

**NASDAQ OMX Baltic
Annual Surveillance report
2008**

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Introduction

The objective of the legal regulation is to ensure regular and lawful operation of the market. The main functions of the regulatory framework are:

- to protect interests of investors;
- to ensure lawfulness, reliability, efficiency and transparency of the market;
- to ensure level playing field for all market participants;
- to reduce systemic risks.

The ongoing surveillance of the issuers and members remain the duty of the surveillance specialists. All three Baltic exchanges perform market supervision over market participants and issuers of securities traded on the market, with respect to the price formation of the securities traded on the market, conclusion and execution of transactions and fulfillment of provisions of the Rules and Regulations adopted by the Exchanges. In the event of a failure to comply with law, other regulations, or the Exchange's regulations in general, the Exchange may take the case to the Management Board.

The securities market in Latvia is regulated and supervised by the Finance and Capital Market Commission (FCMC). The FCMC conducts supervision of the securities market on behalf of the state in order to enhance the stability and reliability of the entire financial sector. Starting with the May, 2008 according to changes in Law of financial instruments and in rules "On listing and trading of financial instruments on regulated markets operated by the Exchange" the Exchange shall not impose sanctions if the Issuer has not disclosed any of the information specified in NASDAQ OMX Riga rules if the obligation to publish the same is stipulated in the Law. In case NASDAQ OMX Riga has noticed such breach of Law, NASDAQ OMX Riga immediately informs FCMC. NASDAQ OMX Riga has the obligation to inform FCMC about the all surveillance related activities.

Starting with January 2007, NASDAQ OMX Riga Surveillance Committee is commencing its operations. NASDAQ OMX Riga has delegated a part of its functions related to surveillance of regulated market to an independent body. Delegating a part of surveillance functions to an independent body will eliminate any conflict of interest potentially to arise in a situation when the NASDAQ OMX Riga is the market organizer and the surveillance body at the same time. Surveillance Committee members are appointed for a three-year term, and approved by the NASDAQ OMX Riga Council. Surveillance Committee consists of 7 independent experts with adequate education and expertise in the capital market and legal issues. The Committee decisions may be appealed to the Financial and Capital Market Commission, arbitration court or court.

The several changes in Law of financial instruments were proposed by NASDAQ OMX Riga to ensure proper information disclosure practice according to EU regulation. The current situation when issuer has to fill in with FCMC and stock exchange in a same time has several shortcomings and must be changed as soon as possible. The amendments in Law are expected in the middle of 2009 after approval of government.

The securities market in Estonia is regulated and supervised by the Financial Supervision Authority (hereinafter: FSA). The FSA conducts supervision of the securities market on behalf of the state in order to enhance the stability and reliability of the entire financial sector.

The Listing and Surveillance Committee (hereinafter: Committee) is an independent entity which members are appointed for a three-year term, and approved by the NASDAQ OMX Tallinn Supervisory Board. The Committee consists of 8 independent experts with adequate education and expertise in the capital market and legal issues.

The securities market in Lithuania is regulated and supervised by the Securities Commission of the Republic of Lithuania (SC). The main SC functions are: to monitor the observance of the rules of fair trading in financial instruments trading, to provide necessary measures that guarantee effective functioning of the securities market and investor protection. NASDAQ OMX Vilnius has the obligation to inform SC about the all suspected cases of market manipulation or inside dealing.

At present there is no Disciplinary Committee in NASDAQ OMX Vilnius. This task is instead handled by the Exchange.

NASDAQ OMX Riga

1. Listings, delisting and takeovers

1.1. Shares

Number of listed companies as of January 1, 2008 was 41. The total number of listed companies on NASDAQ OMX Riga at the end of the year was 35.

There was no any IPO during 2008 at NASDAQ OMX Riga. In a same time there was one closed issue converted and listed on regulated market by Liepājas metalurģs AS.

6 listed companies (Lode, Protezesanas un ortopedijas centrs, Rigas raugs, Rigas starptaustiska autoosta, Strencu MRS, Tukuma MRS) in 2008 were delisted from the regulated market due to public offers, on request by the company or as a consequence of a bankruptcy.

1.2. Bonds

Total number of listed fixed income instruments at the January 1, 2008 33, with total nominal value of MEUR 627 (int.al. corporate bonds, mortgage bonds, government bonds).

At the end of the year 2008, the number of listed fixed income instruments was 50 and the total nominal value was MEUR 1 260 (int.al. corporate bonds, mortgage bonds, government bonds).

A total of 4 new corporate bonds and mortgage bonds issues were listed during 2008, and 3 new issuers have signed the listing agreement with the Exchange.

The Latvian Government has issued and placed via stock exchange trading system fixed income instruments with total nominal amount of MEUR 672. So the all placed instruments were listed on the stock exchange Bonds list.

1.3. Fund units

During 2008, one new fund unit's issue listed on regulated market's fund units list. No new Fund manager signed listing agreement with the Exchange.

1.4. Takeovers

During 2008, 7 tender offers were disclosed to the market. 6 of those have been completed and at the end of the year one offer still have acceptance period that are running.

2. Breaches of the rules by companies and members

2.1. Sanctions enforced by Management Board of Stock exchange

According to NASDAQ OMX Riga rules, it has rights to enforce three kinds of sanctions – issue a warning, impose a fine and delist financial instruments from regulated market.

2.1.1. Warnings

During 2008, NASDAQ OMX Riga has imposed warnings seven times – on two members and five issuers.

