board is formed of 3 members. Such number of Board is sufficient.</p>
<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>Yes</p>	<p>The members of company's Board are electing for maximum time of office for four years acc. to law of joint stock companies of Lithuanian Republic. There are any limitations for member's re-election.</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 departure from these recommendations, it should furnish information on the measures it has taken to ensure impartiality of the supervision.</p>	<p>Yes</p>	<p>Company's chairman is not the member of Board. There are no any obstacles for independent and impartial supervision.</p>
<p>Principle III: The order of the formation of a collegial body to be elected by a general shareholders' meeting</p> <p>The order of the formation a collegial body to be elected by a general shareholders' meeting should ensure representation of minority shareholders, accountability of this body to the shareholders and objective monitoring of the company's operation and its management bodies.³</p>		
<p>3.1. The mechanism of the formation of a collegial body to be elected by a general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure objective and fair monitoring of the company's management bodies as well as representation of minority shareholders.</p>	<p>Yes</p>	<p>The mechanism of the formation of Board allows ensuring suitable company's supervision. The members of Board can become only persons of proper qualification.</p> <p>The members of Board are not company's workers. Besides, these members are the</p>

² Definitions 'executive director' and 'non-executive director' are used in cases when a company has only one collegial body.

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

		representatives of shareholders, which have more than 5 % of the votes and that allow to ensure the more efficient protection system of shareholder's interests.
3.2. Names and surnames of the candidates to become members of a collegial body, information about their education, qualification, professional background, positions taken and potential conflicts of interest should be disclosed early enough before the general shareholders' meeting so that the shareholders would have sufficient time to make an informed voting decision. All factors affecting the candidate's independence, the sample list of which is set out in Recommendation 3.7, should be also disclosed. The collegial body should also be informed on any subsequent changes in the provided information. The collegial body should, on yearly basis, collect data provided in this item on its members and disclose this in the company's annual report.	Yes	Information about the members of Board is presented in the company's recurrent reports. In the future the information about proposed candidates before the future election of members of collegial body is planning to disclose together with meeting's material.
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 competence's relevant to his/her service on the collegial body. In order shareholders and investors are able to ascertain whether member's competence is further relevant, the collegial body should, in its annual report, disclose the information on its composition and particular competences of individual members which are relevant to their service on the collegial body.	Yes	
3.4. In order to maintain a proper balance in terms of the current qualifications possessed by its members, the collegial body should determine its desired composition with regard to the company's structure and activities, and have this periodically evaluated. The collegial body should ensure that it is composed of members who, as a whole, have the required diversity of knowledge, judgement and experience to complete their tasks properly. The members of the audit committee, collectively, should have a recent knowledge and relevant experience in the fields of finance, accounting and/or audit for the stock exchange listed companies.	Yes	The members of Board have the experience in company's governing, the versatile information and experience to fulfil the tasks in proper way.
3.5. All new members of the collegial body should be offered a tailored program focused on introducing a member with his/her duties, corporate organization and activities. The collegial body should conduct an annual review to identify fields where its members need to update their skills and knowledge.	Yes	The present members of Board have the governing experience of companies. If the new members will be elected, they will be acquainted with company, its activity, specific features of governing.

<p>3.6. In order to ensure that all material conflicts of interest related with a member of the collegial body are resolved properly, the collegial body should comprise a sufficient⁴ number of independent⁵ members.</p>	<p>Yes</p>	<p>Till now the independence of elected members of Board wasn't evaluated in the company and the content of sufficiency of independent member's wasn't discussed.</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 judgement. Since all cases when member of the collegial body is likely to become dependant are impossible to list, moreover, relationships and circumstances associated with the determination of independence may vary amongst companies and the best practices of solving this problem are yet to evolve in the course of time, assessment of independence of a member of the collegial body should be based on the contents of the relationship and circumstances rather than their form. The key criteria for identifying whether a member of the collegial body can be considered to be independent are the following:</p> <ol style="list-style-type: none"> 1) He/she is not an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) of the company or any associated company and has not been such during the last five years; 2) He/she is not an employee of the company or some any company and has not been such during the last three years, except for cases when a member of the collegial body does not belong to the senior management and was elected to the collegial body as a representative of the employees; 3) He/she is not receiving or has been not receiving significant additional remuneration from the company or associated company other than remuneration for the office in the collegial body. Such additional remuneration includes participation in share options or some other performance based pay systems; 	<p>No</p>	<p>At general Meeting of shareholders the members of Board elected the persons, who are independent and acting seeking the benefit for company, however don't correspond to recommendation of independence of this code.</p>

