

AB Panevėžio Statybos Trestas

Annual financial statements for
the year 2008

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Company details

AB Panevėžio Statybos Trestas

Entity's code: 147732969
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Address: P. Puzino 1, LT-35173 Panevėžys

Board

Remigijus Juodviršis, Chairman
Artūras Bučas
Gvidas Drobužas
Vilius Gražys
Irma Abromavičienė

Management

Dalius Gesevičius, Managing Director

Auditor

KPMG Baltics, UAB

Banks

AB Bankas Hansabankas
AB DnB NORD Bankas
Nordea Bank Finland Plc Lithuania Branch
AB SEB Bankas



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Independent auditor's report to the shareholders of AB Panevėžio Statybos Trestas

We have audited the accompanying annual financial statements of AB Panevėžio Statybos Trestas (hereinafter "the Company"), which comprise the balance sheet as at 31 December 2008, the income statement, the statement of changes in equity and the cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 5-28.

Management's responsibility for the annual financial statements

Management is responsible for the preparation and fair presentation of these annual 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 the annual financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these annual 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, plan and perform the audit to obtain reasonable assurance whether the annual financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatements of the annual 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 annual 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 the management, as well as evaluating the overall presentation of the annual financial statements.

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

Opinion

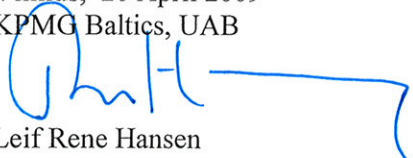
In our opinion, the accompanying annual financial statements give a true and fair view of the financial position of AB Panevėžio Statybos Trestas as at 31 December 2008, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards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




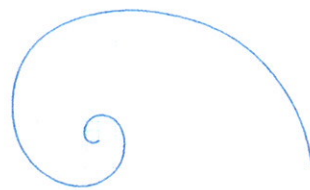
Report on legal and other regulatory requirements

Furthermore, we have read the annual report for the year 2008 set out on pages 29-51 of the annual financial statements and have not identified any material inconsistencies between the financial information included in the annual report and the annual financial statements for the year 2008.

Vilnius, 20 April 2009
KPMG Baltics, UAB


Leif Rene Hansen
Partner


Vilmantas Karalius
ACCA and Lithuanian
Certified Auditor



Confirmation of the Company's responsible employees

To: The Securities Commission of the Republic of Lithuania
Konstitucijos 23, LT-08105 Vilnius

Vilnius Stock Exchange
Konstitucijos 7, 15fl., LT-08105 Vilnius

This confirmation of responsible employees of AB Panevėžio Statybos Trestas concerning the audited annual financial statements for the year 2008 and the annual report is presented in accordance with the regulations for preparation and presentation of periodical additional information as adopted by the Law on the Securities on 18 January 2008 and by the decision of the Securities Commission of the Republic of Lithuania No. 1K-3 dated 23 February 2007.

We confirm that, as to our knowledge, the presented annual financial statements, which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of AB Panevėžio Statybos Trestas assets, liabilities, financial position and its result. The annual report fairly states the review of business development and activities, the Company's position and the description of main risks and uncertainties.

AB Panevėžio Statybos Trestas
Managing Director
Dalius Gesevičius

AB Panevėžio Statybos Trestas
Finance Director
Dalė Bernotaitienė



Akcinė bendrovė „Panevėžio statybos trestas“

Įmonės kodas: 147732969
PVM mokėtojo kodas: LT477329610
Valstybės įmonės Registrų
centro Panevėžio filialas
Registravimo pažymėjimo Nr. 013732

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AB bankas „Hansabankas“
B/k 73000
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Entity's code: 147732969
Address: P. Puzino 1, LT-35173 Panevėžys

Approved on
Minutes No. _____

Balance sheet as at 31 December

In Litas

	Note	2008	2007
ASSETS			
Non-current assets			
Property, plant and equipment	13	34,786,471	22,355,648
Intangible assets	14	287,261	300,137
Investments in subsidiaries	15	24,577,954	23,400,282
Other investments and long-term receivables	16	217,839	387,525
Deferred tax assets	12	1,887,937	1,639,985
Total non-current assets		61,757,462	48,083,577
Current assets			
Inventories	17	8,385,119	10,846,700
Trade receivables	18	103,871,477	113,523,585
Prepayments for current assets	19	3,412,379	2,881,764
Other assets	19	1,519,462	764,988
Cash and cash equivalents	20	54,770,637	39,040,718
Total current assets		171,959,074	167,057,755
TOTAL ASSETS		233,716,536	215,141,332

The notes on pages 10-28 are an integral part of these annual financial statements.

Managing Director

Dalius Gesevičius

Entity's code: 147732969
 Address: P. Puzino 1, LT-35173 Panevėžys

Approved on
 Minutes No. _____

Balance sheet as at 31 December

In Litas

	Note	2008	2007
EQUITY AND LIABILITIES			
Equity			
Share capital	21	16,350,000	16,350,000
Reserves	21	11,340,058	4,931,791
Retained earnings		93,372,055	48,195,936
Total equity		121,062,113	69,477,727
Non-current liabilities			
Loans and other financial borrowings	23	7,148,115	5,107,725
Warranty provision		1,804,644	1,155,495
Deferred tax liabilities	12	2,426,257	581,781
Total non-current liabilities		11,379,016	6,845,001
Current liabilities			
Loans and other financial borrowings	23	3,522,594	2,650,805
Trade payables		60,489,169	64,738,369
Prepayments received		7,525,256	45,762,542
Current tax payable	12	5,372,137	3,652,237
Other liabilities	24	24,366,251	22,014,651
Total current liabilities		101,275,407	138,818,604
Total liabilities		112,654,423	145,663,605
TOTAL EQUITY AND LIABILITIES		233,716,536	215,141,332

The notes on pages 10-28 are an integral part of these annual financial statements.

Managing Director

Dalius Gesevičius

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Minutes No. _____

Income statement for the year ended 31 December

In Litas

	Note	2008	2007
Revenue	5	558,902,531	487,260,957
Cost of sales	6	(469,762,064)	(432,724,699)
Gross profit		89,140,467	54,536,258
Other income	10	547,529	493,879
Sales expenses	7	(614,888)	(486,021)
Administrative expenses	8	(30,899,865)	(22,740,459)
Other expenses	10	(229,632)	(223,416)
Result from operating activities		57,943,611	31,580,241
Finance income	11	1,186,712	541,462
Finance expenses	11	(1,210,805)	(1,524,392)
Profit before income tax		57,919,518	30,597,311
Income tax expense	12	(9,304,074)	(5,751,993)
Net profit		48,615,444	24,845,318
Earnings per share	22	2.97	1.52

The notes on pages 10-28 are an integral part of these annual financial statements.

Managing Director

Dalius Gesevičius

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Address: P. Puzino 1, LT-35173 Panevėžys

Approved on
Minutes No. _____

Statement of changes in equity

In Litas

	Share capital	Legal reserve	Revaluation reserve	Retained earnings	Total equity
Equity as at 1 January 2007	16,350,000	1,619,155	3,396,968	26,045,786	47,411,909
Allocated reserves		15,875		(15,875)	0
Dividends				(2,779,500)	(2,779,500)
Change in revaluation reserve and deferred tax liability			(100,207)	100,207	0
Net profit for the year				24,845,318	24,845,318
Equity as at 31 December 2007	16,350,000	1,635,030	3,296,761	48,195,936	69,477,727
Allocated reserves					
Dividends				(3,760,500)	(3,760,500)
Change in revaluation reserve and deferred tax liability			(321,175)	321,175	0
Increase in revaluation reserve			8,411,802		8,411,802
Related deferred tax liability			(1,682,360)		(1,682,360)
Net profit for the year				48,615,444	48,615,444
Equity as at 31 December 2008	16,350,000	1,635,030	9,705,028	93,372,055	121,062,113

The notes on pages 10-28 are an integral part of these annual financial statements.

Managing Director

Dalius Gesevičius

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Address: P. Puzino 1, LT-35173 Panevėžys

Approved on
Minutes No. _____

Cash flow statement for the year ended 31 December

In Lit

	Note	2008	2007
Cash flow from operating activities			
Profit for the period		48,615,444	24,845,318
Adjustments for:			
Depreciation and amortization		5,628,530	4,319,578
Gain on disposal of property, plant and equipment		(71,758)	53,898
Income tax expense		9,304,074	5,751,993
Other non-cash items		3,516,067	0
		66,992,357	34,970,787
Change in long-term receivables		58,236	89,567
Change in inventories and contracts in progress		2,954,356	(3,795,026)
Change in trade and other receivables		6,199,536	(55,201,722)
Change in prepayments		(984,471)	33,297,570
Change in other assets		(751,474)	(651,519)
Change in trade payables		(4,249,200)	17,044,278
Change in prepayments received		(38,237,286)	(69,615)
Change in provisions and other liabilities		2,970,595	8,409,515
		34,952,649	34,093,835
Income tax paid		(7,670,010)	(5,977,415)
Net cash from operating activities		27,282,639	28,116,420
Cash flows from investing activities			
Acquisition of property, plant and equipment		(2,314,085)	(3,148,638)
Disposal of property, plant and equipment		108,687	77,780
Acquisition of investments		0	(0)
Loans issued		(9,000)	(769,682)
Loans recovered		117,450	679,670
Dividends and interest received		0	0
Net cash used in investing activities		(2,096,948)	(3,160,870)
Cash flows from financing activities			
Dividends paid		(4,040,103)	(2,964,131)
Proceeds from loans and other financial borrowings		0	8,447,699
Repayment of loans and other financial borrowings		(506,732)	(19,916,314)
Payment of finance lease liabilities		(4,070,786)	(2,827,934)
Interest paid		(838,151)	(485,093)
Net cash from (used in) financing activities		(9,455,772)	(17,745,773)
Net increase in cash and cash equivalents		15,729,919	7,209,777
Cash and cash equivalents at 1 January		39,040,718	31,830,941
Cash and cash equivalents at 31 December		54,770,637	39,040,718

The notes on pages 10-28 are an integral part of these annual financial statements.

Managing Director

Dalius Gesevičius

Notes to the annual financial statements

1. Reporting entity

AB Panevėžio Statybos Trestas (hereinafter “the Company” as established in 1957. The entity’s code is 147732969 and it is registered at P. Puzino 1, LT-35173 Panevėžys. The Company primarily is involved in the construction of buildings, constructions, other facilities and networks, etc. in Lithuania and abroad. The Company employed 1,129 employees as at 31 December 2008 (1,277 employees as at 31 December 2007).

The Company has the following branches in Lithuania: Gerbūsta and Pastatų Apdaila. The Company also has the branch in Kaliningrad. Furthermore, the Company has a representative office in Cerepovec.

These annual financial statements are the Company’s separate annual financial statements. The Company has also prepared the consolidated annual financial statements including the Company and its subsidiaries, which are disclosed in Note 15.

2. Basis of preparation

Statement of compliance

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

Basis of measurement

The annual financial statements have been prepared on the historical cost basis except for revalued land and buildings.

Functional and presentation currency

The annual financial statements are presented in national currency Litas, which is the Company’s functional currency.

Use of estimates and judgments

The preparation of annual financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Market uncertainties

The ongoing global crisis resulted in, among other things, a lower liquidity level in financial and real estate markets and a lower level of capital market funding. In addition to that, Lithuania has been experiencing economic downturn which has affected, and may continue to affect, the activities of enterprises operating in this environment. The annual financial statements reflect management's assessment of the impact of the Lithuanian and global business environment on the operations and the financial position of the Company. The future developments in business environment may differ from management's assessment.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these annual financial statements. Certain comparative amounts have been reclassified to conform to the current year's presentation.

Foreign currency

Transactions in foreign currencies are translated to the functional currency at exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate ruling at that date. The foreign currency gain or loss is recognized in profit or loss.

Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables. The Company has no available-for-sale financial assets and financial assets at fair value through profit or loss.

Non-derivative financial instruments are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, held-to-maturity investments and other non-derivative financial instruments are measured at amortized cost using the effective interest method, less any impairment losses.

Derivative financial instruments

The Company has no derivative financial instruments.

Property, plant and equipment

Items of property, plant and equipment except for land and buildings are measured at cost less accumulated depreciation and accumulated impairment losses. Land and buildings are measured at fair value with any surplus arising on the revaluation recognized directly in a revaluation reserve within equity and with any deficit on a revaluation recognized in profit or loss.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Borrowing costs related to qualifying assets are recognized in profit or loss as incurred.

The fair value of land and buildings is based on market values.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. The estimated useful lives are disclosed in Note 13. Land is not depreciated.

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

Gains and losses on disposal are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized net within other income in profit or loss. When revalued assets are sold, the amounts included in the revaluation surplus reserve are transferred to retained earnings.

Intangible assets

Software and other intangible assets, which have finite useful lives, are measured at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The estimated useful lives are disclosed in Note 14.

Leased assets

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Other leases are operating leases and the leased assets are not recognized on the Company's balance sheet.

Investments in subsidiaries

Investments in subsidiaries are accounted for at cost less impairment in the Company's separate annual financial statements.

Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Construction work in progress

Construction work in progress represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognized to date less progress billings and recognized losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Company's contract activities based on normal operating capacity.

Construction work in progress is presented as part of trade receivables in the balance sheet. If payments received from customers exceed the income recognized, then the difference is presented as deferred income in the balance sheet.

Impairment of financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are recognized in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost, the reversal is recognized in profit or loss.

Impairment of non-financial assets

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

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit).

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. 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.

Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

A provision for warranties is recognized when the underlying construction services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

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 pension are borne by the State.

Revenue

Construction contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, contract revenue and expenses are recognized in profit or loss in proportion to the stage of completion of the contract.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognized immediately in profit or loss.

Finance income and expenses

Finance income comprises interest income and dividend income. Interest income is recognized as it accrues in profit or loss, using the effective interest method. Dividend income is recognized in profit or loss on the date that the Company's right to receive payment is established. Finance expenses comprise interest expense and impairment losses recognized on financial assets. All borrowing costs are recognized in profit or loss using the effective interest method. Foreign currency gains and losses are reported on a net basis.

Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

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

Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, such as convertible notes and share options granted to employees.

Segment reporting

No segment reporting is provided in the annual financial statements as the Company operates in one segment in terms of business and does not have reportable segments that would account for 10% or more of the Company's revenue in terms of geography.