On April, 2008 the warning was imposed on two exchange members due to the delayed trading settlement, NASDAQ OMX Riga resolved on its meeting. According to the NASDAQ OMX Riga rules and the Cash Clearing and Financial Instrument Settlement Item, members shall monitor and ensure their settlements.

On May, 2008, NASDAQ OMX Riga resolved to impose a warning to AS “Latvijas Kuģniecība” due to the repeated company refusal to provide NASDAQ OMX Riga with requested information. According to NASDAQ OMX Riga rules, the management board has the right to request information and the issuer has an obligation to provide the exchange with any information that NASDAQ OMX Riga management board regards as substantial for investor rights’ protection.

NASDAQ OMX Riga resolved on its meeting on July, 2008 to impose a warning to AS “Latvijas Zoovetapgāde” due to the company failure to notify Stock Exchange regarding changes in auditors. According to NASDAQ OMX Riga rules, the company holds an obligation to disclose information on changes in supervisory board, management board or in auditors immediately.

On August, 2008 NASDAQ OMX Riga has decided to impose a warning to AS “VEF” since the company has breached NASDAQ OMX Riga rules regarding increase of the share capital. According to the rules, an issuer shall publish a document informing shareholders about procedures regarding the rules on increase in the company’s share capital approved by the shareholders meeting together with the resolution on the increase in share capital passed by a shareholders meeting.

In November, 2008, NASDAQ OMX Riga has decided to impose a warning to AS “Olainfarm” since the company has breached NASDAQ OMX Riga rules regarding information disclosure saying, that the Issuer shall disclose, without delay, the information about any changes in its management board or supervisory board or changes of auditors or procurers. The Issuer shall send, without delay, a notification to the Exchange if any of the persons specified in this Article files a resignation or terminates his/her contractual relations with the Issuer.

NASDAQ OMX Riga resolved to impose a warning also to AS “Liepājas autobusu parks” since the company had breached NASDAQ OMX Riga rules by not, without delay, informing the exchange about changes in its management board.

2.1.2. Delisting

NASDAQ OMX Riga management board resolved to delist AS “Tukuma mežrūpniecības saimniecība” from the Baltic Secondary List. The last listing day of AS “Tukuma mežrūpniecības saimniecība” was October 17, 2008. NASDAQ OMX Riga management board passed the resolution pursuant to NASDAQ OMX Riga listing and disclosure rules, which states that NASDAQ OMX Riga shall have the right to take a decision on delisting of financial instruments of the Issuer from the Exchange upon initiative of the Exchange if the Issuer has not paid the specified listing fee to the Exchange upon repeated notice.

In some cases NASDAQ OMX Riga has issued a criticism to issuer or member for incompliance with good market practice and breach of provisions of rules.

2.2. Sanctions enforced by Surveillance Committee

On July 17, 2008, NASDAQ OMX Riga Member and Issuer Surveillance Committee (Surveillance Committee) held its meeting, with the issue of AS “Latvijas kuģniecība” (Company) ignoring disclosure obligations on the agenda. The Surveillance Committee identified a breach of the NASDAQ OMX Riga Rules on Listing and Trading of Financial Instruments in the Markets Regulated by the Exchange (Rules), and pursuant to the provisions decided to impose a fine of LVL 15,000. The resolution by the Surveillance Committee entered into force as of August 5, 2008. The Company and Financial and Capital Market Commission were advised to this effect.

On February 18, 2008, NASDAQ OMX Riga received a complaint from a shareholder in the Company, concerning the extraordinary meeting of shareholders of February 15, 2008. On February 25, 2008, NASDAQ OMX Riga Management Board, in order to assess the facts listed in the complaint and to identify whether the Company, while organizing the extraordinary meeting of shareholders, has been acting in accordance with NASDAQ OMX Riga rules and observing the rights of shareholders, requested that the Company provide information on the proceedings of the shareholders' meeting and a copy of the Minutes.

Failing to receive the requested information even after repeated reminders, NASDAQ OMX Riga Management Board on its meeting on May 14, 2008 issued a warning to the Company regarding the breach of disclosure obligations. The Company and Financial and Capital Market Commission were advised to this effect.

Subsequently, a part of the required information was disclosed. However, NASDAQ OMX Riga still lacks a copy of the Minutes and explanations as to how the provisions of Paragraph 5.3.2 of the Articles of Association, stipulating that each 8% of shares are entitled to a seat in the Company Supervisory Board, were met. Also, an explanation was requested why, according to Item 12 of the Procedure for Discussions and Resolutions the threshold of votes entitling to a seat in the Supervisory Board was set at 5%, which is below the one stipulated by the Articles of

Association. Since the requested information has not been disclosed, pursuant to Paragraph 21.2.3 of the Rules, NASDAQ OMX Riga Management Board decided to delegate the issue of sanctions to the Surveillance Committee.

The Surveillance Committee recognized the right of NASDAQ OMX Riga to request disclosure from the Company, and admitted that, by failing to comply, the Company has been creating obstacles for NASDAQ OMX Riga to assess the circumstances described in the complaint by a shareholder and to judge whether the Company has observed the rights of the investors and NASDAQ OMX Riga Rules.

3. Issues regarding suspected market abuse reported to the authorities

According to Law of financial instruments and agreement signed between NASDAQ OMX Riga and FCMC, NASDAQ OMX Riga has an obligation to report all surveillance related activities to FCMC.