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

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

<p>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);</p> <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, counselling and consulting services), major client or organization receiving significant payments from the company or its group;</p> <p>6) He/she is not and has not been, during the last three years, partner or employee of the current or former external audit company of the company or associated company;</p> <p>7) He/she is not an executive director or member of the board in some other company where executive director of the company or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) is non-executive director or member of the supervisory board, he/she may not also have any other material relationships with executive directors of the company that arise from their participation in activities of other companies or bodies;</p> <p>8) He/she has not been in the position of a member of the collegial body for over than 12 years;</p> <p>9) He/she is not a close relative to an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) or to any person listed in above items 1 to 8. Close relative is considered to be a spouse (common-law spouse), children and parents.</p>		
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<p>3.8. The determination of what constitutes independence is fundamentally an issue for the collegial body itself to determine. The collegial body may decide that, despite a particular member meets all the criteria of independence laid down in this Code, he cannot be considered independent due to special personal or company-related circumstances.</p>		
<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	The Company has not yet applied the practise of announcing the independence criteria for Board's members.
<p>3.10. When one or more criteria of independence set out in this Code has not been met throughout the year, the company should disclose its reasons for considering a particular member of the collegial body to be independent. To ensure accuracy of the information disclosed in relation with the independence of the members of the collegial body, the company should require independent members to have their independence periodically re-confirmed.</p>	No	The Company has not yet applied the practise of announcing the independence criteria for Board's members.
<p>3.11. In order to remunerate members of a collegial body for their work and participation in the meetings of the collegial body, they may be remunerated from the company's funds.⁶ The general shareholders' meeting should approve the amount of such remuneration.</p>	No urgent	The participation of board's members in meetings and their work is not remunerated from of company's funds.

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

<p>Principle IV: The duties and liabilities of a collegial body elected by the general shareholders' meeting</p> <p>The corporate governance framework should ensure proper and effective functioning of the collegial body elected by the general shareholders' meeting, and the powers granted to the collegial body should ensure effective monitoring⁷ of the company's management bodies and protection of interests of all the company's shareholders.</p>		
<p>4.1. The collegial body elected by the general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure integrity and transparency of the company's financial statements and the control system. The collegial body should issue recommendations to the company's management bodies and monitor and control the company's management performance.⁸</p>	<p>Yes</p>	<p>The company's Manager presents the account for the Board not far-between one time per quarter and gets Board's recommendations.</p>
<p>4.2. Members of the collegial body should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders with due regard to the interests of employees and public welfare. Independent members of the collegial body should (a) under all circumstances maintain independence of their analysis, decision-making and actions (b) do not seek and accept any unjustified privileges that might compromise their independence, and (c) clearly express their objections should a member consider that decision of the collegial body is against the interests of the company. Should a collegial body have passed decisions independent member has serious doubts about, the member should make adequate conclusions. Should an independent member resign from his office, he should explain the reasons in a letter addressed to the collegial body or audit committee and, if necessary, respective company-not-pertaining body (institution).</p>	<p>Yes</p>	<p>The members of the Board act in their good will as regards the Company and carry out its activities in compliance with the Company's interests, exerting every effort to preserve their independence while adopting the resolutions.</p>

⁷ See Footnote 3.