New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2008, and have not been applied in preparing these annual financial statements:

- Revised IAS 1 Presentation of Financial Statements requires the disclosure of comprehensive income. Comprehensive income represents change in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income or in an income statement and a separate statement of comprehensive income. At present the management considers the impact of the amended Standard on the annual financial statements.
- Amended IFRS 2 Share-Based Payments is not relevant to the Company.
- Amended IFRS 3 Business Combinations is not relevant to the Company.
- Amended IFRS 8 Operating Segments requires more disclosures of segment information based on the internal reports regularly reviewed by the Company's Chief Operating Decision Maker. At present the management considers the impact of the amended Standard on the annual financial statements.
- Revised IAS 23 Borrowing Costs requires the capitalization of borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. At present the management considers the impact of the revised Standards on the annual financial statements.
- Amended IAS 27 Consolidated and Separate Financial Statements is not relevant to the Company's separate annual financial statements.
- Amended IAS 32 Financial Instruments: Presentation is not expected to have any impact on the Company's annual financial statements.
- Amended IAS 39 Financial Instruments: Recognition and Measurement is not expected to have any impact on the Company's annual financial statements.
- IFRIC 13 Customer Loyalty Programmes is not expected to have any impact on the Company's annual financial statements.
- IFRIC 15 Agreements for the Construction of Real Estate. At present the management considers the impact of the amended Standard on the annual financial statements.

IFRIC 17 Distribution of Non-Cash Assets to Owners is not expected to have any impact on the Company's annual financial statements.

4. Financial risk management

Overview

The Company has exposure to the following risks from its use of financial instruments: credit risk, liquidity risk and market risk. This note presents information about the Company's exposure to each of these 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 financial statements.

The Board 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 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 controls credit risk by credit policies and procedures. The Company has no significant credit risk concentration.

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.

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.

Currency risk. The Company is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the functional currency Litas and the Euro, which is pegged to Litas. As the transactions are primarily denominated in Litas and the Euro, the risk is not considered as significant.

Interest rate risk. The Company's loans and borrowings are subject to variable interest rates linked to EURIBOR and VILIBOR. No financial instruments are used to manage the risk. Taking into consideration the current level of loans and borrowings, the change of interest rate would not have a material effect.

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 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.

5. Revenue and gross profit

Year 2008 (in Litas)	Lithuania	Russia	Total
Revenue	526,352,493	32,550,038	558,902,531
Expenses	(469,336,811)	(31,622,109)	(500,958,920)
Result from operating activities	57,015,682	927,929	57,943,611

Year 2007 (in Litas)	Lithuania	Russia	Total
Revenue	474,165,719	13,095,238	487,260,957
Expenses	(442,386,392)	(13,294,324)	(455,680,716)
Result from operating activities	31,779,327	(199,086)	31,580,241

6. Cost of sales

(in Litas)	2008	2007
Sub-contractors	251,684,519	190,606,048
Raw materials and consumables	115,792,341	154,359,692
Personnel	57,693,280	51,815,300
Depreciation	4,658,239	3,401,166
Amortisation	105,724	78,533
Other costs	39,827,961	32,463,960
Total cost of sales	469,762,064	432,724,699

7. Sales expenses

(in-Litas)	2008	2007
Advertising and similar expenses	329,971	219,707
Personnel	216,006	196,840
Other expenses	68,911	69,474
Total sales expenses	614,888	486,021

8. Administrative expenses
(in Litas)

	2008	2007
Personnel	19,713,085	14,598,035
Purchased services for administration purposes	3,681,745	3,624,779
Depreciation	760,204	674,453
Amortization	44,789	55,790
Operating taxes	619,909	563,843
Impairment of the amounts receivable	3,451,957	70,448
Impairment of inventories	(38,919)	15,609
Other expenses	2,667,095	3,137,502
Total administrative expenses	30,899,865	22,740,459

9. Personnel expenses
(In Litas)

	2008	2007
Wages and salaries	54,157,452	46,060,378
Compulsory social security contributions	16,764,260	14,805,426
Daily and illness allowances	2,084,774	2,311,267
Change in accrued vacation reserve and bonuses	4,615,885	3,433,104
Total personnel expenses	77,622,371	66,610,175
Included into:		
Cost of sales	57,693,280	51,815,300
Administrative expenses	19,713,085	14,598,035
Sales expenses	216,006	196,840
Total personnel expenses	77,622,371	66,610,175

Personnel expenses for the year 2008 include wages and salaries to the management amounting to 4,294,223 Litas (3,779,732 Litas for the year 2007).

10. Other income and expenses
(In Litas)

	2008	2007
Gain from disposed non-current assets	71,758	0
Rent and other income	475,771	493,879
Total other income	547,529	493,879
Depreciation of rented premises and other expenses	(229,632)	(169,518)
Loss from disposed non-current assets	0	(53,898)
Total other expenses	(229,632)	(223,416)
Total other income and expenses, net	317,897	270,463

11. Finance income and expenses

(In Litas)	2008	2007
Interest income	1,050,101	482,320
Other income	136,611	59,142
Total finance income	1,186,712	541,462
Interest expenses	(838,151)	(485,252)
Foreign currency exchange loss	(369,624)	(1,037,869)
Other expenses	(3,030)	(1,271)
Total finance expenses	(1,210,805)	(1,524,392)
Total finance income and expenses, net	(24,093)	(982,930)

12. Income tax

Income tax expense:

(In Litas)	2008	2006
Current tax expense	9,389,910	6,135,811
Change in deferred tax	(85,836)	(383,818)
Total income tax expense	9,304,074	5,751,993

Reconciliation of current tax effective rate:

(In Litas)	2008		2007	
Profit before income tax		57,919,518		30,597,311
Income tax at standard tax rate	15.0%	8,687,928	18.0%	5,507,516
Effect of permanent differences	0.78%	454,030	1.3%	405,009
Effect of temporary differences	0.43%	247,952	0.7%	223,286
	16.21%	9,389,910	20.0%	6,135,811

In 2007, a standard tax rate of 15% was applied, and an additional temporary tax of 3% was set by tax legislation. The temporary tax has not been valid as of 1 January 2008, and the Company applied the standard tax rate of 15%. In 2009, a rate of calculation of the profit tax changed, and as of 1 January 2009 the rate is 20%.

Current tax payable:

(In Litas)	2008	2007
Payable as at 1 January	3,652,237	3,493,841
Calculated current tax for the year	9,389,910	6,135,811
Paid	(7,670,010)	(5,977,415)
Payable as at 31 December	5,372,137	3,652,237

Deferred tax:				
(In Litas)				
	2008		2007	
	Temporary differences	Deferred tax	Temporary differences	Deferred tax
Accrued vacation reserve	6,368,760	1,273,752	6,344,080	951,612
Accrued bonuses (precise booking)	6,937,745	0	0	0
Accrued bonuses (estimation)	1,087,118	217,424	3,433,657	515,049
Warranty provision	1,804,644	360,928	1,155,495	173,324
Other	179,164	35,833	0	0
Total deferred tax assets		1,887,937		1,639,985
Revaluation of land and buildings	12,131,285	2,426,257	3,878,541	581,781
Total deferred tax liabilities		2,426,257		581,781
Total deferred tax, net		(538,320)		1,058,204

Change in deferred tax:

(In Litas)		
	2008	2007
Net deferred tax at 1 January	1,058,204	674,386
Recognised directly in equity	(1,682,360)	(0)
Recognised in the income statement	85,836	383,818
Net deferred tax at 31 December	(538,320)	1,058,204

13. Property, plant and equipment

(In Litās)	Land and buildings	Plant and equipment	Vehicles	Fixtures and fittings	Construction in progress	Total
Cost (fair value of land and buildings)						
Balance at 1 January 2007	15,919,349	9,622,146	5,962,555	7,928,929	0	39,432,979
Additions	142,086	3,562,818	1,845,286	2,076,519	705,633	8,332,342
Disposals	(0)	(848,651)	(401,667)	(696,673)	(0)	(1,946,991)
Balance at 1 January 2008	16,061,435	12,336,313	7,406,174	9,308,775	705,633	45,818,330
Additions	190,631	4,515,441	2,399,847	1,596,092	964,132	9,666,143
Disposals	0	(544,160)	(660,673)	(323,203)	0	(1,528,036)
Transfer from one heading to another	1,669,765	0	0	0	(1,669,765)	0
Increase in value	8,411,802	0	0	0	0	8,411,802
Balance at 31 December 2008	26,333,633	16,307,594	9,145,348	10,581,664	0	62,368,239
Depreciation and impairment losses						
Balance at 1 January 2007	7,501,089	5,698,010	3,445,920	4,447,723		21,092,742
Depreciation for the year	352,791	1,477,872	1,028,908	1,325,684		4,185,255
Depreciation of the assets disposed	(0)	(833,662)	(345,241)	(636,412)		(1,815,315)
Balance at 1 January 2008	7,853,880	6,342,220	4,129,587	5,136,995		23,462,682
Depreciation for the year	311,950	2,234,706	1,306,743	1,624,618		5,478,017
Depreciation of the assets disposed	0	(474,712)	(583,256)	(300,963)		(1,358,931)
Balance at 31 December 2008	8,165,830	8,102,214	4,853,074	6,460,650		27,581,768
Carrying amounts						
At 1 January 2008	8,207,555	5,994,093	3,276,587	4,171,780	705,633	22,355,648
At 31 December 2008	18,167,803	8,205,380	4,292,274	4,121,014	0	34,786,471
Depreciation rates (in years)	8-40	5-15	10	3-6		

13. Property, plant and equipment (continued)

(In Litass)

	2008	2007
Depreciation included into:		
Cost of sales	4,658,239	3,401,166
Administrative expenses	760,204	674,453
Other expenses	59,574	109,636
Total depreciation	5,478,017	4,185,255

Property, plant and equipment with a net carrying amount of 15,178,000 Litass as at 31 December 2008 are pledged to the bank for the credit lines (refer to Note 25). At 31 December 2008, the net carrying amount of leased property, plant and equipment was 11,286,272 Litass (2007: 7,838,007 Litass).

14. Intangible assets

(In Litass)

	Software	Other	Total
Cost			
Balance at 1 January 2007	269,823	129,077	398,900
Additions	341,356	0	341,356
Disposals	(14,860)	(48,065)	(62,925)
Balance at 1 January 2008	596,319	81,012	677,331
Additions	56,443	81,196	137,639
Disposals	0	0	0
Transfer from one heading to another	0	(29,006)	(29,006)
Balance at 31 December 2008	652,762	133,202	785,964
Amortization and impairment losses			
Balance at 1 January 2007	191,322	114,472	305,794
Amortization for the year	121,983	12,340	134,323
Amortisation of the assets disposed	(14,859)	(48,064)	(62,923)
Impairment	0	0	0
Balance at 1 January 2008	298,446	78,748	377,194
Amortization for the year	148,252	2,261	150,513
Amortisation of the assets disposed	0	0	0
Transfer from one heading to another	0	(29,004)	(29,004)
Balance at 31 December 2008	446,698	52,005	498,703
Carrying amounts			
At 1 January 2008	297,873	2,264	300,137
At 31 December 2008	206,064	81,197	287,261
Amortization rates (in years)	3	3-4	

Amortisation is included: an amount of 105,724 Litass under Cost of Sales and an amount of 44,789 Litass under Administrative Costs.

15. Investments in subsidiaries

(In Litas)

Subsidiary	2008		2007	
	Ownership	Cost	Ownership	Cost
UAB PST Investicijos	67%	21,792,300	67%	21,792,300
OOO Baltlitstroj	100%	1,177,672	100%	1,177,672
UAB Vekada	96%	776,482	96%	776,482
UAB Skydmedis	100%	500,000	100%	500,000
UAB Alinita	100%	240,000	100%	240,000
UAB Metalo Meistrai	100%	81,500	100%	81,500
SIA PS Trests	100%	13,175	100%	13,175
TÜB Vilniaus Papėdė	69%	10,000	69%	10,000
Impairment		(13,175)		(1,190,847)
Total investment		24,577,954		23,400,282

The Company's subsidiary UAB PST Investicijos has the following subsidiaries:

(In Litas)	2008	2007
UAB Ateities Projektai	100%	100%
OOO Baltevro market	100%	100%
UAB Gėlužės Projektai	100%	100%
UAB Kauno Erdvė	100%	100%
UAB Realtus	100%	100%
UAB Sakališkės	100%	100%
UAB Smiltynų Kalvos	100%	100%
UAB Verkių Projektas	100%	100%

Financial information about the subsidiaries can be specified as follows:

(In Litas)	Type of activities	Equity as at 31/12/2008	Net result for the year 2008
UAB PST Investicijos (consolidated)	Development of real estate	13,167,327	(26,129,944)
OOO Baltlitstroj	Constructions	(700,511)	2,064,359
UAB Vekada	Constructions: electricity instalments	5,031,267	1,651,706
UAB Skydmedis	Constructions: wooden houses	839,155	78,793
UAB Alinita	Constructions: conditioning equipment	480,173	66,028
UAB Metalo Meistrai	Constructions	1,556,323	253,599
SIA PS Trests	Constructions	(806,100)	(3,020)
TÜB Vilniaus Papėdė	Development of real estate	15,061	135

Based on the management's estimations, investment in UAB PST Investicijos is not impaired taking into consideration the expected recoverable amount of this investment, which is the greater of net selling price and value in use. The value in use was estimated by discounting future cash flows, which are expected to be derived after the completion of real estate projects developed by UAB PST Investicijos and its subsidiaries.

A significant portion of the estimated value in use is related to the real estate project being developed by OOO Baltevro market in Kaliningrad. Following decision dated 3 August 2007 of the mayor of Kaliningrad, the land plots for the project development were provided to the subsidiary. The subsidiary is obliged to perform preparatory works during the period of 3 years in order to obtain the permission for construction of real estate in these land plots. At present these preparatory works are being carried out.

16. Other investments and amounts receivable in one year

Other investments and amounts receivable in one year mainly include loans issued to OOO Baltinstroj, the maturity term of which is 31 March 2010.

17. Inventories

(In Litas)

	2008	2007
Raw materials and consumables	8,397,940	10,892,526
Goods for resale	12,720	18,634
Write-down to net realizable value	(25,541)	(64,460)
Total inventories	8,385,119	10,846,700

18. Trade receivables

(In Litas)

	2008	2007
Invoiced receivables	107,557,344	106,883,585
Accrued receivables in accordance to the stage of completion	87,798	6,961,708
Impairment	(3,773,665)	(321,708)
Total trade receivables	103,871,477	113,523,585

As at 31 December 2008, trade receivables include retentions of 12,972,430 Litas (17,834,294 Litas as at 31 December 2007) relating to construction contracts in progress.

19. Prepayments for current assets and other assets

Prepayments for current assets include the prepayments to sub-contractors and suppliers in connection with the construction contracts in progress. Other assets mainly include prepaid taxes, deferred expenses, etc.

20. Cash and cash equivalents

(In Litas)

	2008	2007
Cash at bank	54,737,595	39,013,113
Cash in hand	33,042	27,605
Total cash and cash equivalents	54,770,637	39,040,718

21. Capital and reserves

The Company's authorized share capital consists of 16,350,000 ordinary shares with a nominal value of 1 Litas each. There were no changes in the share capital during the year 2008.