All cases listed above and after are reported as it is required by Law. NASDAQ OMX Riga has provided FCMC with on-line trading information, so the FCMC has an access to all data bases and reporting files to accomplish their surveillance functions.

4. Trading halts

According to NASDAQ OMX Riga Rules, it has rights to suspend trading upon the initiative of NASDAQ OMX Riga or issuer. Thus during the year 2008 NASDAQ OMX Riga has suspend the trading with financial instruments 13 times, in all cases upon the initiative of NASDAQ OMX Riga.

The trading in AS Latvijas Gāze was suspended in January, 2008 since the company had given price sensitive information to a third party during an interview to daily “Dienas Bizness” without prior publication of the information through NASDAQ OMX Riga disclosure channel. The trading was resumed immediately after the publication of the required information.

On March, 2008, a trading halt was imposed in AS Valmieras stikla šķiedra shares since the company had given price sensitive information to a third party during an interview to daily “Dienas Bizness” without prior publication of the information through the NASDAQ OMX Riga disclosure channel. The trading was resumed immediately after the publication of the required information.

A trading halt was imposed on April, 2008 in AS “Latvijas tilti” shares since the company failed to comment on published tax fraud allegations through NASDAQ OMX Riga disclosure channel. The trading was resumed immediately after the publication of the required information.

A trading halt was imposed on the shares of AS “Olainfarm” and AS “Latvijas balzams” on May, 2008. Olainfarm had failed to submit the resolutions of an AGM to the stock exchange on time and furthermore did not made the audited financial results public by the end of the AGM. According to the rules of NASDAQ OMX Riga, a

company is obliged to publish the resolutions of an AGM by the next trading session via NASDAQ OMX Riga official information disclosure channel. Latvijas Balzams failed to publish its audited annual reports by the end of the AGM, thus preventing not attending shareholders from receiving this price sensitive information. Trading was resumed immediately after the publication of the required information.

NASDAQ OMX Riga management board has decided to suspend the trading in the shares of AS “Latvijas Zoovetapgāde” as from August 28, 2008. The company announced that the management registered on the Republic of Latvia Commercial register is unable to control the company’s operations as the old management board is not willing to give up their rights.

NASDAQ OMX Riga management board has decided to suspend trading in the shares of AS “Tukuma mežrūpniecības saimniecība” as from September 2, 2008. The company did not submit the interim report of 2008 to the Exchange and, taking into account other company’s volitions, NASDAQ OMX Riga management board has decided to suspend trading.

On September 10, 2008, a trading halt was imposed on the shares of AS “Latvijas kuģniecība”, due to the publication of price sensitive information in the media prior it was submitted to the Exchange. Trading was resumed immediately after the information was published on the Exchange.

A trading halt was imposed on the shares of AS “Latvijas balzams” on September 13, AS “Nordeka” (NKA1R) on September 16, and AS “Grindeks” on September 22, 2008, due to the publication of price sensitive information in the media prior it was submitted to the Exchange. Trading was resumed immediately after the information was published on the Exchange.

Trading halts were implemented twice per November. The shares of AS “Liepājas Metalurģis” on November 4 and AS “Nordeka” on November 7, 2008, were halted due to the publication of different types of price sensitive information in the media prior to the information being published in accordance with NASDAQ OMX Riga rules. Trading was resumed immediately after the information was published through the Exchange’s disclosure system.

5. Surveillance status

According to the rules of NASDAQ OMX Riga, the management board has the right to assign Surveillance status to the listed companies in order to attract market participants’ attention. During 2008, NASDAQ OMX Riga has assign Surveillance status 13 times for different reasons.

The management board of NASDAQ OMX Riga on March, 2008 has assigned Surveillance status to “Rigas starptautiskā autosta” since the company’s AGM agenda included a proposition to transform the public listed company to a private company and to “Tukuma MRS” since an EGM had resulted in a resolution to suspend its basic business activity.

On April, 2008 the management board of NASDAQ OMX Riga has assigned Surveillance status to AS “Strenču MRS” since the company’s AGM agenda included a proposition to transform the public listed company to a private company and delist their shares from regulated market.

On May, 2008 the management board of NASDAQ OMX Riga has assigned Surveillance status to AS “Ditton pievadķēžu rūpnīca”, AS “Latvijas Zoovetapgāde”, AS “Tukuma MRS” and AS “Daugavpils Lokomotīvu remonta rūpnīca”, since the companies had failed to submit audited annual reports before the four month deadline set by the Financial instrument market act. The surveillance status to AS “Ditton pievadķēžu rūpnīca” and AS “Daugavpils Lokomotīvu remonta rūpnīca” was later lifted after the companies had fulfilled all the requirements in the market act and NASDAQ OMX Riga rules.

On August, 2008 NASDAQ OMX Riga management board has decided to include additional reasons for the applied surveillance status to AS „Tukuma mežrūpniecības saimniecība” since the company has not paid the listing fee within the time limit and the payment is overdue for more than 6 months.

On August surveillance status was assigned also to AS “Latvijas Zoovetapgāde”, as the company had announced that the annual general meeting of shareholders (AGM) was cancelled but it later turned out that the AGM still took place as previously announced. The Surveillance status was later lifted after the company had submitted an explanatory notice regarding the matter and the decisions of the meeting were published in accordance with NASDAQ OMX Riga rules.

On September, Surveillance status was assigned to AS “Latvijas Zoovetapgāde”, as the company failed to submit interim report of 2008.