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

<p>4.3. Each member should devote sufficient time and attention to perform his duties as a member of the collegial body. Each member of the collegial body should limit other professional obligations of his (in particular any directorships held in other companies) in such a manner they do not interfere with proper performance of duties of a member of the collegial body. In the event a member of the collegial body should be present in less than a half⁹ of the meetings of the collegial body throughout the financial year of the company, shareholders of the company should be notified.</p>	<p>Yes</p>	<p>The Board's members perform its duties properly, taking part in meetings and devote sufficient time to perform its duties, as a member of Board. The majority of members take part in the meetings.</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>	<p>The company keep indicated recommendations.</p>
<p>4.5. It is recommended that transactions (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions), concluded between the company and its shareholders, members of the supervisory or managing bodies or other natural or legal persons that exert or may exert influence on the company's management should be subject to approval of the collegial body. The decision concerning approval of such transactions should be deemed adopted only provided the majority of the independent members of the collegial body voted for such a decision.</p>	<p>Yes</p>	<p>The transactions, concluded between the company and shareholders, members of the supervisory or managing bodies or other natural or legal persons that exert or may exert influence on company's management are approved following the companies regulations.</p>

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

<p>4.6. The collegial body should be independent in passing decisions that are significant for the company's operations and strategy. Taken separately, the collegial body should be independent of the company's management bodies¹⁰. Members of the collegial body should act and pass decisions without an outside influence from the persons who have elected it. Companies should ensure that the collegial body and its committees are provided with sufficient administrative and financial resources to discharge their duties, including the right to obtain, in particular from employees of the company, all the necessary information or to seek independent legal, accounting or any other advice on issues pertaining to the competence of the collegial body and its committees.</p>	<p>Yes</p>	<p>The company's Board has own financial conditions for its work and is independent of company's managers.</p>
<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>To simplify the company's governing the nomination, remuneration and audit committees are not formed.</p>

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

<p>4.8. 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>No</p>	<p>To simplify the company's governing the nomination, remuneration and audit committees are not formed.</p>
<p>4.9. Committees established by the collegial body should normally be composed of at least three members. In companies with small number of members of the collegial body, they could exceptionally be composed of two members. Majority of the members of each committee should be constituted from independent members of the collegial body. In cases when the company chooses not to set up a supervisory board, remuneration and audit committees should be entirely comprised of non-executive directors. Chairmanship and membership of the committees should be decided with due regard to the need to ensure that committee membership is refreshed and that undue reliance is not placed on particular individuals.</p>	<p>No</p>	<p>To simplify the company's governing the nomination, remuneration and audit committees are not formed.</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>No</p>	<p>To simplify the company's governing the nomination, remuneration and audit committees are not formed.</p>

<p>4.11. In order to ensure independence and impartiality of the committees, members of the collegial body that are not members of the committee should commonly have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or demand participation in the meeting of particular officers or experts. Chairman of each of the committees should have a possibility to maintain direct communication with the shareholders. Events when such are to be performed should be specified in the regulations for committee activities.</p>	No	To simplify the company's governing the nomination, remuneration and audit committees are not formed.
<p>4.12. Nomination Committee. 4.12.1. Key functions of the nomination committee should be the following:</p> <ul style="list-style-type: none"> • Identify and recommend, for the approval of the collegial body, candidates to fill board vacancies. The nomination committee should evaluate the balance of skills, knowledge and experience on the management body, prepare a description of the roles and capabilities required to assume a particular office, and assess the time commitment expected. Nomination committee can also consider candidates to members of the collegial body delegated by the shareholders of the company; • Assess on regular basis the structure, size, composition and performance of the supervisory and management bodies, and make recommendations to the collegial body regarding the means of achieving necessary changes; • Assess on regular basis the skills, knowledge and experience of individual directors and report on this to the collegial body; • Properly consider issues related to succession planning; • Review the policy of the management bodies for selection and appointment of senior management. <p>4.12.2. Nomination committee should consider proposals by other parties, including management and shareholders. When dealing with issues related to executive directors or members of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) and senior management, chief executive officer of the company should be consulted by, and entitled to submit proposals to the nomination committee.</p>	No	To simplify the company's governing the nomination committee is not formed.
<p>4.13. Remuneration Committee. 4.13.1. Key functions of the remuneration committee should be the following:</p> <ul style="list-style-type: none"> • Make proposals, for the approval of the collegial body, on the remuneration policy for members of management bodies and executive directors. Such policy should address all forms of compensation, including the fixed remuneration, performance-based remuneration schemes, pension arrangements, and termination payments. Proposals considering performance-based remuneration schemes should be 	No	To simplify the company's governing the remuneration committee is not formed.