Reserves can be specified as follows:

(In Litas)

	2008	2007
Revaluation reserve	9,705,028	3,296,761
Legal reserve	1,635,030	1,635,030
Total reserves	11,340,058	4,931,791

The revaluation reserve relates to the revaluation of land and buildings and is equal to the carrying amount of revaluation less the related deferred tax liability (refer to Note 12).

Legal reserve is a compulsory reserve allocated in accordance to the legislation. An annual allocation of at least 5% of the net profit is required until the reserve is not less than 10% of the authorized share capital. The reserve cannot be distributed.

22. Earnings per share

(In Litas)	2008	2007
Net result for the year	48,615,444	24,845,318
Average number of shares	16,350,000	16,350,000
Earnings per share	2.97	1.52

23. Loans and borrowings

(In Litas)	2008	2007
Loan from AB SEB Bankas	0	506,732
Finance lease liabilities	10,670,709	7,251,798
Total loans and borrowings	10,670,709	7,758,530
Non-current liabilities	7,148,115	5,107,725
Current liabilities	3,522,594	2,650,805
Total loans and borrowings	10,670,709	7,758,530

During 2008, the Company repaid the loan granted by AB SEB Bankas.

Borrowings include finance lease liabilities to UAB SEB Lizingas, UAB Hansa Lizingas, UAB DnB Nord and UAB Nordea Finance for the plant and equipment acquired by lease, the balance value of which is 11,286,272 Litas as at 31 December 2008.

Finance lease liabilities are payable as follows:

In 2008 (in Litas)	Minimum payments	Interest	Principal amount
Payable within one year	3,966,448	443,854	3,522,594
Between one and five years	7,699,009	550,894	7,148,115
	11,665,457	994,748	10,670,709
In 2007 (in Litas)	Minimum payments	Interest	Principal amount
Payable within one year	2,407,747	263,674	2,144,073
Between one and five years	5,413,000	305,275	5,107,725
	7,820,747	568,949	7,251,798

24. Other liabilities

(In Litas)

	2008	2007
Accrued vacation reserve	6,368,760	6,344,080
Accrued bonuses	8,024,863	3,433,657
Payable salaries and related taxes	4,460,148	5,016,177
Deferred income in accordance to the stage of completion	5,103,198	4,385,954
Other liabilities	409,282	2,834,783
Total other liabilities	24,366,251	22,014,651

25. Off-balance sheet liabilities

The Banks have issued guarantees amounting to 24,277,232 Litas in connection with the Company's obligations under the performed construction contracts. The maturity of these guarantees varies from 8 January 2009 to 30 July 2010. Property, plant and equipment with a net carrying amount of 15,178,000 Litas as at 31 December 2008 as well as cash amounting to 20,000,000 Litas are pledged to the banks for the credit lines and guarantees. As at 31 December 2008, a credit line of 15,000,000 Litas has been issued to the Company by AB SEB Bankas and an amount of 10,000,000 Litas by AB Bankas Hansabankas, with maturity terms 31 January 2009 and 31 January 2010 respectively. The credit lines mentioned above have not been used by the Company as at the end of 2008.

The financial liabilities of UAB PST Investicijos to DnB NORD Bank have been guaranteed by the Company. This financial liability amounts to 12,130 tLitas as at 31 December 2008.

26. Transactions with related parties

(In Litas)

	Type of transaction	Amount
Sales in 2008:		
<i>Companies under control</i>		
UAB PST Investicijos	Goods and services	1,071,242
OOO Baltlitstroj	Goods and services	549,073
UAB Metalo Meistrai	Goods and services	368,590
UAB Vekada	Goods and services	285,399
UAB Skydmedis	Goods and services	250,485
UAB Alinta	Goods and services	41,580
UAB Verkių Projektas	Goods and services	4,380
<i>Other related companies</i>		
AB Panevėžio Keliai	Goods and services	3,256,632
UAB Costructus	Goods and services	137,998
UAB Aukštaitijos Traktas	Goods and services	8,220
UAB Sostinės Gatvės	Goods and services	8,070
Purchases in 2008:		
<i>Companies under control</i>		
OOO Baltlitstroj	Goods and services	20,436,122
UAB Metalo Meistrai	Goods and services	8,611,508
UAB Vekada	Goods and services	8,241,349
UAB Alinta	Goods and services	762,306
UAB Skydmedis	Goods and services	421,545
TÜB Vilniaus Papėdė	Goods and services	20,754
<i>Other related companies</i>		
AB Panevėžio Keliai	Goods and services	13,721,292
UAB Aukštaitijos Traktas	Goods and services	424,640
UAB Zarasų Automobilių Keliai	Goods and services	28,577
AB Ukmergės Keliai	Goods and services	27,581
UAB Sostinės Gatvės	Goods and services	23,636

(In Litas)	Amount
Amounts receivable as at 31 December 2008:	
<i>Companies under control</i>	
OOO Baltlitstroj	266,450
UAB Verkių Projektas	2,314
UAB PST Investicijos	425
<i>Other related companies</i>	
UAB Constructus	9,550
Amounts payable as at 31 December 2008:	
<i>Companies under control</i>	
OOO Baltlitstroj	5,346,067
UAB Vekada“	2,036,307
UAB Metalo Meistrai	1,316,748
UAB Alinta	222,890
UAB Skydmedis	195,107
TÜB Vilniaus Papėdė	2,556
<i>Other related companies</i>	
AB Panevėžio Keliai	2,579,027
UAB Aukštaitijos Traktas	97,925
UAB Zarasų Automobilių Keliai	24,795

(In Litas)	Amount
Long-term loans receivable as at 31 December 2008:	
OOO Baltlitstroj	139,673
SIA PS Trest	9,000

All transactions with related parties have been priced on an arm's length principle.

27. 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 2008 do not differ significantly from their carrying amounts.

28. Subsequent events

During the Company's board meeting held on 2 April 2009 it was adopted an intention to provide the necessary cash funds up to 5.84 million Litas during the year 2009 to UAB PST Investicijos and its subsidiaries to cover the payable interest for bank loans and minimal administrative expenses.

There were no other subsequent events which would have an effect on the annual financial statements or require a disclosure.

Managing Director

Dalius Gesevičius

PANEVĖŽIO STATYBOS TREŠTAS AB
CONSOLIDATED ANNUAL REPORT FOR THE YEAR 2008

1. ACCOUNTING PERIOD COVERED BY THE ANNUAL REPORT

The report is covering the year 2008.

2. THE ISSUER AND ITS CONTACT DETAILS

Name of issuer	Public limited liability company <i>Panevėžio statybos trestas</i>
Authorised capital	16,350,000 Litas
Address of registered office	P. Puzino Str. 1, LT-35173 Panevėžys, Lithuania
Telephone	(+370 45) 505 503
Fax	(+370 45) 505 520
E-mail	pst@pst.lt
Legal-organisational form	Public limited liability company
Date and place of registration	30 October 1993, Panevėžys City Board
Registration No.	AB 9376
Company Register code	147732969
VAT code	LT477329610
Administrator of Legal Entity Register	State Enterprise Centre of Registers
Website	www.pst.lt

3. PRINCIPLE NATURE OF ACTIVITIES OF THE ISSUER

The main sphere of activities of the Company and its subsidiaries (Group) is designing and construction of buildings, structures, equipment and communications and other objects for various applications in and outside Lithuania, real estate development. In addition to the above activities the Company is engaged in lease of premises and mechanisms, resale of utility and telecommunication services.

4. CONTRACTS WITH INTERMEDIARIES OF PUBLIC TRADING IN SECURITIES

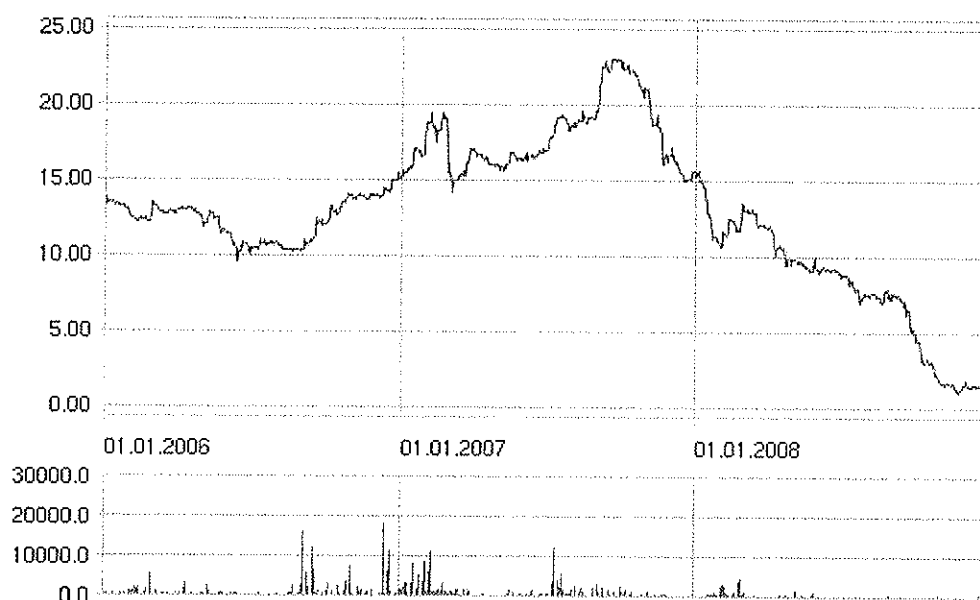
On 7 February 2006 the Agreement No.3792 was signed with the Public Limited Liability Company *DnB NORD bankas* located at Basanavičiaus g. 26, Vilnius, by which the latter has

been assigned accounting of the issued securities and accounting/record keeping of the personal security accounts.

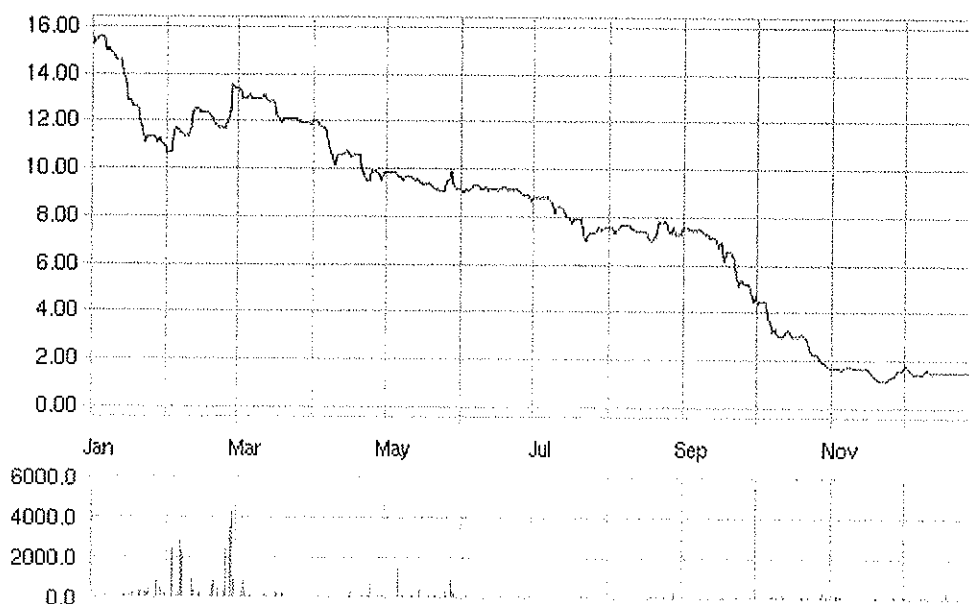
5. DATA ON TRADING IN SECURITIES OF THE ISSUER IN REGULATED MARKETS

The ordinary registered shares of the *Panevėžio statybos trestas* AB, totalling 16,350,000 pcs., the par value of each being one Litas, have been on the Official Trading List of the Vilnius Stock Exchange (VSE) since 13 July 2006.

Company share price variation at VSE in 2006 through 2008



Company share price variation at VSE in 2008



6. FAIR REVIEW OF THE COMPANY'S POSITION, THE PERFORMANCE AND DEVELOPMENT OF THE COMPANY'S BUSINESS, DESCRIPTION OF THE PRINCIPAL RISKS AND UNCERTAINTIES IT FACES

The year of 2008 was one the most successful years for *Panevėžio statybos trestas* AB. Last year the company achieved the largest turnover in its history – even 586 mln. Litas. Compared to 2007, the income of the PST Group increased by 13.4 percents.

Good business results were determined not only by the increasing market but also effective management of the company, responsible and professional negotiations prior to signing a contract with customers, successful implementation of large scale construction projects. A fair number of the projects implemented last year are of national importance, significant for the infrastructure of the entire country. Last year the constructions of multifunctional Panevėžys Sports Arena, Panevėžys Region Science and Technology Park and commercial building of BIG in Klaipėda were completed. Last year also covered the completion of Panevėžys Combined Cycle Power Plant Project, which won the gold medal at the awards of „The Product of the Year“ arranged by the Confederation of Lithuanian Industrialists.

In 2008 the exclusive area for further enrichment of experience was environment related projects – waste handling systems of Utena and Panevėžys Regions were created and built.

Favourable situation in the market in 2008 allowed development of the company in Lithuania. The affiliate of the company *Genranga* expanded its activities, achieved good results and successfully finished the year by completing the construction of *Megrame* plant in Trakai District. A division of PST, the designing unit *PST Designs*, carried out works for 7.0 mln. Litas, including works done on their own for 4.2 mln.Litas, mainly for PST sites.

Confidence of members of the market in PST, their evaluation of the company as experienced builder of large and technologically complicated objects contributed to the success of the company. Such approach of customers was the result of hard work and internal improvement of the company – qualified and experienced employees work for the company, the company has a few licences and certificates attesting that management of the company done in a qualitative manner meeting the requirements of the European standards.

In 2008 the company paid great attention to the quality of works carried out, environment and safety. The company has successfully implemented and is working in accordance with the quality management system LST EN ISO 9001:2001 and environment management system LST EN ISO 14001:2005. To ensure prevention of accidents at work, occupational safety and health violations of organizational manner in the company and reduce the number of occupational diseases in 2008 the company finished implementing the occupational safety and health management system meeting the requirements of the international standard BS OHSAS 18001:2007 (LST 1977:2008).

In 2008 the National Accreditation Bureau of Lithuania renewed accreditation for the Construction Laboratory of the company for 5 more years in accordance with LST EN ISO/IEC 17025:2005 thus granting the right to perform tests with construction materials.

Valuable experience in the construction of complicated objects was gained in the course of the years. The activities are widely developed in terms of both – services and geography because projects are implemented not only in Lithuania. There are subdivisions in such cities of the Russian Federation Cherepovets and Kaliningrad.