On November, the surveillance status were assigned to AS “Baloži” due to the up coming AGM as the shareholders are going to decide on delisting of the company from the regulated market and to International Equity Funds fund (BAMIAFFR) and Government Bond fund (BAMGOBFR) as IPAS “Invalida Asset Management Latvia” informed NASDAQ OMX Riga on its decision to start liquidation process of these two funds.

6. Corporate Governance

In 2005 NASDAQ OMX Riga developed the first Principles of Corporate Governance and Recommendations on their Implementation (hereinafter – Recommendations). These Recommendations were based on two European Union documents – Commission Recommendations of 14.12.2004 supporting certain regime for listed companies directors' remuneration, and Commission Recommendations of 15.02.2005 as to the roles of non-executive directors or council members and board committees in listed companies.

The Recommendations was an attempt to find a compromise between the EU requirements and recommendations and our actual possibilities at that time. As a result, a number of principles, though already at those times highlighted as important ones by the above said European Commission recommendations (e.g. the need to develop remuneration policy; the setting up of various committees etc.), were omitted in the Recommendations. On July 13, 2007 the European Commission released a report on application of the EU recommendations on listed company directors' pay in the Member States. The Report stresses that the remuneration systems applied to the officials of listed companies have to be transparent, and that setting of the remuneration has to be under adequate control. According to the Report, over 2/3 of the EU Member States, including Lithuania and Estonia, have introduced the requirement that individual remuneration to company top officials is subject to disclosure.

On April 24, 2008 Saeima approved amendments to the Commercial Law, which stipulates that shareholders' meeting has the competency to resolve on general principles, types and criteria regarding remuneration to board and council members. Consequently, according to the amendments, the approval of remuneration policy is the competency of the shareholders' meeting. Considering the aforementioned and after the consultations with the experts from the FCMC, a new version has been drafted for the Recommendations approved by NASDAQ OMX Riga Management Board on December 21, 2005. Key changes in Recommendations after the amendments are implemented:

1. Items recommending establishment of separate Board Committees have been deleted. Instead, a new item has been added to the chapter "Internal Control and Risk Management", comprising general guidelines for setting up Audit Committee. The need to establish Audit Committee is set by the amendments to the Law on Financial Instruments Market adopted on June 11, 2008, stipulating that the members of the Audit Committee shall be approved by the shareholders' meeting, and defining the main responsibilities of the Committee and the core principles guiding its establishing.

Since there exists a statutory requirement that the Issuer's Audit Committee be approved by the shareholders meeting, Item 1.9 has been complemented with a requirement that, apart from Council member candidates, Audit Committee member candidates shall be disclosed prior to the meeting.

2. The chapter "Remuneration Policy" has been significantly expanded, thus the contents has changed. The amendments are introducing two new recommendations of good corporate governance:

- The previous generalized recommendation regarding remuneration policy has been replaced by a recommendation containing general principles for setting remuneration, its types and criteria. The new recommendation says that the Issuer shall develop a remuneration policy, specifying general principles, possible remuneration schemes and other key issues that are pertinent;
- A new recommendation has been added to the chapter (Item 14), providing that an issuer shall make its Remuneration Report public.

3. Item 14 of the Recommendations "Remuneration Report" provides that the Issuer is obliged to make public its Remuneration Report (a complete report on the remuneration policy applied to the members of the Issuer's management bodies). The Remuneration Report shall contain:

- Information of the approved Remuneration Policy of the Issuer. A detailed description follows as to what type of information regarding the remuneration policy is to be disclosed in the Remuneration Report (e.g. the breakdown between the fixed and variable part of the remuneration for the respective category of officials; pension schemes; how remuneration is linked to performance etc.);
- Report on salaries and any other benefits paid to a board or council member during the reporting period (disclosure of remuneration received by officials).

4. Following the recommendations by the European Commission, the amendments provide for a possibility for the Issuer not to disclose the required information in the Remuneration report with regard to remuneration policy and remuneration paid to officials in case the Issuer believes that, as a result of disclosure, sensitive business information might become public to the detriment of the Issuer's strategic position. In this case, the Issuer needs to give the reasons for non-disclosure.

Also several editorial corrections have been made without introducing any changes to the contents and spirit of the Recommendations.

According to NASDAQ OMX Riga rules, all listed companies, which shares are listed on regulated market, shall prepare Corporate Governance report on "Comply or explain" principle. Thus starting with 2008 all reports disclosed by listed companies are published on NASDAQ OMX Riga web site.

7. Education

During 2008 NASDAQ OMX Riga has held several meetings with representatives of listed companies – int.al. shares, bonds and fund units issuers. During the meetings NASDAQ OMX Riga informed the issuers on last changes in reporting requirements, overall information on projects run by NASDAQ OMX Riga and Latvian Central depository, and planned changes in Law and NASDAQ OMX Riga rules. Besides, during 2008 NASDAQ OMX Riga has initiated the individual meetings with several issuers facing the repeated breaches of the rules or bad market practice.

Two meetings were held with member firms – brokers and traders. The main issue there was ongoing projects, adjustments in systems and overall discussion on market services provided by NASDAQ OMX Riga and Latvian Central Depository.

Twice per year NASDAQ OMX Riga held broker training sessions. During the year 12 new brokers have participated on training sessions and passed the exam. One broker has repeatedly passed the exam without participation in training session.

Three times per year 2008, NASDAQ OMX Riga has held trainings for certified advisors. Also several times NASDAQ OMX Riga professionals have participated and gave the presentations on seminars and conferences related to IPO and listing.