<p>accompanied with recommendations on the related objectives and evaluation criteria, with a view to properly aligning the pay of executive director and members of the management bodies with the long-term interests of the shareholders and the objectives set by the collegial body;</p> <ul style="list-style-type: none"> • Make proposals to the collegial body on the individual remuneration for executive directors and member of management bodies in order their remunerations are consistent with company's remuneration policy and the evaluation of the performance of these persons concerned. In doing so, the committee should be properly informed on the total compensation obtained by executive directors and members of the management bodies from the affiliated companies; • Make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies; • Assist the collegial body in overseeing how the company complies with applicable provisions regarding the remuneration-related information disclosure (in particular the remuneration policy applied and individual remuneration of directors); • Make general recommendations to the executive directors and members of the management bodies on the level and structure of remuneration for senior management (as defined by the collegial body) with regard to the respective information provided by the executive directors and members of the management bodies. <p>4.13.2. With respect to stock options and other share-based incentives which may be granted to directors or other employees, the committee should:</p> <ul style="list-style-type: none"> • Consider general policy regarding the granting of the above mentioned schemes, in particular stock options, and make any related proposals to the collegial body; • Examine the related information that is given in the company's annual report and documents intended for the use during the shareholders meeting; • Make proposals to the collegial body regarding the choice between granting options to subscribe shares or granting options to purchase shares, specifying the reasons for its choice as well as the consequences that this choice has. <p>4.13.3. Upon resolution of the issues attributable to the competence of the remuneration committee, the committee should at least address the chairman of the collegial body and/or chief executive officer of the company for their opinion on the remuneration of other executive directors or members of the management bodies.</p>		
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<p>4.14. Audit Committee.</p> <p>4.14.1. Key functions of the audit committee should be the following:</p> <ul style="list-style-type: none"> • Observe the integrity of the financial information provided by the company, in particular by reviewing the relevance and consistency of the accounting methods used by the company and its group (including the criteria for the consolidation of the accounts of companies in the group); • At least once a year review the systems of internal control and risk management to ensure that the key risks (inclusive of the risks in relation with compliance with existing laws and regulations) are properly identified, managed and reflected in the information provided; • Ensure the efficiency of the internal audit function, among other things, by making recommendations on the selection, appointment, reappointment and removal of the head of the internal audit department and on the budget of the department, and by monitoring the responsiveness of the management to its findings and recommendations. Should there be no internal audit authority in the company, the need for one should be reviewed at least annually; • Make recommendations to the collegial body related with selection, appointment, reappointment and removal of the external auditor (to be done by the general shareholders' meeting) and with the terms and conditions of his engagement. The committee should investigate situations that lead to a resignation of the audit company or auditor and make recommendations on required actions in such situations; • Monitor independence and impartiality of the external auditor, in particular by reviewing the audit company's compliance with applicable guidance relating to the rotation of audit partners, the level of fees paid by the company, and similar issues. In order to prevent occurrence of material conflicts of interest, the committee, based on the auditor's disclosed inter alia data on all remunerations paid by the company to the auditor and network, should at all times monitor nature and extent of the non-audit services. Having regard to the principals and guidelines established in the 16 May 2002 Commission Recommendation 2002/590/EC, the committee should determine and apply a formal policy establishing types of non-audit services that are (a) excluded, (b) permissible only after review by the committee, and (c) permissible without referral to the committee; • Review efficiency of the external audit process and responsiveness of management to recommendations made in the external auditor's management letter. <p>4.14.2. All members of the committee should be furnished with complete information on particulars of accounting, financial and other operations of the company. Company's management should inform the audit committee of the methods used to account for significant and unusual transactions where the accounting treatment may be open to different</p>	<p>No</p>	<p>To simplify the company's governing the audit committee is not formed.</p>