Good results of the company for 2008 were determined by:

- Highly qualified and experienced employees;
- Available certificates, licenses and approvals;
- Widely recognised and valued experience in construction of complicated objects;
- Project management from start to completion;
- Flexibility in the market attributable to the designing unit;
- Wide range of activities and geography;
- Financial stability;
- Well known and reputable name of the company;
- Positive image.

Risk factors related to the company activities:

- General decline of world economy;
- Planned decline in the construction market for more than 40%;
- Drop in construction prices;
- Extremely increased and intense competition;
- Damping;
- Delays in payments made by customers;
- Stringent credit terms at the banks;
- Black economy.

7. INFORMATION ON SUBSIDIARIES OF THE COMPANY

As of 31 December 2008 the Company Group of *Panevėžio statybos trestas* AB included the following companies:

Subsidiaries	Type of activities	Share controlled (per cent)	Registered address
<i>Skydmedis</i> UAB	Production of wood constructions	100	Pramonės Str. 5, Panevėžys Tel.: +370 45 583341
<i>Metalo meistrai</i> UAB	Production of metal constructions	100	Tinklų Str. 7, Panevėžys
<i>Vekada</i> UAB	Electrical installation works	96	Marijonų Str. 36, Panevėžys Tel.: +370 45 461311
<i>Vilniaus papėdė</i> TUB	Construction works	69	Švitrigailos Str. 8, Vilnius Tel.: +370 5 2609405
<i>Alinita</i> UAB	Air conditioning equipment	100	Dubysos Str. 31, Klaipėda Tel.: +370 46 340363
PS TRESTS SIA	Construction	100	Vietalvas Str. 5, Riga
<i>BALTILSTROIJ</i> OOO	Construction	100	Sovetskij Ave. 43, Kaliningrad Tel.: 0074012350435
<i>PST Investicijos</i> UAB	Real estate development	67	Konstitucijos Ave. 7, Vilnius Tel.: +370 5 2728213
<u>Subsidiaries of <i>PST investicijos</i> UAB:</u>			
<i>Ateities projektai</i> UAB	Real estate development and sales	100	Konstitucijos Ave. 7, Vilnius
<i>Sakališkės</i> UAB	Real estate development and sales	100	Konstitucijos Ave. 7, Vilnius
<i>Kauno erdvė</i> UAB	Real estate development and sales	100	Konstitucijos Ave. 7, Vilnius
<i>Gėlužės projektai</i> UAB	Real estate development and sales	100	Konstitucijos Ave. 7, Vilnius
<i>Verkių projektas</i> UAB	Real estate development and sales	100	Konstitucijos Ave. 7, Vilnius
<i>Realtus</i> UAB	Real estate development and sales	100	Konstitucijos Ave. 7, Vilnius
<i>ISK Baltevro market</i> OOO	Construction investment company	100	Sovetskij Ave. 43, Kaliningradas
<i>Smiltynių kalvos</i> UAB	Real estate development and sales	100	Konstitucijos Ave. 7, Vilnius

The financial statements of the PS Trests SIA were not consolidated in the financial reporting of the Group due to their insignificance to the Group.

***Skydmedis* UAB** (company code 148284718) was established and began its activities on 17 June 1999. The main activity of the company is fabrication of wooden structures and joinery for construction purposes, cutting and planning of wood, wholesale and retail in construction materials, production of pallets, stands and other wooden items for loading, building outfit.

In 2008 the income of the company amounted 5,695.7 thousand Lt and the company earned 78.8 thousand Lt of net profit (versus the losses amounting 129 thousand Lt in 2007). The largest part of sales (73.9 %) included sales of the produced items, installation activities based on direct contracts made 13.7 % and income of other kinds (machinery lease and other services) made 12.3 %. In terms of geographical segments 41.9 % of income was received in Lithuania whereas 58.1% - in foreign countries, i.e. Germany, Island, Norway, Sweden and Ireland.

The main activity indicators of *Skydmedis* UAB are as follows:

	2006	2007	2008
Income from sales, thousands Lt	7159,0	5796,4	5695,7
Gross profit, thousands Lt	1213,4	968,8	1093,0
Net profit, thousands Lt	47,5	-129,0	78,8
Gross profitability	16,9%	16,7%	19,2%
Net profitability	0,7%	-2,2%	1,4%
Return on equity (ROE)	0,05	-0,17	0,09
Current liquidity ratio	1,55	1,43	1,96
Acid test (Quick) ratio	0,65	0,68	1,37

The company established relations and successfully co-operates with new customers. First of all this was done with real estate development company EG BYGG Trondheim AS, a few largest construction organizations in Norway NCC, PEAB, as well as the representatives of BYGGFORMAT who participated in implementation of several projects. The company considers expansion of apartment house construction and range of services for turn-key house projects to be a perspective direction and keeps on looking for new customers both in Lithuania and in foreign countries at the same time trying to obtain a Norway standard for producible houses.

In the end of 2008 *Skydmedis* UAB had 52 employees. The share is divided into one thousand ordinary shares the value of one share being 500 Lt. The main share holder is *Panevėžio statybos trestas* AB holding 100 % of shares.

***Metalo meistrai* UAB** (company code 148284860) was founded on 16 June 1999 and started its activity on 1 July 1999. The company is engaged in fabrication of various metal constructions and their elements, another business line is lease of small-size scaffolding. In the end of 2008 the company had 41 employees. In 2008 the income of the company amounted 9,071.2 thousand Lt and the company earned 253.6 thousand Lt of net profit. In 2008 sales reduced by 2.2 % compared to 2007 (9,215.6 thousand Lt) and net profit reduced by 1.8 times. In the year 2008 the company fabricated metal constructions and products for objects under construction in various regions of Lithuania: Panevėžys – 54 %, Vilnius – 9.9 %, Klaipėda – 3 %, Trakai District – 9.4 %, others – 23.7 %. During the reporting year metal constructions were made for the following finished jobs: Panevėžys Multifunctional Sports Arena, production premises for

Panevėžys Regional Waste Handling Plant, production premises of *Megrame* UAB in Trakai District and others. In autumn of 2008 relations were established with Norwegian construction companies.

The main activity indicators of *Metalo meistrai* UAB are as follows:

	2006	2007	2008
Income from sales, thousands Lt	7962.9	9215.6	9017.2
Gross profit, thousands Lt	1133.4	1228.0	1109.7
Net profit, thousands Lt	292.7	466.3	253.6
Gross profitability	14.2%	13.3%	12.3%
Net profitability	3.7%	5.1%	2.8%
Return on equity (ROE)	0.35	0.36	0.16
Current liquidity ratio	0.84	0.92	1.48
Acid test (Quick) ratio	0.21	0.49	0.94

There were no changes in authorized share capital and the share holder structure, i.e. as before, the share capital totalling 500,000 Lt is divided into 1 000 ordinary shares the value of one share being 500 Lt. The main share holder is *Panevėžio statybos trestas* AB holding 100 % of shares.

Vekada UAB (company code 147815824) was established on 1 January 1963 and had the name of *Elektros montavimo valdyba* (Electrical Installation Department), later on 16 May 1994 it was re-registered as *Vekada* UAB. The main activities of the company are electrical installation works on subcontracts. At the end of 2008 the company had 81 employees. In 2008 the income from electrical installation works amounted 16.667 mln. Lt. (97.6 %) of all income, income from designing activities based on direct contracts amounted 126.1 thousand Lt. (0.746%) and 285.4 thousand Lt (1.66%) were received from other activities (rent of premises, machinery lease, goods sale, etc.. Compared with periods in the past, during the reporting year the scope of works increased significantly especially in Vilnius County. The largest jobs were the shopping centre Panorama in Vilnius – 4.814 mln. Lt, Megrame plant in Vilnius County – 5.584 mln. Lt, Royal Palace in Vilnius – 1.380 mln. Lt, Utena Sports Arena – 0.905 mln. Lt, Inrent terminal in Panevėžys – 0.868 mln. Lt.

The main activity indicators of *Vekada* UAB are as follows:

	2006	2007	2008
Income from sales, thousands Lt	8867.9	10282.9	17034.5
Gross profit, thousands Lt	1917.3	1667.3	3786.6
Net profit, thousands Lt	697.5	531.3	1652.0
Gross profitability	21.6%	16.2%	22.2%
Net profitability	7.9%	5.2%	9.7%
Return on equity (ROE)	0.29	0.18	0.33
Current liquidity ratio	2.29	3.68	2.35
Acid test (Quick) ratio	1.98	3.05	1.97

The net profitability index of the company for the year 2008 (9.70) increased by 87.7 % compared to 2007. In 2008 the net profit increased by 3.1 times.

During the accounting year there were no changes in the authorised share capital of the company and structure of the share holders, i.e. as before, the share capital amounting 211 488 000 Lt is divided into 52,872 ordinary shares the value of one share being 4 Lt. The main share holder is *Panevėžio statybos trestas* AB holding 95.6 % of shares, other part is hold by legal persons.

Alinita UAB (company code 141619046) was established on 8 December 1997. The main activities of the company are designing of ventilation and air-conditioning systems, installation of ventilation, air-conditioning, heating, internal sewerage, water supply, electrical wiring installation and automation systems. The company has valid certificates for implementation of such activities. In 2008 the company had 23 employees.

Due to increasing competition between companies and significant drop in the number of orders in construction sector the income of the company was 2,128,571 Lt and earned 66,028 Lt of net profit whereas in the year 2007 the income amounted 2,661,594 Lt and net profit – 197,262 Lt. During the accounting year the income decreased by 20 % and net profit decreased by 2.99 times compared to the year 2007.

The main activity indicators of *Alinita UAB* are as follows:

	2006	2007	2008
Income from sales, thousands Lt	2983.7	2661.6	2128.6
Gross profit, thousands Lt	488.2	757.4	571.0
Net profit, thousands Lt	18.3	197.3	66.0
Gross profitability	16,4%	28.5%	26.8%
Net profitability	0.6%	7.4%	3.1%
Return on equity (ROE)	0.08	0.48	0.14
Current liquidity ratio	1.16	1.80	3.74
Acid test (Quick) ratio	1.10	1.63	3.49

The company started the year 2008 with already signed contracts with *Panevėžio statybos trestas* AB (for installation of ventilation systems in a 25 storied apartment house in Klaipėda), *Baltijos laivų statykla* AB (*Baltija Shipbuilding Yard*) (for installation of ventilation and heating systems in ships being built) and *Baltijos laivų statykla* AB (for servicing of ventilation systems installed in production and administrative premises of the shipbuilding yard). Works are continued at the following large sites: *Panevėžio statybos trestas* AB – waste handling and installation of ventilation systems in a 25 storied apartment house in Klaipėda.

The share capital of the company totalling 10,000 Lt is divided into 100 ordinary shares the value of one share being 100 Lt. In 2004 *Panevėžio statybos trestas* AB acquired 100 % of shares.

Vilniaus papėdė TŪB (company code 12545197) is the general partnership founded in 2000. The partnership was established for the period of building of the Royal Palace and should wind up its activities in 2009. Its activities are related exclusively to the Royal Palace. The company does not generate any notable profit from these activities – it just distributes the expenses, gets interest paid by banks and this way earns insignificant profit (due to the provisions of the regulations on taxable profit). The capital of the company is comprised of contributions of its founders totalling 14,500 Lt. 10,000 Lt accounting for 69 per cents was the contribution of *Panevėžio statybos trestas AB*. Other founders are also legal persons.

The partnership concludes contract agreements with the customer every year. On 20 February 2008 the annual contract agreement was signed for the amount of 44.35 mln. Lt, on 3 November 2008 a supplementary contract was signed increasing the work scope up to 54.397 mln. Lt. In 2008 general construction activities were completed in the southern, western blocks and terminal. Special, finishing and interior furnishing activities, surrounding arrangement were started there.

Referring to the Law of the Republic of Lithuania on Rebuild and Purpose of Royal Palace of the Great Duchy of Lithuania, the opening of the Royal Palace is scheduled by July 2009. 44.0 mln. Lt planned to be allocated for the year 2009 are not enough for research, designing and construction activities, in general the mentioned amount is not enough, therefore the first stage of the Royal Palace project may be handed over only in case of additional financing. The activities of the company will be continued till the project is completed.

Baltlitstroij OOO (company code 236006) was founded and started its activities on 20 October 2000. The main activity of the company is construction works. In 2008 the company had 13 employees. Before this year the company has not been consolidated in the financial statements of the company group for to its insignificance to the group. The year of 2008 was successful to *Baltlitstroij OOO*. The income of the company was 28,995 thousand Lt and earned 2,064 thousand of net profit, gross profitability being 8.5 % and net profitability being 7.1 %. In 2008 the company worked on the following sites: Car Service and Trading Centre Toyota, Logistics Storehouse, Shopping Centre.

The authorised capital of the company amounts 12,000 thousand Roubles, 100 % of shares are held by *Panevėžio statybos trestas AB*.

PST investicijos UAB (company code 124665689) was founded on 23 December 1998. The main activity of the company is preparation and sales of real estate. On 31 December 2008 the company group of *PST investicijos UAB* consisted of the parent company *PST investicijos UAB* and the following subsidiary companies: *Realtus UAB*, *Sakališkės UAB*, *Gėlužės projektai UAB*,

Kauno erdvė UAB, *Smiltynų kalvos* UAB, *Ateities projektai* UAB, *Verkių projektas* UAB, *Baltevromarket* OOO ISK.

The main share holders of the company are *Panevėžio statybos trestas* AB (66.83 %) and *Panevėžio keliai* AB (24.68 %). The remaining part of shares is hold by several legal persons (8.49). As of 31 December 2008, the authorized capital of the company is 37,267,900 Lt. and it is divided into 372,679 registered ordinary shares the par value of one share being 100 Lt.

In 2008 the company group of *PST investicijos* UAB took an active part in the further development of real estate projects. The activities of the companies were strongly influenced by a changed situation in the real estate market and decreased possibilities in financing of project development. *PST investicijos* UAB participates in real estate projects on its own (to be developed project in Šeškynės Street) or through its subsidiary companies. Such development of activities (when a subsidiary company is founded for each project) has been chosen to estimate the result of each and every project in the most accurate manner possible.

The income of the company group of *PST investicijos* UAB from the supervision of real estate development projects amounted to 3,896,103 Lt, compared to 17,000,171 Lt in 2007. In the year 2008 the company group of *PST investicijos* UAB incurred losses in the amount of 25,970,430 Lt, whereas in 2007 the earned profit was 4,077,556 Lt. In 2008 the real estate controlled by the company group was revalued and after entering this revalue into the accounting of the companies the losses amounted to 16,510,853 Lt.