8. First North

At the end of the year 2008, NASDAQ OMX Riga has five certified advisors operating. There was no company listed on First North during 2008. At the same time there have been several meetings held with certified advisors to discuss the problems they are currently facing. Also several meetings with potential issuers were held in cooperation with certified advisors.

9. Conclusion

A Couple of years ago NASDAQ OMX Riga has launched the Baltic Market Awards project, the mission of which is to identify the best Baltic market participants, to increase listed companies' awareness of the significance of disclosure quality, good investor relations and corporate governance practices. In particular, the Awards identify best practice in organizing websites, drafting reports and preparing corporate disclosures. Though only the best were be singled out and awarded, all companies involved benefited. During 2008, in total 14 companies listed on NASDAQ OMX Riga were evaluated.

Evaluation criteria groups:

- * Annual report
- * Interim reports
- * Ongoing corporate disclosures
- * Company web-page
- * Investor evaluation

In view that the market quality is driven not only by issuers but also by stock exchange members “The member of the year in the Baltic countries” award acknowledging the member with the highest trading activity and the best practices is also part of the Baltic Market Awards project.

NASDAQ OMX Tallinn

10. Listings, delisting and takeovers

10.1. Shares

The number of listed companies was 18 as of January 1, 2008. The total number of listed companies in NASDAQ OMX Tallinn was also 18 at the end of the year.

There were no IPOs during 2008 at NASDAQ OMX Tallinn.

One company, Saku Õlletehase AS, was delisted at the request by the company resulting from the mandatory takeover and squeeze-out procedures where one shareholder acquired 100% of the shares.

AS Merko Ehitus was divided into two entities in a way that AS Merko Ehitus business, i.e. all assets, liabilities and contracts, including shareholdings in other companies, as well as the business name of “Merko Ehitus” was separated, except for liquid assets to the amount equal to the possible maximum amount of consequences of the criminal proceedings in the so-called land swap case and contingent liabilities related to the criminal proceedings, and was transferred to a new company to be founded, which will be operating under the business name of Merko Ehitus. New Merko Ehitus was listed on August 11, 2009 and former Merko Ehitus, now named AS Järvevana, also remained listed in the Main List.

10.2. Bonds

Total number of listed fixed income instruments was 5 at the January 1, 2008, with total nominal value of MEUR 33. Only corporate bonds are listed in NASDAQ OMX Tallinn. At the end of the year 2008, the number of listed fixed income instruments was 6 and the total nominal value was MEUR 38.

A total of 3 new corporate bonds issues were listed during 2008.

10.3. Fund units

There are no funds listed in NASDAQ OMX Tallinn.

10.4. Takeovers

During 2008, one tender offer was made by Carlsberg Estonia Holding to the shareholders of Saku Õlletehase AS.

11. Breaches of the rules by companies and members

11.1. Criticism towards Members and Issuers

According to NASDAQ OMX Tallinn rules, it has rights to enforce four kinds of sanctions – issue a warning, impose a fine, suspend trading in issuer's securities and delist financial instruments from the regulated market.

NASDAQ OMX Tallinn has sent out 13 written enquiries in 2008 of which 2 ended with direct criticism and 3 cases were additionally processed by the Committee.

One company was criticized for not having published a 12-month interim financial report within the two month deadline that is stated in the Rules and Regulations of the exchange and one company was criticized because of not publishing announcements in the English language within time period set in Rules.

In addition, NASDAQ OMX Tallinn has several times criticized Members or traders because for minor breaches.

11.2. Sanctions enforced by the Committee

On May 6, 2008, the Committee reviewed the circumstances and materials collected in the course of supervisory proceedings carried out with respect to AS Q Vara (hereinafter: Q Vara) and decided to impose a fine in the amount of 50,000 kroons to Q Vara for violation of the Rules and Regulations.

Q Vara did not follow properly the information evaluation and disclosure obligation in publication of the audited financial statements for the year 2007, the interim report for the 12 months of year 2007 and fixing the bondholders list of the Q Vara has breached obligations set in Requirements for Issuers (hereinafter: RI), that oblige the issuer to disclose its audited financial results at least four months and interim report two months after the end of the accounting period. Q Vara has also breached the requirements of notification of the closing date for the security holder list.

On June 3, 2008, the Committee reviewed the circumstances and materials collected in the course of supervisory proceedings carried out with respect to AS Starman (hereinafter: Starman) and decided to impose a fine in the amount of 25 000 kroons to Starman for violation of the Rules and Regulations.

Starman disclosed its year 2007 audited financial statements on May 16, 2008, i.e. 16 days later than after 4 months deadline has passed from the end of the reporting period (2007 financial year).

On October, 16 the Committee reviewed the circumstances and materials collected in the course of supervisory proceedings carried out with respect to Arco Vara and decided to give a warning to AS Arco Vara for violation of the Rules and Regulations chapter RI clause 4.3.2. and draw Arco Vara's attention to the necessity to evaluate its internal guidelines adequacy in accordance with the requirements of RI.

On May 21, 2008 and from July 21 to July 23, 2008, the spouse of a member of the board of AS Arco Vara Hillar-Peeter Luitsalu - Maie Luitsalu, bought 15,510 and 11,500 Arco Vara shares, respectively. According to RI clause 4.5.2. are the persons connected with the members of the supervisory board not allowed to effect transactions in the Issuer's securities for their own account or through an intermediary during a period starting one week before to the end of the reporting period and ending one day after the disclosure of the financial results of the Issuer for the reporting period (closed window).