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<p>approaches. In such case a special consideration should be given to company's operations in offshore centres and/or activities carried out through special purpose vehicles (organizations) and justification of such operations.</p> <p>4.14.3. The audit committee should decide whether participation of the chairman of the collegial body, chief executive officer of the company, chief financial officer (or superior employees in charge of finances, treasury and accounting), or internal and external auditors in the meetings of the committee is required (if required, when). The committee should be entitled, when needed, to meet with any relevant person without executive directors and members of the management bodies present.</p> <p>4.14.4. Internal and external auditors should be secured with not only effective working relationship with management, but also with free access to the collegial body. For this purpose the audit committee should act as the principal contact person for the internal and external auditors.</p> <p>4.14.5. The audit committee should be informed of the internal auditor's work program, and should be furnished with internal audit's reports or periodic summaries. The audit committee should also be informed of the work program of the external auditor and should be furnished with report disclosing all relationships between the independent auditor and the company and its group. The committee should be timely furnished information on all issues arising from the audit.</p> <p>4.14.6. The audit committee should examine whether the company is following applicable provisions regarding the possibility for employees to report alleged significant irregularities in the company, by way of complaints or through anonymous submissions (normally to an independent member of the collegial body), and should ensure that there is a procedure established for proportionate and independent investigation of these issues and for appropriate follow-up action.</p> <p>4.14.7. The audit committee should report on its activities to the collegial body at least once in every six months, at the time the yearly and half-yearly statements are approved.</p>		
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<p>4.15. Every year the collegial body should conduct the assessment of its activities. The assessment should include evaluation of collegial body's structure, work organization and ability to act as a group, evaluation of each of the collegial body member's and committee's competence and work efficiency and assessment whether the collegial body has achieved its objectives. The collegial body should, at least once a year, make public (as part of the information the company annually discloses on its management structures and practices) respective information on its internal organization and working procedures, and specify what material changes were made as a result of the assessment of the collegial body of its own activities.</p>	<p>No</p>	<p>Such practise wasn't aimed.</p>
<p>Principle V: The working procedure of the company's collegial bodies</p> <p>The working procedure of supervisory and management bodies established in the company should ensure efficient operation of these bodies and decision-making and encourage active co-operation between the company's bodies.</p>		
<p>5.1. The company's supervisory and management bodies (hereinafter in this Principle the concept 'collegial bodies' covers both the collegial bodies of supervision and the collegial bodies of management) should be chaired by chairpersons of these bodies. The chairperson of a collegial body is responsible for proper convocation of the collegial body meetings. The chairperson should ensure that information about the meeting being convened and its agenda are communicated to all members of the body. The chairperson of a collegial body should ensure appropriate conducting of the meetings of the collegial body. The chairperson should ensure order and working atmosphere during the meeting.</p>	<p>Yes</p>	<p>Company's collegial body – the Board, accomplishes this statute.</p>
<p>5.2. It is recommended that meetings of the company's collegial bodies should be carried out according to the schedule approved in advance at certain intervals of time. Each company is free to decide how often to convene meetings of the collegial bodies, but it is recommended that these meetings should be convened at such intervals, which would guarantee an interrupted resolution of the essential corporate governance issues. Meetings of the company's supervisory board should be convened at least once in a quarter, and the company's board should meet at least once a month¹¹.</p>	<p>Yes</p>	<p>Company's Board's meetings carried out not far-between one time per quarter.</p>