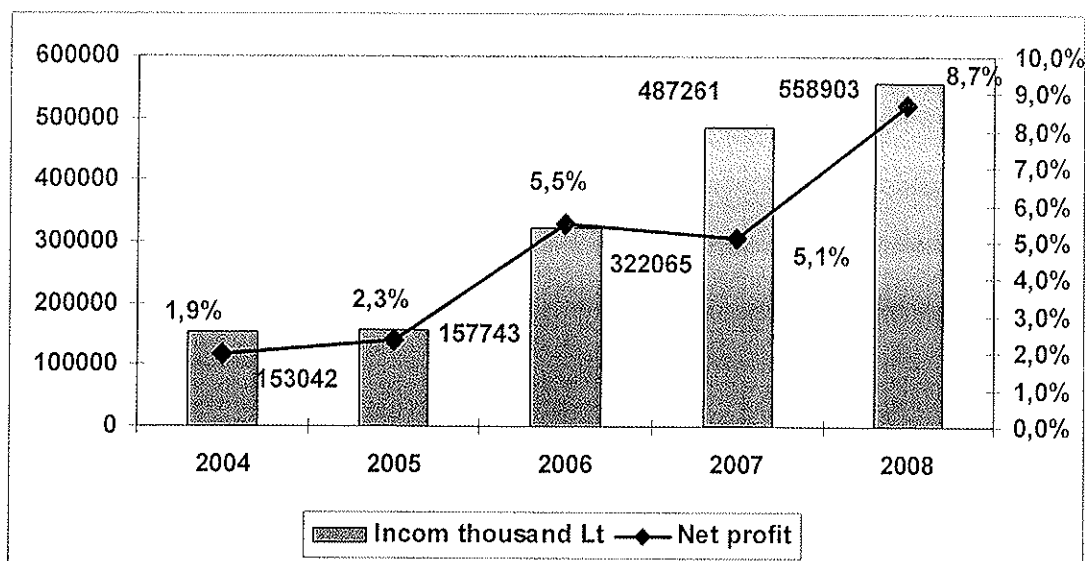
On 31 December 2008 after completing the reorganization procedures for *PST investicijos* UAB and *Realtus* UAB, *Realtus* UAB was incorporated with *PST investicijos* UAB and deleted from the records of the Legal Entity Register.

In 2009 *PST investicijos* UAB is planning to stop the development of most subsidiary company projects. In case the share holders make the decision to support activities of *PST investicijos* UAB and its subsidiary companies, the company will keep on working on 1 or 2 most significant projects and will try to sell the already prepared projects. The future plans do not include acquisition of new projects.

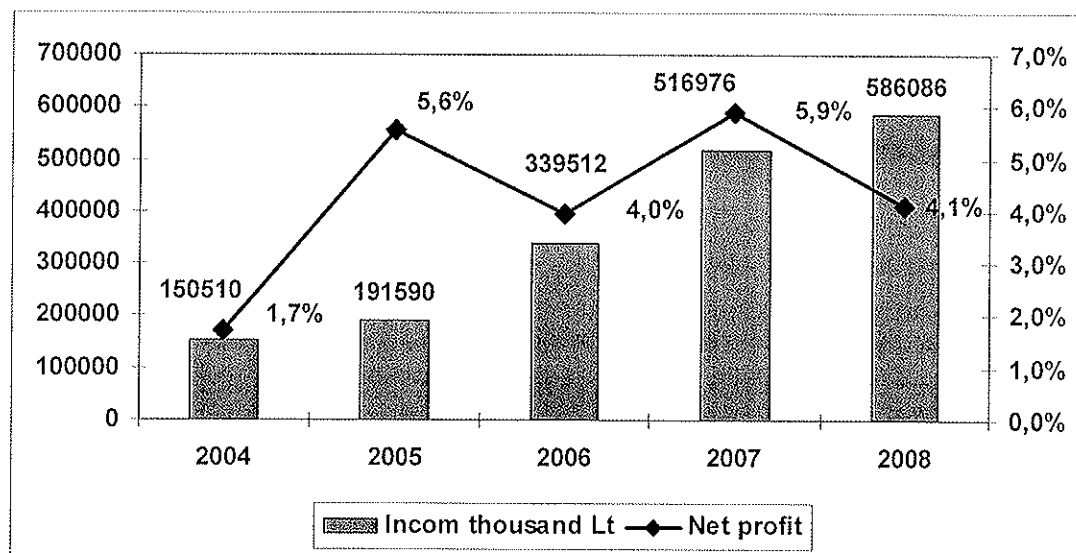
8. ANALYSIS OF FINANCIAL AND NON-FINANCIAL PERFORMANCE, INFORMATION RELATED TO ENVIRONMENTAL AND EMPLOYEE MATTERS

In 2008 the income of the group increased by 13 % compared to 2007 and amounted to 586.1 mln. Lt (517 mln. Lt in 2007). The income of the group increased by 15 % up to 558.9mln. Lt (487.3 mln. Lt in 2007). The consolidated net profit of the company decreased by 21 % down to 24.184 mln. Lt (30 mln. Lt in 2007). The net profit of the company increased by 1.95 times: in 2008 the net profit was 48.6 mln. Lt, whereas in 2007 it was 24.8 mln. Lt.

Income and net profit variation for the company:



Income and net profit variation for the group:



All financial data in the present annual report have been calculated following the International Financial Accounting Standards (IFAS) and expressed in the national currency of Lithuania - the Litas (Lt).

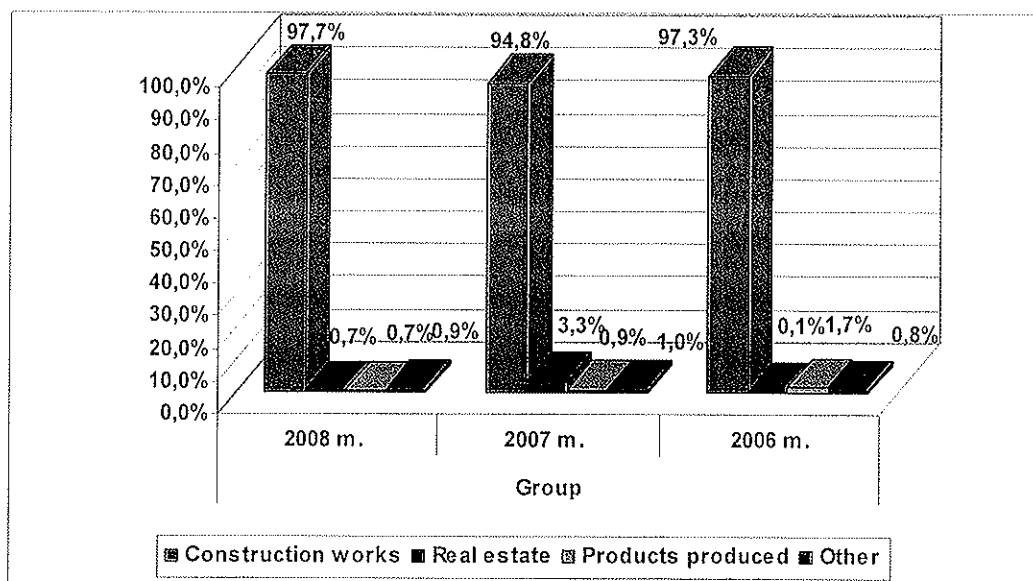
The results (thousands Lt) of the parent company and the company group of *Panevėžio statybos trestas* AB for the years 2006 through 2008 are as follows:

Group			Items	Company		
Year 2008	Year 2007	Year 2006		Year 2008	Year 2007	Year 2006
586,086	516,976	339,512	Income	558,903	487,261	322,065
485,422	445,027	296,837	Cost	469,762	432,725	284,527
100,664	71,949	42,675	Gross profit	89,140	54,536	37,538

17,18	13,92	12,57	Gross profit margin (per cent)	15,95	11,19	11,66
44,472	46,41	21,632	Profit before taxes, interest, depreciation and amortisation EBITDA	64,386	35,402	25,189
4,1	5,91	3,97	Net profit margin (per cent)	8,7	5,1	5,47
2,0	1,78	0,82	Profit per share (Litas)	2,97	1,52	1,08
21,53	40,40	27,42	Return on equity (percent) (ROE)	40,16	35,76	37,18
8,47	10,94	5,66	Average return on assets or average profitability of assets (ROA)	20,80	11,55	9,96
17,41	22,58	12,71	Return on investment (ROI)	36,71	33,05	34,38
1,66	1,72	1,6	Current liquidity ratio	1,70	1,19	1,15
0,39	0,31	0,25	Cash ratio	0,54	0,28	0,25
7,15	5,1	3,29	Book value of a share	7,40	4,25	2,90
0,7	8,76	18,32	Ratio of share price and profit (P/E)	0,50	10,3	14,00
0,21	3,06	4,59	Ratio of share price and book value (P/BV)	0,20	3,67	5,21

Referring to business segments, the main income was from building and construction activities. In 2008 the income of the group from the building and construction activities totalled 97.7 %, real estate amounted to 0.7 %, the made products and other income amounted to 1.6 %. In 2007 the corresponding figures were as follows: construction and installation – 94.8 %, real estate – 3.3 % and other activities – 1.9 %.

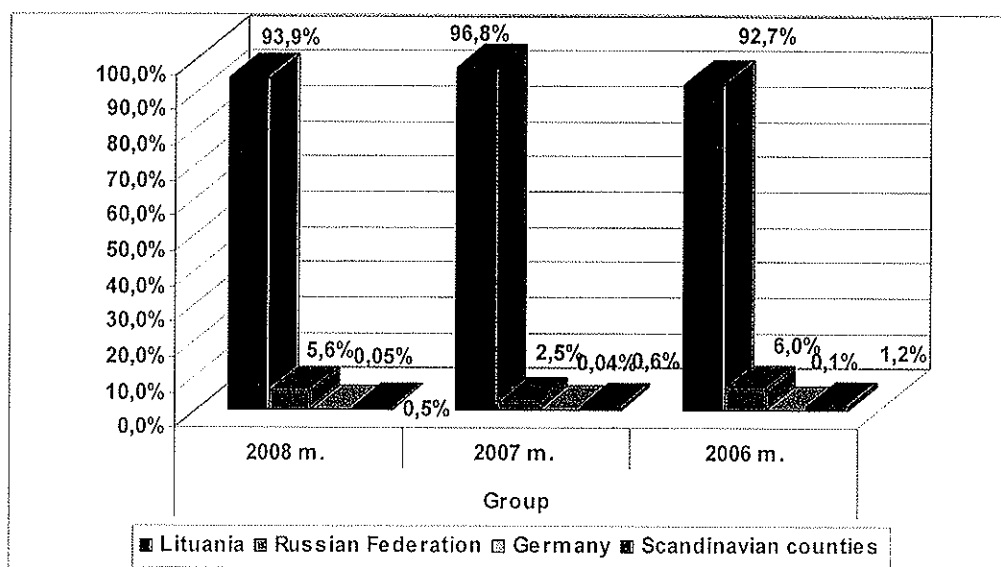
(thousands Lt)	Group			Company		
	Year 2008	Year 2007	Year 2006	Year 2008	Year 2007	Year 2006
Construction works	572,53	490,21	330,49	558,90	487,26	322,07
Real estate	3,90	17,00	0,46			
Products produced	4,21	4,79	5,74			
Other	5,45	4,97	2,83			

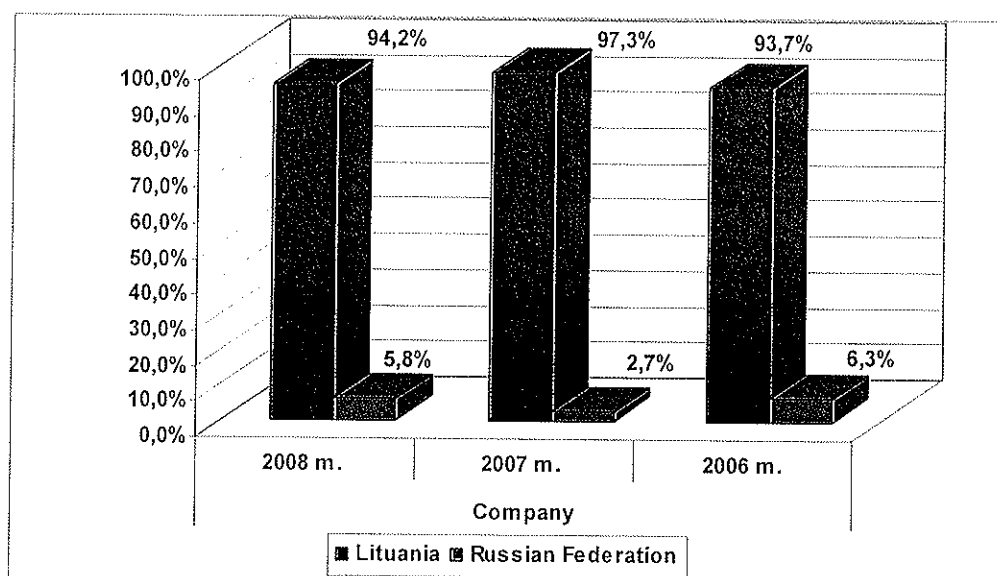


Income from main activity (thousands Lt) by geographical segments:

(thousands Lt)	Group			Company		
	2008	2007	2006	2008	2007	2006
Lithuania	550,23	500,32	314,63	526,35	474,17	301,63
Russian Federation	32,55	13,10	20,44	32,55	13,10	20,44
Germany, Ireland	0,27	0,21	0,28			
Scandinavian countries	3,04	3,35	4,17			

In the year 2008 the main activity of the company was performed in Lithuania and made 94.2 % of all works carried out by the company (97.3 % in 2007). The income of the group from the works performed inside Lithuania made 93.9 % of the income whereas in 2007 in was 96.8 %.





9. IMPORTANT EVENTS HAVING OCCURRED SINCE THE END OF THE PRECEDING FINANCIAL YEAR

On 25 March 2009 a contract has been signed between *Panevėžio statybos trestas* AB (PST) and *Tauragės vandenys* UAB for the construction of a new waste water treatment plant in Tauragė. The project that costs over 19 million Litas (5.5 EUR) will be implemented in the western part of Lithuania by autumn 2010.

On 3 April 2009 the Supreme Court of Lithuania delivered a judgement based on which the judgement of the Panevėžys District Court dated 19 November 2008 shall remain in effect binding the shareholder of *Panevėžio statybos trestas* AB, *Panevėžio keliai* AB, and other legal persons to present an obligatory formal offer to buy in the remaining securities, the ordinary registered shares, of the accountable issuer, *Panevėžio statybos trestas* AB, following the procedure provided in the Law on Security Market of the Republic of Lithuania.

The judgement of the Supreme Court of Lithuania shall be final, inappealable and come into effect from the date of its delivery.

10. PERFORMANCE PLANS AND FORECASTS OF THE COMPANY

The coming year is likely not to be easy both for the company and the whole construction sector. At present the largest problem is unwillingness of banks to credit projects and negative tendencies in the tenders arranged by the potential customers where the construction companies seeking to win the tender at any price often offer unreasonably low project implementation costs which later on do not allow ensuring the project quality.