12. Issues regarding suspected market abuse reported to the authorities

According to Securities Market act, NASDAQ OMX Tallinn has an obligation to inform the Financial Supervision Authority immediately of any violation of the law. All cases listed in chapter 3.2 were reported to the Financial Supervision Authority. In addition, two cases of possible breaches were reported.

13. Trading halts

According to NASDAQ OMX Tallinn Rules, it has rights to suspend trading upon the initiative of NASDAQ OMX Tallinn or the Issuer.

During 2008, NASDAQ OMX Tallinn received one application to suspend trading for a period of approx 1 month upon the initiative of an issuer - Merko Ehitus. The application was based on the grounds that division plan of the company has to be elaborated and the division plan would not be completed before one month period.

NASDAQ OMX Tallinn halts trading on the day of the shareholders general meetings before the announcement of the AGM or EGM resolutions, so that all investors had equal chances to become aware of the resolutions of the meeting.

14. Surveillance status

On February 29, 2008 Q Vara announced via the stock exchange's information system that publishing its 12 months interim report for the year 2007 will be delayed and it will be published by March 14, 2008, the latest. According to the announcement, there is an intention to correct the value of several real-estate investments and inventory items.

Based on this information, the Management Board of NASDAQ OMX Tallinn decided to add a watch notation to the bonds of Q Vara starting March 10, 2008, based on article 3.5.4.7 of the chapter Supervision of NASDAQ OMX Tallinn Rules. AS Q Vara published its 12 months interim report for the year 2007 on March 14, 2008 and due to that the circumstances that caused adding the watch notation ceased to exist.

On March, 14 2008 NASDAQ OMX Tallinn pointed the investors' attention to the circumstances that the effect that restructuring of Merko Ehitus may have on its assets, liabilities and future prospects cannot be evaluated currently and the investors' interests might be harmed, especially considering the circumstance that on the moment of disclosure of the information the manner, time schedule and accompanying circumstances of reconstruction are not known. Based on this information, the Managing director of NASDAQ OMX Tallinn decided to add the watch notation to the shares of AS Merko Ehitus starting from March 17, 2008, based on article 3.5.4.7 of the chapter Supervision of NASDAQ OMX Tallinn Rules.

According to NASDAQ OMX Tallinn Management Board's decision from May 13, 2008, NASDAQ OMX Tallinn removed on May 14, 2008 the watch notation added to AS Kalev shares on September 24, 2007 as the circumstances that caused adding the watch notation ceased to exist. The watch notation was added because of the takeover bid made by AS Rubla.

Based on the clause 3.5.4.7 of the chapter Supervision of NASDAQ OMX Tallinn Rules, the Managing Director of NASDAQ OMX Tallinn decided to add a watch notation to AS Kalev shares starting from May 14, 2008. AS Kalev and Alta Capital Partners S.C.A, a 100 % subsidiary of AS Alta Foods, had signed a sell agreement of AS Kalev subsidiaries AS Kalev Chocolate Factory, AS Kalev Jõhvi Tootmine, AS Kalev Paide Tootmine, AS Valmetek Invest, AS Vilma and OÜ Maiasmokk. According to the decision of the Managing Director of NASDAQ OMX Tallinn the watch notation added to AS Kalev shares on May 14, 2008 was removed on September 05, 2008 as the circumstances that caused adding the watch notation ceased to exist.

The Management Board of NASDAQ OMX Tallinn decided to remove the watch notation from Saku Õlletehase AS shares based on the clause 3.5.4.6 of the chapter Supervision of NASDAQ OMX Tallinn Rules starting from, July 2, 2008 in connection with the end of the takeover bid. Management Board decided to add a watch notation to Saku Õlletehase AS shares based on the clause 3.5.4.5 of the chapter Supervision of NASDAQ OMX Tallinn Rules, considering the circumstances that there exists a possibility for commencement of the delisting procedure within the following six (6) months. On May 30, 2008 Saku Õlletehase AS published the results of the offer, stating that after the end of the offer Carlsberg Estonia Holding owned 92.40% of Saku Õlletehase AS shares and considering the results of the offer Carlsberg A/S has decided to initiate actions for the squeeze-out of remaining shareholders and de-listing of the shares.

According to the decision of the Managing Director of NASDAQ OMX Tallinn, the watch notation added to AS Trigon Property Development shares on September 14, 2007 was removed starting from October 28, 2008 as the circumstances that caused

adding the watch notation ceased to exist. The watch notation was added because of the company division process.

The Management Board of NASDAQ OMX Tallinn added the watch notation to AS Q Vara bonds on December 4, 2008. The Exchange had reason to believe that one of the investors' had advantages over the others but since Q Vara had not filed the agreements despite of repeated requests, NASDAQ OMX Tallinn did not have possibility to make grounded conclusions. NASDAQ OMX Tallinn has also submitted its observation remarks to the FSA. In addition, long term overdues and recurring renegeations by Q Vara gave NASDAQ OMX Tallinn suspected that the issuer was having a continuous solvency problem - a circumstance that the investors should unquestionably be informed of. Failing to respond to NASDAQ OMX Tallinn's inquiry from November 19, 2008 and issued precept to publish a relevant announcement, and also the following reminders - the issuer had infringed the Rules and Regulations to publish announcement about material news. According to Supervision article 3.5.4.4., NASDAQ OMX Tallinn has the right to add a watch notation to the issuer if the issuer or its actions continuously or to a significant extent fail to comply with the NASDAQ OMX Tallinn Rules and Regulations.