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

<p>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>The company keeps the indicated statutes of this recommendation.</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-ordinating 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>No</p>	<p>The company can't accomplish this principle, since only the collegial body is formed – Board.</p>
<p>Principle VI: The equitable treatment of shareholders and shareholder rights</p> <p>The corporate governance framework should ensure the equitable treatment of all shareholders, including minority and foreign shareholders. The corporate governance framework should protect the rights of the shareholders.</p>		
<p>6.1. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all their holders.</p>	<p>Yes</p>	<p>The company's capital consists of the ordinary nominal shares, which grant the same rights to all their holders.</p>
<p>6.2. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.</p>	<p>Yes</p>	<p>The company fully keeps all named statutes in this recommendation.</p>
<p>6.3. Transactions that are important to the company and its shareholders, such as transfer, investment, and pledge of the company's assets or any other type of encumbrance should be subject to approval of the</p>	<p>No</p>	<p>Due to settled practice, which stipulate faster the acceptance of decisions and effectiveness, the company is not hold this statute. In this case the Board is accept the decision.</p>

¹² The Law on Companies of the Republic of Lithuania (*Official Gazette*, 2003, No 123-5574) no longer assigns resolutions concerning the investment, transfer, lease, mortgage or acquisition of the long-terms assets accounting for more than 1/20 of the company's authorized 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

<p>general shareholders' meeting.¹² All shareholders should be furnished with equal opportunity to familiarize with and participate in the decision-making process when significant corporate issues, including approval of transactions referred to above, are discussed.</p>		
<p>6.4. Procedures of convening and conducting a general shareholders' meeting should ensure equal opportunities for the shareholders to effectively participate at the meetings and should not prejudice the rights and interests of the shareholders. The venue, date, and time of the shareholders' meeting should not hinder wide attendance of the shareholders. Prior to the shareholders' meeting, the company's supervisory and management bodies should enable the shareholders to lodge questions on issues on the agenda of the general shareholders' meeting and receive answers to them.</p>	<p>Yes</p>	<p>All company's shareholders are informed about the date, place and time of general shareholder's meeting. Prior to the shareholder's meeting, the opportunity to get the information on items on the agenda of shareholder's meeting is created.</p>
<p>6.5. It is recommended that documents on the course of the general shareholders' meeting, including draft resolutions of the meeting, should be placed on the publicly accessible website of the company in advance¹³. It is recommended that the minutes of the general shareholders' meeting after signing them and/or adopted resolutions should be also placed on the publicly accessible website of the company. Seeking to ensure the right of foreigners to familiarize with the information, whenever feasible, documents referred to in this recommendation should be published in English and/or other foreign languages. Documents referred to in this recommendation may be published on the publicly accessible website of the company to the extent that publishing of these documents is not detrimental to the company or the company's commercial secrets are not revealed.</p>	<p>No</p>	<p>The prepared document, including the meeting's resolutions, is disclosed through the service news of Vilnius Stock Exchange. By the request for every one of shareholders the information is sending by e-mail.</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>The company's shareholders can accomplish the right to take part in the general shareholder's meeting as personally as through represent, if he has proper warrant. The company creates the conditions for shareholders to vote, filling the common vote ballot-paper.</p>

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.

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

<p>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>Not urgent</p>	<p>Till now there is not demand to accomplish this recommendation. The shareholders can vote through warrant person or to filling the common vote ballot-paper.</p>
<p>Principle VII: The avoidance of conflicts of interest and their disclosure</p> <p>The corporate governance framework should encourage members of the corporate bodies to avoid conflicts of interest and assure transparent and effective mechanism of disclosure of conflicts of interest regarding members of the corporate bodies.</p>		
<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>	
<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>The company keeps these recommendations.</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>	<p>Company's Board's members are acquired with those statutes and have to keep its.</p>
<p>Principle VIII: Company's remuneration policy</p> <p>Remuneration policy and procedure for approval, revision and disclosure of directors' remuneration established in the company should prevent potential conflicts of interest and abuse in determining remuneration of directors, in addition it should ensure publicity and transparency both of company's remuneration policy and remuneration of directors.</p>		
<p>8.1. A company should make a public statement of the company's remuneration policy (hereinafter the remuneration statement). This statement should be part of the company's annual accounts. Remuneration statement should also be posted on the company's website.</p>	<p>No</p>	<p>The company doesn't make the report of remuneration policy. The remuneration policy is not confirmed in the company. The company announces the remuneration of managers and the average worker's wage in the annual report. The mentioned information is presenting based on practice of company and Lithuanian Republic.</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>No</p>	<p>The remuneration policy is not confirmed in the company. The company doesn't make the remuneration report, since the majority articles of principle VIII is not urgent for the present company's structure.</p> <p>The information about payments and loans for governing members are presented in the annual reports.</p>