On the other hand, the construction sector will benefit from economical decline – many easy profit seeking companies which have not cared for work quality are already in the process of withdrawing from the market.

The success of the last year binds *Panevėžio statybos trestas* AB to make a reach of good results in the year 2009 as well. Though the economical background in the country and construction sector is not favourable, next year we will try to maintain stability by proceeding with the already started activities, looking for possibilities for new project implementation and striving for the goal to remain the largest construction company in Lithuania.

11. AUTHORISED CAPITAL OF THE ISSUER AND ITS STRUCTURE

As of 31 December 2008 the authorised capital of the company amounted to 16,350,000 Lt, divided into 16,350,000 ordinary registered shares (ORS) nominal value of each share being 1.00 Lt. All shares are uncertificated and have been paid in full. The proof of ownership is the record in the securities accounts.

The composition of the issuer's authorised capital is as follows:

Type of shares	Number of shares (pcs)	Nominal value (Lt)	Total nominal value (Lt)	Issuance code
Ordinary registered shares (ORS)	16,350,000	1	16 350 000	101446

12. INFORMATION ON THE SHAREHOLDERS OF THE ISSUER

The number of shareholders holding or controlling more than 5 per cents of the authorised capital of the company as of 31 December 2008 was 1634:

Shareholder's full name (company name, type, registered address, code in the Register of Enterprises)	Number of ordinary registered shares held on property ownership right (pcs.)	Percentage of authorised capital held (%)	Percentage of votes granted by the shares held on property ownership right (%)	Percentage of votes held together with the persons acting together (%)
<i>Panevėžio keliai</i> AB S. Kerbedžio g. 7, Panevėžys, Company code 147710353.	8,138,932	49.78	49.78	---
Bank of New York as custodian or trustee One Wall Street, New York, NY 10286, JAV GSP181305	1,682,023	10.29	10.29	---

Skandinaviska Enskildas Banken clients, Liivalaia 8, 15040 Tallinn, Estonia, 502032-9081	1,249,559	7.64	7.64	---
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None of the shareholders of the issuer has any special control rights. All shareholders have equal rights determined in Section 4 of the Law on Companies of the Republic of Lithuania.

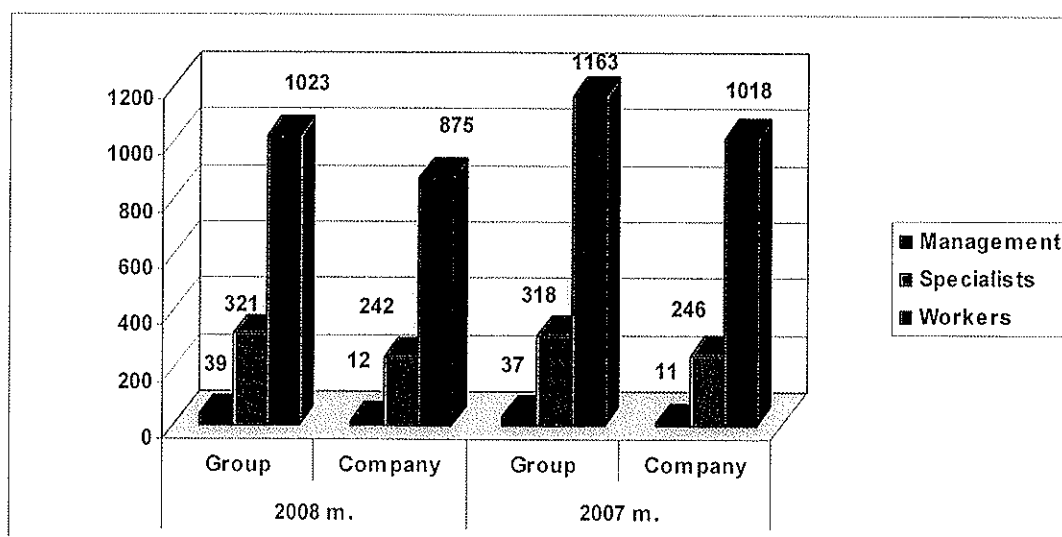
The number of shares carrying votes at the general meeting of shareholders of *Panevėžio statybos trestas* AB is 16,350,000.

The company has not been notified about restrictions on voting rights or any other agreements between the shareholders due to which transfer of securities could be limited.

13. EMPLOYEES

The number of employees in the Group as of 31 December 2008 was 1383, in the company – 1129.

Number of employees on payroll	Year 2008		Year 2007	
	Group	Company	Group	Company
Management	39	12	37	11
Specialists	321	242	318	246
Workers	1023	875	1163	1018

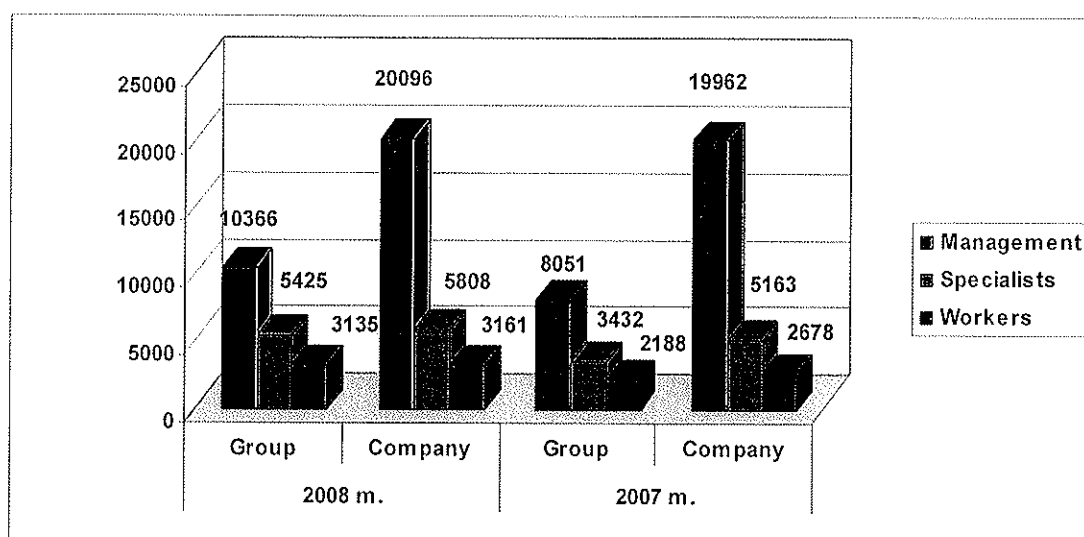


Education level of the Company employees for the end of the period:

Groups of employees	Payroll number	Higher university level education	Higher non-university education	Community college education	Secondary education	Incomplete secondary education
Management	39	35	-	4	-	-
Specialists	321	219	11	60	31	-
Workers	1023	21	8	250	537	207

Average gross salary/wage:

Average salary/wage	2008 m.		2007 m.	
	Group	Company	Group	Company
Management	10366	20096	8051	19962
Specialists	5425	5808	3432	5163
Workers	3135	3161	2188	2678



The labour contracts do not include any special rights or obligations of employees or some part of them.

In 2008 the company paid much attention to qualification improvement. Training in the company is done in four directions using:

1. Services of Lithuanian Builders Association (means of EU Structural Funds).
2. Services of training arranging institutions (external training).
3. Services of higher education institutions (employee studies).
4. Internal human resources and technical basis (internal training).

14. PROCEDURE FOR AMENDMENT OF THE ARTICLES OF ASSOCIATION OF THE ISSUER

The Articles of Association of the Company may be amended on by the General Meeting of Shareholders by at least 2/3 majority vote of the total votes of the shareholders attending the meeting. The resolution amending the Articles of Association shall be adopted in the procedure set forth in Articles 27 or 30 of the Law on Companies of the Republic of Lithuania.

15. MANAGEMENT BODIES OF THE ISSUER

Referring to the Articles of Association of *Panevėžio statybos trestas* AB, the management bodies of the company are the General Meeting of Shareholders, the Board and the Managing Director. The Supervisory Council shall not be formed in the Company.

The competence of the General Meeting of Shareholders shall not be different from that of the competence specified in the Law on Companies.

The Board of the Company consisting of five members shall be elected by the General Meeting of Shareholders for a period not longer than 4 years. At present there are four members in the Board. The procedure of electing and dismissing the members of the Board shall not different from that prescribed by the Law on Companies.

The Board is led by the Chairman of the Board. The Board shall elect the Chairman from the members of the Board.

The Board shall elect and dismiss the Head of the Company – Managing Director, fix his salary, set other terms and conditions in the employment contract with him, approve his job description, give incentives and impose penalties.

The Head of the Company shall be the single-person management body of the company in charge to organise current business activities of the company based on the authority granted.

The Board:

REMIGIJUS JUODVIRŠIS – the Chairman of the Board. No membership in the capital of the company. Membership in the activities or capital of the companies below:

COMPANY NAME	CAPACITY	NUMBER OF SHARES	CAPITAL,%	VOTES, %
<i>TERTIUS</i> UAB		704,638	80	80
<i>PANEVĖŽIO KELIAI</i> AB	Member of the Board	531,675	28.47	28.47
<i>LAUKTUVĖS JUMS</i> UAB	Member of the Board	11,069	50.15	50.15
<i>POKŠTAS</i> UAB		261	50	50
<i>KLOVAINIŲ SKALDA</i> AB	Member of the Board	203,526	3.78	3.78
<i>GELBERA</i> UAB	Member of the Board	34	34	34

KELTECHA UAB	Member of the Board	340	17.0	17.0
EMULTEKA UAB		14	14.0	14.0
GUSTONIŲ ŽŪT UAB	Member of the Board	18,027	49.04	49.04
SPECIALIZUOTA KOMPLEKTAVIMO VALDYBA AB		21 490	9,29	9,29
IGNALINOS STATYBA UAB	Member of the Board	91,351	37.93	37.93
TAMSUMA UAB	Chairman of the Board	1,467	33.34	33.34
NAUJASIS UŽUPIS UAB	Chairman of the Board			
PANEVĖŽYS UAB	Member of the Board	157,191	49.98	49.98
PANEVĖŽIO STATYBOS TRESTAS AB	Chairman of the Board	0	0	0
PANODEN UAB	Member of the Board			
PST INVESTICIJOS UAB	Member of the Board	16,407	4.4	4.4
PAKNOVUS UAB	Member of the Board	35	35	35
KIRTIMŲ AUTOTRANSPORTAS AB	Member of the Board	-		
CONSTRUCTUS UAB	Member of the Board	1,669	4.5	4.5
REALTUS UAB	Member of the Board			
VILNIAUS VAIZDAS UAB	Member of the Board	50	50	50
CONVESTUS UAB	Vice-president, Chairman of the Board	50,000	50	50
UPĖS SLĖNIS UAB		810 1969 bonds	18	18
ALPROKA UAB	Chairman of the Board			

Terms of office: October 2006 through October 2010

No previous convictions.

GVIDAS DROBUŽAS

– the Member of the Board member. No

membership in the capital of the company. Membership in the activities or capital of the companies below:

COMPANY NAME	CAPACITY	NUMBER OF SHARES	CAPITAL %	VOTES %
PANEVĖŽIO KELIAI AB	Chairman of the Board	529,861	28.33	28.33
LAUKTUVĖS JUMS UAB	Member of the Board	11,001	49.85	49.85
POKŠTAS UAB	Director	261	50.0	50.0
KELTECHA UAB		340	17.0	17.0
KLOVAINIŲ SKALDA AB		203,129	3.77	3.77
GELBERA UAB	Member of the Board	34	34	34
EMULTEKA UAB		12	12.0	12.0
GUSTONIŲ ŽŪT UAB	Member of the Board	18,028	49.04	49.04
IGNALINOS STATYBA UAB	Member of the Board	91,351	37.93	37.93
TAMSUMA UAB	Member of the Board	1,467	33.34	33.34
PANEVĖŽIO STATYBOS TRESTAS AB	Member of the Board	-	-	-
PANEVĖŽYS UAB	Member of the Board	157,225	49.98	49.98
SPECIALIZUOTA KOMPLEKTAVIMO VALDYBA AB		21,470	9.28	9.28
PST INVESTICIJOS UAB	Chairman of the Board, Director	12,644	2.9	2.9

PAKNOVUS UAB	Member of the Board			
CONSTRUCTUS UAB	Chairman of the Board	1,669	4.5	4.5
REALTUS UAB	Chairman of the Board			
NAUJASIS UŽUPIS UAB	Member of the Board			
VILNIAUS VAIZDAS UAB	Chairman of the Board	50	50	50
CONVESTUS UAB	President, Member of the Board	50,000	50	50
Shares of UPĖS SLĖNIS UAB		810 1969 bonds of Upės slėnis UAB	18	18
ALPROKA UAB	Member of the Board			
RYTŲ SKIRSTOMIEJI TINKLAI AB		5,000		

Terms of office: October 2006 through October 2010

No previous convictions

IRMA ABRAMAVIČIENĖ – the Member of the Board.

Membership in the capital of the company below:

COMPANY NAME	CAPACITY	NUMBER OF SHARES	CAPITAL %	VOTES %
CONVESTUS UAB	Internal auditor	-	-	-

Terms of office: April 2008 through October 2010

No previous convictions

VILIUS GRAŽYS – the Member of the Board. No membership in the capital of the company. Membership in the activities or capital of the companies below:

COMPANY NAME	CAPACITY	NUMBER OF SHARES	CAPITAL %	VOTES %
KELTECHA UAB		250	11	11
EMULTEKA UAB		11	11	11
BASS UAB		40	40	40
PANEVĖŽIO STATYBOS TRESTAS AB	Member of the Board			
PANEVĖŽIO KELIAI AB	Member of the Board	100,085	5.36	5.36

Terms of office: October 2006 through October 2010

No previous convictions

ARTŪRAS BUČAS – the Member of the Board. No membership in the capital of the company.

COMPANY NAME	CAPACITY	NUMBER OF SHARES	CAPITAL %	VOTES %
DVARČIONIŲ KERAMIKA AB	Share holder	356		

Terms of office: October 2006 through October 2010

No previous convictions

Administration:

DALIUS GESEVIČIUS - Head of the Company Administration, Managing Director. Holds 15 shares of the Company. University education (VISI, 1984, construction engineering).

No previous convictions.

DANGUOLĖ ŠIRVINSKIENĖ - Chief Accountant of the Company. Holds no shares of the Company. University Education (LŽUA, 1983, accounting-economics).

No previous conviction.