15. Corporate Governance

According to the NASDAQ OMX Tallinn Rules and Regulations, all listed companies, which shares are listed on regulated market, shall prepare the Corporate Governance report on "Comply or explain" principle.

The Codes provide procedural instructions for companies and help to resolve conflicts of interest and prevent special interest groups from exerting too great influence on the management of the company. It must be clear to investors, which regulations that take into account the interests of shareholders are followed in the management of the company, and which are not.

The Codes also provide recommendations as to composition of the management bodies, openness and transparency and other important aspects of governance, thus further ensuring fair treatment and equal access to information for all shareholders. The Codes will be applicable under the comply-or-explain principle, meaning that it is equally acceptable to explain why a recommendation is not followed than it is to follow it.

During 2008 no changes were made into the Code and all Issuers filed their 2007 Corporate Governance report as prescribed by the Rules and Regulations. Reports have been analyzed by the Exchange and the FSA and relevant comments have been communicated to the Issuers.

16. Education

During 2008 NASDAQ OMX Tallinn trained three traders, prepared and controlled their exams on questions regarding the Estonian Securities Market legislation and NASDAQ OMX Tallinn regulations. Round Tables with Members and Issuers have

been organized to exchange information and have discussions on different topics related to the securities market and the Exchange.

17. *First North*

At the beginning of the year 2008, NASDAQ OMX Tallinn had eight certified advisors operating. There were no listings on the First North Baltic during 2008. Two advisors have decided to waive their certification for the year 2009.

NASDAQ OMX Vilnius

18. Listings, delisting and takeovers

18.1. Shares

The number of listed companies as of January 1, 2008 was 40, whereas the number of listed issues was 41 and has not changed during the year.

There was one IPO during 2008 at NASDAQ OMX Vilnius. After an IPO new company Agrowill Group AB has been listed on NASDAQ OMX Vilnius Main List. Company Vilniaus Vingis AB has been delisted from NASDAQ OMX Vilnius Secondary List due to liquidation of the company.

During the year 4 tender offers concerning listed companies shares have taken place. Company Rokiskio Suris AB has announced two voluntary tender offers during the year 2008.

Company Cersanit S.A has announced a mandatory takeover bid in the respect of the remaining shares of Dvarcioniu Keramika AB.

Company LEO LT, AB has announced a mandatory takeover bid in the respect of the remaining shares of VST AB. LEO LT, AB has become the main shareholder of the three listed companies – Lietuvos Energija AB, RST AB and VST AB whereas Lithuanian Government owns 61.7 % of LEO LT, AB and the remaining 38.3% of LEO LT, AB shares belong to company NDX Energija.

18.2. Bonds

Total number of listed fixed income instruments as of January 1, 2008 was 25, with total nominal value of MEUR 884.

At the end of the year 2008, the number of listed fixed income instruments increased up to 31 and the total nominal value reached MEUR 886. During the year 10 new Lithuanian Government securities and 13 new Corporate Bonds were listed.

18.3. Fund units

There are no funds listed in NASDAQ OMX Vilnius.

19. Corporate actions

During the year 5 new share issues were carried out. The amount of all new share issues totaled MEUR 61.3: four companies performed bonus issues, of which 3 were done by the banks; one company made share split in order to increase the share

liquidity; one company assimilated share issues, thus increasing the amount of the listed share issue.

20. Breaches of the rules by companies and members

In 2008, NASDAQ OMX Vilnius issued warnings to 2 companies for the failure to provide in due time the interim information for 12 months of 2007.

Warnings were issued by NASDAQ OMX Vilnius to 5 companies for not submitting the annual information for the year 2007.

NASDAQ OMX Vilnius issued a warning to 1 company for the failure to timely submit interim information for 3 months of 2008.

NASDAQ OMX Vilnius issued a warning to 1 company because it announced the forecast for 2008 in press before announcing it through the information system of the Exchange. Pursuant to item 22.6 of the Trading Rules of the Exchange, the issuer is prohibited from disclosing information that may affect the price of its listed securities in comments, interviews or by other means, until such information is made public through the information system.

NASDAQ OMX Vilnius issued a warning to 1 company for the failure to disclose publicly in due time the material information via the information system of the Exchange. The company's announcement about its request to court for the application of temporary remedies was made via the information disclosure system 1 hour later than it appeared on the website of the „BNS” information agency.

NASDAQ OMX Vilnius issued warnings to 2 companies for improper disclosure of material information.

One case concerned the information on the sales of the company for a specific period that was revealed in the news media. NASDAQ OMX Vilnius officially asked the company to confirm or deny the information on the sales of the company revealed in the press.

The other case concerned the announcement in the press on the signing of a cooperation agreement with anticipation that in the upcoming one and a half years the efficiency of the group of companies would enhance by 40%. In compliance with the VSE Rules, the industrial, commercial or financial contracts, which have been concluded, or new manufacturing processes, which have been started, that may have a material effect on the issuer's activity and financial condition, are considered to be material information because it may influence the market price of the company's shares.

One Exchange member was given two reprimands as a result of non-compliance with the requirements imposed on market makers.

20.1. Sanctions enforced by Management Board of the Stock Exchange

Due to infringements of the rules on settlement of stock exchange transactions, the Board of NASDAQ OMX Vilnius imposed 24 fines on 7 Exchange members.