<p>8.3. Remuneration statement should leastwise include the following information:</p> <ul style="list-style-type: none"> • Explanation of the relative importance of the variable and non-variable components of directors' remuneration; • Sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration; • Sufficient information on the linkage between the remuneration and performance; • The main parameters and rationale for any annual bonus scheme and any other non-cash benefits; • A description of the main characteristics of supplementary pension or early retirement schemes for directors. 	No	Please refer to our comments under item 8.2.
<p>8.4. Remuneration statement should also summarize and explain company's policy regarding the terms of the contracts executed with executive directors and members of the management bodies. It should include, inter alia, information on the duration of contracts with executive directors and members of the management bodies, the applicable notice periods and details of provisions for termination payments linked to early termination under contracts for executive directors and members of the management bodies.</p>	No	Please refer to our comments under item 8.2.
<p>8.5. The information on preparatory and decision-making processes, during which a policy of remuneration of directors is being established, should also be disclosed. Information should include data, if applicable, on authorities and composition of the remuneration committee, names and surnames of external consultants whose services have been used in determination of the remuneration policy as well as the role of shareholders' annual general meeting.</p>	No	Please refer to our comments under item 8.2.
<p>8.6. Without prejudice to the role and organization of the relevant bodies responsible for setting directors' remunerations, the remuneration policy or any other significant change in remuneration policy should be included into the agenda of the shareholders' annual general meeting. Remuneration statement should be put for voting in shareholders' annual general meeting. The vote may be either mandatory or advisory.</p>	No	Please refer to our comments under item 8.2.
<p>8.7. Remuneration statement should also contain detailed information on the entire amount of remuneration, inclusive of other benefits, that was paid to individual directors over the relevant financial year. This document should list at least the information set out in items 8.7.1 to 8.7.4 for each person who has served as a director of the company at any time during the relevant financial year.</p> <p>8.7.1. The following remuneration and/or emoluments-related information should be disclosed:</p> <ul style="list-style-type: none"> • The total amount of remuneration paid or due to the director for services performed during the relevant financial year, inclusive of, where relevant, attendance fees fixed by the annual general shareholders meeting; 	No	Please refer to our comments under item 8.2.

<ul style="list-style-type: none"> • The remuneration and advantages received from any undertaking belonging to the same group; • The remuneration paid in the form of profit sharing and/or bonus payments and the reasons why such bonus payments and/or profit sharing were granted; • If permissible by the law, any significant additional remuneration paid to directors for special services outside the scope of the usual functions of a director; • Compensation receivable or paid to each former executive director or member of the management body as a result of his resignation from the office during the previous financial year; • Total estimated value of non-cash benefits considered as remuneration, other than the items covered in the above points. <p>8.7.2. As regards shares and/or rights to acquire share options and/or all other share-incentive schemes, the following information should be disclosed:</p> <ul style="list-style-type: none"> • The number of share options offered or shares granted by the company during the relevant financial year and their conditions of application; • The number of shares options exercised during the relevant financial year and, for each of them, the number of shares involved and the exercise price or the value of the interest in the share incentive scheme at the end of the financial year; • The number of share options unexercised at the end of the financial year; their exercise price, the exercise date and the main conditions for the exercise of the rights; • All changes in the terms and conditions of existing share options occurring during the financial year. <p>8.7.3. The following supplementary pension schemes-related information should be disclosed:</p> <ul style="list-style-type: none"> • When the pension scheme is a defined-benefit scheme, changes in the directors' accrued benefits under that scheme during the relevant financial year; • When the pension scheme is defined-contribution scheme, detailed information on contributions paid or payable by the company in respect of that director during the relevant financial year. <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>		
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<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>	<p>No urgent</p>	<p>The Company currently does not have any such remuneration scheme.</p>
<p>8.9. The following issues should be subject to approval by the shareholders' annual general meeting:</p> <ul style="list-style-type: none"> • Grant of share-based schemes, including share options, to directors; • Determination of maximum number of shares and main conditions of share granting; • The term within which options can be exercised; • The conditions for any subsequent change in the exercise of the options, if permissible by law; • All other long-term incentive schemes for which directors are eligible and which are not available to other employees of the company under similar terms. <p>Annual general meeting should also set the deadline within which the body responsible for remuneration of directors may award compensations listed in this article to individual directors.</p>		<p>Please refer to our comments under item 8.8.</p>
<p>8.10. Should national law or company's Articles of Association allow, any discounted option arrangement under which any rights are granted to subscribe to shares at a price lower than the market value of the share prevailing on the day of the price determination, or the average of the market values over a number of days preceding the date when the exercise price is determined, should also be subject to the shareholders' approval.</p>		<p>. Please refer to our comments under item 8.8.</p>
<p>8.11. Provisions of Articles 8.8 and 8.9 should not be applicable to schemes allowing for participation under similar conditions to company's employees or employees of any subsidiary company whose employees are eligible to participate in the scheme and which has been approved in the shareholders' annual general meeting.</p>		<p>Please refer to our comments under item 8.8.</p>