Information on money amounts during the accounting period (Lt):

	Board of the Company	
Total calculated amount	326000	
Average per member	81500	

	Head of the Company	Chief Accountant
Calculated money amount	451976	135122

16. ALL MATERIAL AGREEMENTS TO WHICH THE ISSUER IS A PARTY AND WHICH WOULD COME INTO EFFECT, BE AMENDED OR TERMINATED IN CASE OF CHANGE IN THE ISSUER'S CONTROL, ALSO THEIR IMPACT EXCEPT THE CASES WHERE THE DISCLOSURE OF THE NATURE OF THE AGREEMENTS WOULD CAUSE SIGNIFICANT DAMAGE TO THE ISSUER.

None

17. ALL AGREEMENTS OF THE ISSUER AND THE MEMBERS OF ITS MANAGEMENT BODIES OR THE EMPLOYEE AGREEMENTS PROVIDING FOR A COMPENSATION IN CASE OF THE RESIGNATION OR IN CASE THEY ARE DISMISSED WITHOUT DUE REASON OR THEIR EMPLOYMENT IS TERMINATED IN VIEW OF THE CHANGE OF CONTROL OF THE ISSUER

None

18. INFORMATION ON SIGNIFICANT TRANSACTIONS BETWEEN THE RELATED PARTIES

All transactions between the related parties are provided in the Annual Financial Statement.

19. INFORMATION ON COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The information regarding compliance with the corporate governance code is presented in the Appendix 1 to the Annual Report.

20. PUBLICLY DISCLOSED INFORMATION

Notice title	Notice category	Language	Date
Notices of disposal of a block of shares	Notice of acquisition or disposal of a block of shares	Lt, En	13 Feb. 2008
Notices of disposal of a block of shares	Notice of acquisition or disposal of a block of shares	Lt, En	13 Feb. 2008
Annual turnover of <i>PST</i> AB increased by 1.5 times	Notice of a material event	Lt, En	28 Feb. 2008
Unaudited financial statement of <i>PST</i> AB for 2007	Interim information	Lt, En	29 Feb. 2008
No information published by <i>Panevėžio statybos trestas</i> AB on dividend payment	Other information	Lt, En	3 March 2008
<i>PST</i> AB is ready to participate in the tender for construction of nuclear power plant	Other information	Lt, En	4 March 2008
<i>Panevėžio statybos trestas</i> AB Group forecasts profit of 23 mln. Litas in 2008	Notice of a material event	Lt, En	15 March 2008
Convening of ordinary general meeting of shareholders	Notice of convening a GMS	Lt, En	19 March 2008
Additions to agenda for ordinary general meeting of shareholders	Notice of a material event	Lt, En	9 April 2008
Draft resolutions of ordinary general meeting of shareholders	Notice of convening a GMS	Lt, En	15 April 2008
Audited company's and consolidated financial statement and annual report for 2007	Annual information	Lt, En	24 April 2008
Resolutions of ordinary general meeting of shareholders	Notice of a material event	Lt, En	25 April 2008
Performance results for the first quarter of 2008	Notice of a material event	Lt, En	28 May 2008
Financial statement of <i>Panevėžio statybos trestas</i> AB for the first quarter of 2008	Interim information	Lt, En	29 May 2008
Convening of extraordinary general meeting of shareholders	Notice of a material event	Lt, En	31 July 2008
Draft resolutions of extraordinary ordinary general meeting of shareholders	Notice of a material event	Lt, En	26 Aug. 2008
Results of <i>PST</i> Group for the first quarter of 2008	Notice of a material event	Lt, En	27 Aug. 2008

Interim information for six months of 2008	Interim information	Lt, En	28 Aug. 2008
Resolutions of extraordinary ordinary general meeting of shareholders	Notice of a material event	Lt, En	8 Sept. 2008
Results of PST Group for nine months of 2008	Notice of a material event	Lt, En	28 Nov. 2008
Revised financial statement of <i>Panevėžio statybos trestas</i> AB for the third quarter of 2008	Interim information	Lt, En	28 Nov. 2008
Financial statement of <i>Panevėžio statybos trestas</i> AB for the third quarter of 2008	Interim information	Lt, En	28 Nov. 2008

All notices of *Panevėžio statybos trestas* AB to be made public in accordance with the legal requirements are announced following the timelines determined by the laws and legal acts of the Republic of Lithuania. Notices of material events of the Company are presented to the Securities Commission of the Republic of Lithuania, Vilnius Stock Exchange, information disclosure and disseminations system *OMX Company News Service* and published on the webpage of the Company.

Managing Director

Dalius Gesevičius

Appendix to the Consolidated annual report

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

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

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
Principle I: Basic Provisions The overriding objective of a company should be to operate in common interests of all the shareholders by optimizing over time shareholder value.		
1.1. A company should adopt and make public the company's development strategy and objectives by clearly declaring how the company intends to meet the interests of its shareholders and optimize shareholder value.	Yes	The company's strategy and objectives are made public in the website http://www.pst.lt and notices for the Vilnius Stock Exchange and in the periodic notices to the BNS news agency, notices in the newspapers, at the press conferences.
1.2. All management bodies of a company should act in furtherance of the declared strategic objectives in view of the need to optimize shareholder value.	Yes	
1.3. A company's supervisory and management bodies should act in close co-operation in order to attain maximum benefit for the company and its shareholders.	Yes	The board of the company is responsible not only for the strategic management of the company but also analyses and evaluates the material on all items of the company activities presented by the managers: implementation of activity strategy, activity arrangement, financial status, etc.
1.4. A company's supervisory and management bodies should ensure that the rights and interests of persons other than the company's shareholders (e.g. employees, creditors, suppliers, clients, local community), participating in or connected with the company's operation, are duly respected.	Yes	

Principle II: The corporate governance framework

The corporate governance framework should ensure the strategic guidance of the company, the effective oversight of the company's management bodies, an appropriate balance and distribution of functions between the company's bodies, protection of the shareholders' interests.

2.1. Besides obligatory bodies provided for in the Law on Companies of the Republic of Lithuania – a general shareholders' meeting and the chief executive officer, it is recommended that a company should set up both a collegial supervisory body and a collegial management body. The setting up of collegial bodies for supervision and management facilitates clear separation of management and supervisory functions in the company, accountability and control on the part of the chief executive officer, which, in its turn, facilitate a more efficient and transparent management process.	No	The collegial management body – the board and one-person management body – managing director are set up in the company. The collegial supervisory body – supervisory board is not formed.
2.2. A collegial management body is responsible for the strategic management of the company and performs other key functions of corporate governance. A collegial supervisory body is responsible for the effective supervision of the company's management bodies.	No	The supervision of the company's activities and the responsibility and control of the chief executive officer are ensured by the board analyzing and evaluating the material on all items of the company activities presented by the chief executive officer.
2.3. Where a company chooses to form only one collegial body, it is recommended that it should be a supervisory body, i.e. the supervisory board. In such a case, the supervisory board is responsible for the effective monitoring of the functions performed by the company's chief executive officer.	No	One collegial management body is formed – the board that effectively supervises the functions performed by the company's chief executive officer.
2.4. The collegial supervisory body to be elected by the general shareholders' meeting should be set up and should act in the manner defined in Principles III and IV. Where a company should decide not to set up a collegial supervisory body but rather a collegial management body, i.e. the board, Principles III and IV should apply to the board as long as that does not contradict the essence and purpose of this body. ¹	Yes	

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

2.5. Company's management and supervisory bodies should comprise such number of board (executive directors) and supervisory (non-executive directors) board members that no individual or small group of individuals can dominate decision-making on the part of these bodies. ²	Yes	The company board is made of 5 members and this number is considered to be sufficient.
2.6. Non-executive directors or members of the supervisory board should be appointed for specified terms subject to individual re-election, at maximum intervals provided for in the Lithuanian legislation with a view to ensuring necessary development of professional experience and sufficiently frequent reconfirmation of their status. A possibility to remove them should also be stipulated however this procedure should not be easier than the removal procedure for an executive director or a member of the management board.	No	The supervisory board is not formed.
2.7. Chairman of the collegial body elected by the general shareholders' meeting may be a person whose current or past office constitutes no obstacle to conduct independent and impartial supervision. Where a company should decide not to set up a supervisory board but rather the board, it is recommended that the chairman of the board and chief executive officer of the company should be a different person. Former company's chief executive officer should not be immediately nominated as the chairman of the collegial body elected by the general shareholders' meeting. When a company chooses to depart from these recommendations, it should furnish information on the measures it has taken to ensure impartiality of the supervision.	Yes	The chairman of the board is not and has never been the chief executive officer of the company.
<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>		

meeting from the company's management bodies is applied to the extent it concerns independence from the chief executive officer.

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

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

<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 board formation ensures that the minority shareholders were properly represented in the board.</p>
<p>3.2. Names and surnames of the candidates to become members of a collegial body, information about their education, qualification, professional background, positions taken and potential conflicts of interest should be disclosed early enough before the general shareholders' meeting so that the shareholders would have sufficient time to make an informed voting decision. All factors affecting the candidate's independence, the sample list of which is set out in Recommendation 3.7, should be also disclosed. The collegial body should also be informed on any subsequent changes in the provided information. The collegial body should, on yearly basis, collect data provided in this item on its members and disclose this in the company's annual report.</p>	<p>Yes</p>	<p>The company collects and discloses all information about the members of the collegial body, their professional background, qualification, conflicts of interests in the periodic reports of the company that are published.</p>
<p>3.3. Should a person be nominated for members of a collegial body, such nomination should be followed by the disclosure of information on candidate's particular competences relevant to his/her service on the collegial body. In order shareholders and investors are able to ascertain whether member's competence is further relevant, the collegial body should, in its annual report, disclose the information on its composition and particular competences of individual members which are relevant to their service on the collegial body.</p>	<p>Yes</p>	
<p>3.4. In order to maintain a proper balance in terms of the current qualifications possessed by its members, the collegial body should determine its desired composition with regard to the company's structure and activities, and have this periodically evaluated. The collegial body should ensure that it is composed of members who, as a whole, have the required diversity of knowledge, judgment and experience to complete their tasks properly. The members of the audit committee, collectively, should have a recent knowledge and relevant experience in the fields of finance, accounting and/or audit for the stock exchange listed companies.</p>	<p>Yes</p>	<p>The board is formed considering the company's structure and activities, the experience of its members, diversity of knowledge related to the company activities allow doing the work properly.</p>

3.5. All new members of the collegial body should be offered a tailored program focused on introducing a member with his/her duties, corporate organization and activities. The collegial body should conduct an annual review to identify fields where its members need to update their skills and knowledge.	Yes	The new members are introduced with the company and the regulations of the company board. The members of the board constantly participate at various refresher courses and seminars where they collect information about the essential changes in the legal acts regulating the company's activities.
3.6. In order to ensure that all material conflicts of interest related with a member of the collegial body are resolved properly, the collegial body should comprise a sufficient ⁴ number of independent ⁵ members.	No	Historically the company exhibits the situation that the sufficiency of the independent members has not been considered. As the trading of the company shares takes place actively and the minority shareholders take an active part in the management of the company, the company will seek implementation of this principle.

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

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

<p>3.7. A member of the collegial body should be considered to be independent only if he is free of any business, family or other relationship with the company, its controlling shareholder or the management of either, that creates a conflict of interest such as to impair his judgment. Since all cases when member of the collegial body is likely to become dependant are impossible to list, moreover, relationships and circumstances associated with the determination of independence may vary amongst companies and the best practices of solving this problem are yet to evolve in the course of time, assessment of independence of a member of the collegial body should be based on the contents of the relationship and circumstances rather than their form. The key criteria for identifying whether a member of the collegial body can be considered to be independent are the following:</p> <p>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;</p> <p>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;</p> <p>3) He/she is not receiving or has been not receiving significant additional remuneration from the company or associated company other than remuneration for the office in the collegial body. Such additional remuneration includes participation in share options or some other performance based pay systems; it does not include compensation payments for the previous office in the company (provided that such payment is no way related with later position) as per pension plans (inclusive of deferred compensations);</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>No</p>	<p>Three members of the board are the members of the board of the largest shareholder – the associated company; the fourth is authorized to represent one of the members in the board of the largest shareholder of the associated company.</p>
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<p>5) He/she does not have and did not have any material business relations with the company or associated company within the past year directly or as a partner, shareholder, director or superior employee of the subject having such relationship. A subject is considered to have business relations when it is a major supplier or service provider (inclusive of financial, legal, counseling and consulting services), major client or organization receiving significant payments from the company or its group;</p> <p>6) He/she is not and has not been, during the last three years, partner or employee of the current or former external audit company of the company or associated company;</p> <p>7) He/she is not an executive director or member of the board in some other company where executive director of the company or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) is non-executive director or member of the supervisory board, he/she may not also have any other material relationships with executive directors of the company that arise from their participation in activities of other companies or bodies;</p> <p>8) He/she has not been in the position of a member of the collegial body for over than 12 years;</p> <p>9) He/she is not a close relative to an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) or to any person listed in above items 1 to 8. Close relative is considered to be a spouse (common-law spouse), children and parents.</p> <p>3.8. The determination of what constitutes independence is</p>		
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fundamentally an issue for the collegial body itself to determine. The collegial body may decide that, despite a particular member meets all the criteria of independence laid down in this Code, he cannot be considered independent due to special personal or company-related circumstances.

3.9. Necessary information on conclusions the collegial body has come to in its determination of whether a particular member of the body should be considered to be independent should be disclosed. When a person is nominated to become a member of the collegial body, the company should disclose whether it considers the person to be independent. When a particular member of the collegial body does not meet one or more criteria of independence set out in this Code, the company should disclose its reasons for nevertheless considering the member to be independent. In addition, the company should annually disclose which members of the collegial body it considers to be independent.	No	
3.10. When one or more criteria of independence set out in this Code has not been met throughout the year, the company should disclose its reasons for considering a particular member of the collegial body to be independent. To ensure accuracy of the information disclosed in relation with the independence of the members of the collegial body, the company should require independent members to have their independence periodically re-confirmed.	No	
3.11. In order to remunerate members of a collegial body for their work and participation in the meetings of the collegial body, they may be remunerated from the company's funds. ⁶ . The general shareholders' meeting should approve the amount of such remuneration.	Yes	The company has remunerated the members of the board for their work for the year 2008 from the company's funds and plans to do this in future. The general meeting of the shareholders approves the following amount for remuneration.

Principle IV: The duties and liabilities of a collegial body elected by the general shareholders' meeting

The corporate governance framework should ensure proper and effective functioning of the collegial body elected by the general shareholders' meeting, and the powers granted to the collegial body should ensure effective monitoring⁷ of the company's management bodies and protection of interests of all the company's shareholders.

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

⁷ See Footnote 3.