21. Issues regarding suspected market abuse reported to the authorities

The Exchange is obliged to notify the supervisory authorities of all suspicious cases noticed in the trading market. During 2008, 10 cases of suspected market abuse were identified. Two of these cases concerned suspected illegal insider trading and 8 cases concerned suspected market manipulation.

22. Trading halts

The amendments to the Law on Companies, which came into effect on July 1, 2008, legalized the conception of the Record date which is the end of the tenth business day after the General Meeting, which adopted the relevant decision. By then only the persons who were shareholders on the day of the General Meeting could enjoy the shareholders rights.

The determination of the Record date in the Law on Companies has allowed the NASDAQ OMX Vilnius to reduce the number of trading halts related to stock events, however, in order to achieve simultaneity of announcement of material information, NASDAQ OMX Vilnius has reserved the right to suspend trading in shares in certain cases.

Totally, 65 trading halts were implemented in share trading during 2008. In most cases (30 cases) trading halt was applied on the day of a General meeting, which was to approve the annual accounts. In order to shorten the time of the halt, the trading in those cases was suspended not for the whole day, but only during the hours of the General Meeting. Trading was resumed upon the receipt of the notice from the company about the approved decisions of the General meeting.

In addition, trading was halted due to corporate actions, of which 19 cases were connected with the increase of the authorized capital, one case - with a split of a share and one case – with the restoration of equity capital.

Trading was also halted in connection with leakage of price sensitive information through media or other sources (8 cases) until this information or annual report (2 cases) was disclosed through the news distribution system GlobeNewswire. Three trading halts were implemented in shares of 3 companies by the request of the Lithuanian Securities Commission and one - by the request of the company awaiting price sensitive information during the day.

23. Surveillance status

The purpose of surveillance status is to alert market participants on special facts or circumstances pertaining to the issuer.

According to the rules of NASDAQ OMX Vilnius, the right to assign Surveillance status is given to the Management Board or, in urgent cases, Market Services Department.

The management board of NASDAQ OMX Vilnius on April, 2008 assigned Surveillance status to AB „Gubernija“ after the company had announced that own capital of the company became lower than 1/2 of the authorized capital fixed in the Statute. The Surveillance status was cancelled after the issuer had provided the preliminary information for the nine months of 2008, according to which the own capital exceeded 1/2 of the authorized capital.

Taking into account the auditors' opinion that the AB Linas group of companies could be exposed to the business continuity risk, the VSE Board took a decision on April 18, 2008 to assign Surveillance status to AB Linas.

On May 19, 2008, the VSE Market Services Department decided to continue applying the Surveillance status to AB Vilniaus Vingis, as the meeting of shareholders of the company had approved a decision to start its liquidation process. Later the company was delisted.

On May 21, 2008, the Market Services Department adopted a decision to remove the Surveillance status with regard to the companies AB Lietuvos Energija, AB Rytu Skirstomieji Tinklai and AB VST, which was assigned in 2007, due to the planned establishment of the joint energy undertaking LEO LT. The Surveillance status was cancelled after the creation of the National investor company LEO LT.

Taking into account the fact that the major shareholder of the company had expressed his intention to acquire the outstanding shares of the issuer, the Market Services Department in October 2008 took a decision to assign the Surveillance status to AB Dvarcioniu Keramika. After the termination of the tender offer, the Surveillance status was removed.

24. Corporate Governance

In the spring of 2008, all the Lithuanian listed companies reported on compliance according to “comply or explain” principle. This year was the second year when they had to submit their compliance statement within the annual report. In comparison with the year 2007, when some companies didn't follow the required form of the disclosure, in 2008 all the companies submitted their compliance statement in the table format that was set up by the Exchange and all of them provided it in English as well.

The study regarding compliance with the Lithuanian Corporate Governance Code for the year ended 31 December 2007 was made by the Exchange during the autumn of 2008 and was presented to the Management Board of the Exchange. The study represented the overview of companies' compliance with the requirements of the Corporate Governance Code. However, it didn't evaluate explanations regarding deviations from the requirements of the Code.

In 2008, the amendments to the Audit Law came into effect, which obligated all regulated market companies to establish Audit Committees. The Rules of the Lithuanian Securities Commission have elaborated the procedure for the formation of such Committees. Consequently, this amendment is going to obligate all listed companies to implement the recommendation of the Corporate Governance Code concerning the formation of an Audit Committee and performance of the functions allocated to it in practice. So far, only several companies have formed the Audit Committees.

25. Education

During 2008, training courses for financial brokers were organized twice. They were attended and the test was successfully passed by 34 financial brokers.

In order to educate academic community, 3 seminars were held for the lecturers and students of different Lithuanian educational institutions. The participants of the seminars were familiarized with the changes in legal regulation of securities, the role and functions of NASDAQ OMX Vilnius, the procedure of trading in real time, the alternative market First North, and NASDAQ OMX Vilnius development projects.

NASDAQ OMX Vilnius has actively continued the joint project of the Baltic Exchanges, which was started in 2006, the aim of which is to assess the disclosure of information by listed issuers and to award the companies for the best information disclosure practice. According to predetermined assessment criteria the annual reports, periodical reports, notifications on material events, websites of companies and other information were analyzed. The results of the assessment were announced at the annual Baltic market awards ceremony of the Baltic Exchanges.

26. First North

The number of certified advisors at the beginning of the year 2008 was 11. During 2008, NASDAQ OMX Vilnius also held three seminars for certified advisors. In the end of 2008, twelve companies were awarded the status of a certified advisor in the alternative market First North.