<p>8.12. Prior to the annual general meeting that is intended to consider decision stipulated in Article 8.8, the shareholders must be provided an opportunity to familiarize with draft resolution and project-related notice (the documents should be posted on the company's website). The notice should contain the full text of the share-based remuneration schemes or a description of their key terms, as well as full names of the participants in the schemes. Notice should also specify the relationship of the schemes and the overall remuneration policy of the directors. Draft resolution must have a clear reference to the scheme itself or to the summary of its key terms. Shareholders must also be presented with information on how the company intends to provide for the shares required to meet its obligations under incentive schemes. It should be clearly stated whether the company intends to buy shares in the market, hold the shares in reserve or issue new ones. There should also be a summary on scheme-related expenses the company will suffer due to the anticipated application of the scheme. All information given in this article must be posted on the company's website.</p>		
<p>Principle IX: The role of stakeholders in corporate governance</p> <p>The corporate governance framework should recognize the rights of stakeholders as established by law and encourage active co-operation between companies and stakeholders in creating the company value, jobs and financial sustainability. For the purposes of this Principle, the concept "stakeholders" includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interest in the company concerned.</p>		
<p>9.1. The corporate governance framework should assure that the rights of stakeholders that are protected by law are respected.</p>	<p>Yes</p>	<p>Compliance with this recommendation is ensured by the precise supervision and control of the Company's business activities by the state-owned institutions and associated consumer organizations. The publicity of the Company's business activities creates conditions for stakeholders to participate in the governance of the Company in compliance with the procedure established by law as well as in compliance with the Company's Articles of Association and Inner Regulations. Managing bodies are consulting with employees on the issues of governance of the Company and other substantial issues; the participation of employees in the Company's share capital is not limited.</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"> • The financial and operating results of the company; • Company objectives; • Persons holding by the right of ownership or in control of a block of shares in the company; • Members of the company's supervisory and management bodies, chief executive officer of the company and their remuneration; • Material foreseeable risk factors; • Transactions between the company and connected persons, as well as transactions concluded outside the course of the company's regular operations; • Material issues regarding employees and other stakeholders; • Governance structures and strategy. <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>Yes</p>	
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<p>10.5. Information should be disclosed in such a way that neither shareholders nor investors are discriminated with regard to the manner or scope of access to information. Information should be disclosed to all simultaneously. It is recommended that notices about material events should be announced before or after a trading session on the Vilnius Stock Exchange, so that all the company's shareholders and investors should have equal access to the information and make informed investing decisions.</p>	<p>Yes</p>	
<p>10.6. Channels for disseminating information should provide for fair, timely and cost-efficient access to relevant information by users. It is recommended that information technologies should be employed for wider dissemination of information, for instance, by placing the information on the company's website. It is recommended that information should be published and placed on the company's website not only in Lithuanian, but also in English, and, whenever possible and necessary, in other languages as well.</p>	<p>Yes</p>	
<p>10.7. It is recommended that the company's annual reports and other periodical accounts prepared by the company should be placed on the company's website. It is recommended that the company should announce information about material events and changes in the price of the company's shares on the Stock Exchange on the company's website too.</p>	<p>Yes</p>	<p>The Company complies with this recommendation.</p>
<p>Principle XI: The selection of the company's auditor</p> <p>The mechanism of the selection of the company's auditor should ensure independence of the firm of auditor's conclusion and opinion.</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>The Company complies with this recommendation.</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>The Company complies with this recommendation.</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>Not applicable</p>	<p>An audit company not receives from the Company remuneration for consulting on tax and business issues.</p>