4.1. The collegial body elected by the general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure integrity and transparency of the company's financial statements and the control system. The collegial body should issue recommendations to the company's management bodies and monitor and control the company's management performance. ⁸	Yes	Once a quarter the board hear out the report of the chief executive officer and the finance director of the company, analyzes their activity and evaluates its effectiveness and provides recommendations, if required. The board analyzes, evaluates the draft of annual financial accountability of the company and draft profit (loss) allocation, and presents them to the general meeting of the shareholders.
4.2. Members of the collegial body should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders with due regard to the interests of employees and public welfare. Independent members of the collegial body should (a) under all circumstances maintain independence of their analysis, decision-making and actions (b) do not seek and accept any unjustified privileges that might compromise their independence, and (c) clearly express their objections should a member consider that decision of the collegial body is against the interests of the company. Should a collegial body have passed decisions independent member has serious doubts about, the member should make adequate conclusions. Should an independent member resign from his office, he should explain the reasons in a letter addressed to the collegial body or audit committee and, if necessary, respective company-not-pertaining body (institution).	Yes	
4.3. Each member should devote sufficient time and attention to perform his duties as a member of the collegial body. Each member of the collegial body should limit other professional obligations of his (in particular any directorships held in other companies) in such a manner they do not interfere with proper performance of duties of a member of the collegial body. In the event a member of the collegial body should be present in less than a half ⁹ of the meetings of the collegial body throughout the financial year of the company, shareholders of the company should be notified.	Yes	The members of the company board participated at the meetings of the board and each member gave enough time to perform the duties of a board member.

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

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

<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>4.5. It is recommended that transactions (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions), concluded between the company and its shareholders, members of the supervisory or managing bodies or other natural or legal persons that exert or may exert influence on the company's management should be subject to approval of the collegial body. The decision concerning approval of such transactions should be deemed adopted only provided the majority of the independent members of the collegial body voted for such a decision.</p>	<p>Yes</p>	
<p>4.6. The collegial body should be independent in passing decisions that are significant for the company's operations and strategy. Taken separately, the collegial body should be independent of the company's management 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>	

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>4.7. 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>The collegial body of the company's management is a board performing the functions of the nomination, remuneration and control committees. The board of the company selects the candidate for the chief executive officer - managing director of the company and the candidates for the other managers of the company. It constantly evaluates their experience, professional capabilities and implementation of the company's strategic goals, hears out the reports. The board of the company selects the candidate for the external audit and provides proposals to the general shareholders' meeting for approval. It also ensures the efficiency of the functions of internal audit.</p>
<p>4.8. The key objective of the committees is to increase efficiency of the activities of the collegial body by ensuring that decisions are based on due consideration, and to help organize its work with a view to ensuring that the decisions it takes are free of material conflicts of interest. Committees should present the collegial body with recommendations concerning the decisions of the collegial body. Nevertheless the final decision shall be adopted by the collegial body. The recommendation on creation of committees is not intended, in principle, to constrict the competence of the collegial body or to remove the matters considered from the purview of the collegial body itself, which remains fully responsible for the decisions taken in its field of competence.</p>	<p>Not applicable</p>	<p>The 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</p>	<p>Not applicable</p>	<p>The committees are not formed.</p>

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

<p>4.12. Nomination Committee.</p> <p>4.12.1. Key functions of the nomination committee should be the following:</p> <ul style="list-style-type: none"> • 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>	<p>Not applicable</p>	<p>The committees are not formed.</p>
<p>4.13. Remuneration Committee.</p> <p>4.13.1. Key functions of the remuneration committee should be the following:</p> <ul style="list-style-type: none"> • Make proposals, for the approval of the collegial body, on the remuneration policy for members of management bodies and executive directors. Such policy should address all forms of compensation, including the fixed remuneration, performance-based remuneration schemes, pension arrangements, and termination payments. Proposals considering performance-based remuneration schemes should be accompanied with recommendations on the related objectives and evaluation criteria, with a view to properly aligning the pay of executive director and members of the management bodies with the long-term interests of the shareholders and the objectives set by the collegial body; • Make proposals to the collegial body on the individual remuneration for executive directors and member of management bodies in order their remunerations are consistent with company's remuneration policy and the evaluation of the performance of these persons concerned. In doing so, the committee should be properly informed on the total compensation obtained by executive directors and members of the management bodies from the affiliated companies; 	<p>Not applicable</p>	<p>The committees are not formed.</p>

<ul style="list-style-type: none"> • 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 approaches. In such case a special consideration should be given to company's operations in offshore centers</p>	<p>Not applicable</p>	<p>The committees are not formed.</p>
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<p>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>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>	

5.2. It is recommended that meetings of the company's collegial bodies should be carried out according to the schedule approved in advance at certain intervals of time. Each company is free to decide how often to convene meetings of the collegial bodies, but it is recommended that these meetings should be convened at such intervals, which would guarantee an interrupted resolution of the essential corporate governance issues. Meetings of the company's supervisory board should be convened at least once in a quarter, and the company's board should meet at least once a month ¹¹ .	Yes	The meeting of the company's collegial body – the board takes place based on the periodicity approved in advance and in accordance with the planned agenda.
5.3. Members of a collegial body should be notified about the meeting being convened in advance in order to allow sufficient time for proper preparation for the issues on the agenda of the meeting and to ensure fruitful discussion and adoption of appropriate decisions. Alongside with the notice about the meeting being convened, all the documents relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body are present or certain issues of great importance to the company require immediate resolution.	Yes	Each member of the board can introduce himself/herself to the documents of the meeting, reports, and draft decisions three days prior to the meeting day.
5.4. In order to co-ordinate operation of the company's collegial bodies and ensure effective decision-making process, chairpersons of the company's collegial bodies of supervision and management should closely co-operate by co-coordinating dates of the meetings, their agendas and resolving other issues of corporate governance. Members of the company's board should be free to attend meetings of the company's supervisory board, especially where issues concerning removal of the board members, their liability or remuneration are discussed.	Not applicable	The supervisory board is not formed.
Principle VI: The equitable treatment of shareholders and shareholder rights The corporate governance framework should ensure the equitable treatment of all shareholders, including minority and foreign shareholders. The corporate governance framework should protect the rights of the shareholders.		

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

6.1. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all their holders.	Yes	The company's capital is comprised from ordinary registered shares granting equal personal and non-property rights to their owners.
6.2. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.	Yes	
6.3. Transactions that are important to the company and its shareholders, such as transfer, investment, and pledge of the company's assets or any other type of encumbrance should be subject to approval of the general shareholders' meeting. ¹² All shareholders should be furnished with equal opportunity to familiarize with and participate in the decision-making process when significant corporate issues, including approval of transactions referred to above, are discussed.	No	The Articles of Association do not assign the decision making to the general shareholders' meeting if they are related to the long-term assets the balance sheet value of which is higher than 1/10 of the company's authorized capital, investment transfer, rent, mortgage, purchase, etc.
6.4. Procedures of convening and conducting a general shareholders' meeting should ensure equal opportunities for the shareholders to effectively participate at the meetings and should not prejudice the rights and interests of the shareholders. The venue, date, and time of the shareholders' meeting should not hinder wide attendance of the shareholders. Prior to the shareholders' meeting, the company's supervisory and management bodies should enable the shareholders to lodge questions on issues on the agenda of the general shareholders' meeting and receive answers to them.	Yes	The place, date and time of the general shareholders' meeting are chosen in a manner ensuring the possibilities to all shareholders to attend the shareholders' meeting actively. The shareholders are informed about the convening of the general shareholders' meeting in public and no later than 10 days prior to the meeting the shareholders are allowed to familiarize themselves to the draft resolutions.

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

6.5. It is recommended that documents on the course of the general shareholders' meeting, including draft resolutions of the meeting, should be placed on the publicly accessible website of the company in advance ¹³ . It is recommended that the minutes of the general shareholders' meeting after signing them and/or adopted resolutions should be also placed on the publicly accessible website of the company. Seeking to ensure the right of foreigners to familiarize with the information, whenever feasible, documents referred to in this recommendation should be published in English and/or other foreign languages. Documents referred to in this recommendation may be published on the publicly accessible website of the company to the extent that publishing of these documents is not detrimental to the company or the company's commercial secrets are not revealed.	No	
6.6. Shareholders should be furnished with the opportunity to vote in the general shareholders' meeting in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.	Yes	Each shareholder can participate in the meeting in person or delegating the participation to some other person.
6.7. With a view to increasing the shareholders' opportunities to participate effectively at shareholders' meetings, the companies are recommended to expand use of modern technologies in voting processes by allowing the shareholders to vote in general meetings via terminal equipment of telecommunications. In such cases security of telecommunication equipment, text protection and a possibility to identify the signature of the voting person should be guaranteed. Moreover, companies could furnish its shareholders, especially foreigners, with the opportunity to watch shareholder meetings by means of modern technologies.	No	
<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>		

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

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

8.2. Remuneration statement should mainly focus on directors' remuneration policy for the following year and, if appropriate, the subsequent years. The statement should contain a summary of the implementation of the remuneration policy in the previous financial year. Special attention should be given to any significant changes in company's remuneration policy as compared to the previous financial year.	No	Recommendations provided in item 8.1 are not followed.
8.3. Remuneration statement should leastwise include the following information: <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	Recommendations provided in item 8.1 are not followed.
8.4. Remuneration statement should also summarize and explain company's policy regarding the terms of the contracts executed with executive directors and members of the management bodies. It should include, inter alia, information on the duration of contracts with executive directors and members of the management bodies, the applicable notice periods and details of provisions for termination payments linked to early termination under contracts for executive directors and members of the management bodies.	No	Recommendations provided in item 8.1 are not followed.
8.5. The information on preparatory and decision-making processes, during which a policy of remuneration of directors is being established, should also be disclosed. Information should include data, if applicable, on authorities and composition of the remuneration committee, names and surnames of external consultants whose services have been used in determination of the remuneration policy as well as the role of shareholders' annual general meeting.	No	

<p>8.6. Without prejudice to the role and organization of the relevant bodies responsible for setting directors' remunerations, the remuneration policy or any other significant change in remuneration policy should be included into the agenda of the shareholders' annual general meeting. Remuneration statement should be put for voting in shareholders' annual general meeting. The vote may be either mandatory or advisory.</p>	<p>No</p>	<p>Recommendations provided in item 8.1 are not followed.</p>
<p>8.7. Remuneration statement should also contain detailed information on the entire amount of remuneration, inclusive of other benefits, that was paid to individual directors over the relevant financial year. This document should list at least the information set out in items 8.7.1 to 8.7.4 for each person who has served as a director of the company at any time during the relevant financial year.</p> <p>8.7.1. The following remuneration and/or emoluments-related information should be disclosed:</p> <ul style="list-style-type: none"> • The total amount of remuneration paid or due to the director for services performed during the relevant financial year, inclusive of, where relevant, attendance fees fixed by the annual general shareholders meeting; • The remuneration and advantages received from any undertaking belonging to the same group; • The remuneration paid in the form of profit sharing and/or bonus payments and the reasons why such bonus payments and/or profit sharing were granted; • If permissible by the law, any significant additional remuneration paid to directors for special services outside the scope of the usual functions of a director; • Compensation receivable or paid to each former executive director or member of the management body as a result of his resignation from the office during the previous financial year; • Total estimated value of non-cash benefits considered as remuneration, other than the items covered in the above points. <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 	<p>No</p>	<p>The annual report of the company discloses information about the remuneration to the chairman of board and head of administration – managing director during the reporting period. It also includes the loans, warranties and guarantees given to the mentioned persons.</p>

<p>during the relevant financial year;</p> <ul style="list-style-type: none"> • 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>		
<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>	No	
<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. 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>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>		

8.11. Provisions of Articles 8.8 and 8.9 should not be applicable to schemes allowing for participation under similar conditions to company's employees or employees of any subsidiary company whose employees are eligible to participate in the scheme and which has been approved in the shareholders' annual general meeting.		
8.12. Prior to the annual general meeting that is intended to consider decision stipulated in Article 8.8, the shareholders must be provided an opportunity to familiarize with draft resolution and project-related notice (the documents should be posted on the company's website). The notice should contain the full text of the share-based remuneration schemes or a description of their key terms, as well as full names of the participants in the schemes. Notice should also specify the relationship of the schemes and the overall remuneration policy of the directors. Draft resolution must have a clear reference to the scheme itself or to the summary of its key terms. Shareholders must also be presented with information on how the company intends to provide for the shares required to meet its obligations under incentive schemes. It should be clearly stated whether the company intends to buy shares in the market, hold the shares in reserve or issue new ones. There should also be a summary on scheme-related expenses the company will suffer due to the anticipated application of the scheme. All information given in this article must be posted on the company's website.		
Principle IX: The role of stakeholders in corporate governance The corporate governance framework should recognize the rights of stakeholders as established by law and encourage active co-operation between companies and stakeholders in creating the company value, jobs and financial sustainability. For the purposes of this Principle, the concept "stakeholders" includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interest in the company concerned.		
9.1. The corporate governance framework should assure that the rights of stakeholders that are protected by law are respected.	Yes	
9.2. The corporate governance framework should create conditions for the stakeholders to participate in corporate governance in the manner prescribed by law. Examples of mechanisms of stakeholder participation in corporate governance include: employee participation in adoption of certain key decisions for the company; consulting the employees on corporate governance and other important issues; employee participation in the company's share capital; creditor involvement in governance in the context of the company's insolvency, etc.	No	

<p>9.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.</p>	<p>No</p>	
<p>Principle X: Information disclosure and transparency</p> <p>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>		

<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>	Yes	
<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>	Yes	
<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>	Yes No	

<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>The company presents the information through the information disclosure system used by „OMX Company News Service“ in the Lithuanian and English languages at the same time. The company does not disclose any information that might have effect on the price of its securities in the comments, interviews or any other ways before such information is announced through the information system of the exchange.</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>The company plans to sign a contract with <i>Vilniaus vertybinių popierių birža</i>, AB (Vilnius Stock Exchange) regarding the creation of the column for the link with the investors in the website of the company where all information published by the information disclosure and distribution system <i>OMX Company News Service</i> was also published in the website of the company.</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>	

Principle XI: The selection of the company's auditor

The mechanism of the selection of the company's auditor should ensure independence of the firm of auditor's conclusion and opinion.

11.1. An annual audit of the company's financial statements and report should be conducted by an independent firm of auditors in order to provide an external and objective opinion on the company's financial statements.	Yes	The audit of annual financial statement and annual report is conducted by the independent audit company.
11.2. It is recommended that the company's supervisory board and, where it is not set up, the company's board should propose a candidate firm of auditors to the general shareholders' meeting.	Yes	
11.3. It is recommended that the company should disclose to its shareholders the level of fees paid to the firm of auditors for non-audit services rendered to the company. This information should be also known to the company's supervisory board and, where it is not formed, the company's board upon their consideration which firm of auditors to propose for the general shareholders' meeting.	Not applicable	In the year 2008 the company's firm of auditors has not rendered any non-audit services to the company and has not been paid for this by the company. Both the candidate of the audit company and the specific auditor are agreed with the Securities Commission.