

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF THE PUBLIC COMPANY "GUBERNIJA"

1. We have audited the accompanying financial statements of the Public Company "Gubernija", which comprise the balance sheet as of December 31, 2006, the profit (loss) statement, the statement of changes in equity and the cash flow statement for the year that ended, and a summary of significant accounting policies and other explanatory notes.
2. Management is responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in those circumstances.
3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. These standards require that we comply with ethical requirements, plan and perform the audit to obtain reasonable assurance whether the financial statements are free from the material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's professional judgment, including the assessment of the risks of the material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.
5. In our opinion, the financial statements in all significant cases give a true and fair view of the financial position of the Public Company "Gubernija" as of December 31, 2006, and of its financial performance and its cash flows for the year that ended in accordance with the International Financial Reporting Standards.
6. Without further qualifying auditor's opinion, we draw attention to the observations of explanatory note, which reveal that the Company during the year that ended in December 31, 2006, received net loss of 4,4 mln. litas, and Company's short term liabilities exceeded short term assets by 6,4 mln. litas. These circumstances show that significant indetermination remains, which could cause doubts about the Company's ability to continue the activity.
7. Besides that, we estimated whether the data presented in the annual report of 2006 coincide with the financial statements. We did not notice any material misstatement in the annual report of 2006 of the Public Company "Gubernija" in comparison with the audited financial statements.

23, February, 2007

Siauliai

Gražina RIBINSKIENE

The auditor (Cert. No 000234)

AB GUBERNIJA, 144715765

(įmonės pavadinimas)

DVARO 179, ŠIAULIAI

(įmonės kodas, adresas, kiti duomenys)

PATVIRTINTA

20 _____ m.

protokolo Nr.

2006 m. gruodžio 31 d. **BALANSAS/ BALANCE SHEET**

(finansinės atskaitomybės sudarymo data) 2007-03-05 Nr.

2006-01-01..2006-12-31

(ataskaitinis laikotarpis)

Litas/in Litas

	TURTAS/ ASSETS	Pasta- bos Nr./ Notes	Finansiniai metai/ Financial year	Praėję finansiniai metai/ Previous financial year
A.	ILGALAIKIS TURTAS/ Long term assets		39 725 248	44 937 825
I.	NEMATERIALUSIS TURTAS / INTANGIBLE ASSETS		363 489	23 365
I.3	Patentai, licencijos/ Licences and patents	1	272 500	
I.4	Programinė įranga/ Computer software		83 364	5 153
I.5	Kitas nematerialus turtas/ Other intangible assets		7 625	18 212
II.	MATERIALUSIS TURTAS/ TANGIBLE ASSETS	2	38 724 788	44 225 843
II.2	Pastatai ir statiniai / Buildings & Plant		12 973 173	13 411 407
II.3	Mašinos ir įrengimai / Machinery & equipment		22 430 766	26 798 655
II.4	Transporto priemonės / Vehicles		636 659	712 423
II.5	Kita įranga, prietaisai, įrankiai ir įrengimai / Other property, plant and equipment		2 348 774	2 253 814
II.6	Nebaigta statyba/ Construction in progress			375 453
II.7	Kitas materialusis turtas / Other tangible assets		335 416	674 091
III.	FINANSINIS TURTAS / FINANCIAL LONG - TERM ASSETS	3	17 100	17 100
III.4	Kitas finansinis turtas/ Other financial assets		17 100	17 100
IV.	KITAS ILGALAIKIS TURTAS/OTHER TANGIBLE ASSETS	4	619 871	671 517
IV.1	Atidėto pelno mokesčio turtas/Diferend profit taxes assets		619 871	671 517
B.	TRUMPALAIKIS TURTAS/ Short term assets		12 509 865	12 291 637
I.	ATSARGOS, IŠANKSTINIAI APMOKĖJIMAI IR NEBAIGTOS VYKDYTI SUTARTYS/ STOCK AND CONTRACTS IN PROGRESS		4 455 192	5 323 666
I.1	Atsargos/ Inventories	5	4 023 994	4 656 040
I.1.1	Žaliavos ir komplektavimo gaminiai/ Raw materials and consumables		2 993 464	3 455 085
I.1.2	Nebaigta gamyba/ Work in progress		393 839	504 147
I.1.3	Pagaminta produkcija/ Finished goods		618 348	687 505
I.1.4	Pirktos prekės, skirtos perparduoti/ Goods for resale		18 343	9 303
I.2	Išankstiniai apmokėjimai/ Prepayments	6	431 198	667 626
I.3	Nebaigtos vykdyti sutartys/ Contracts in progress			
II.	PER VIENERIUS METUS GAUTINOS SUMOS/ AMOUNTS RECEIVABLE WITHIN ONE YEAR		7 666 112	6 967 971
II.1	Pirkėjų įsiskolinimas / Trade debtors	7	7 655 220	6 956 087
II.3	Kitos gautinos sumos / Other amounts receivable	8	10 892	11 884
IV.	PINIGAI IR PINIGŲ EKVIVALENTAI/ CASH IN BANK AND IN HAND	9	388 561	369 287
	TURTO IŠ VISO / TOTAL ASSETS:		52 235 113	57 598 749

	NUOSAVAS KAPITALAS IR ĮSIPAREIGOJIMAI/ Capital and reserves	Pasta- bos Nr./ Notes	Finansiniai metai/ Financial year	Praėję finansiniai metai/ Previous financial year
C.	NUOSAVAS KAPITALAS / SHAREHOLDERS CAPITAL		14 310 524	18 607 837
I.	KAPITALAS/ CAPITAL			
I.1	Įstatinis (pasirašytasis) / Subscribed capital	10	21 786 000	21 786 000
I.4	Savos akcijos/ Own Shares (-)			
II.	PERKAINOJIMO REZERVAS (REZULTATAI)/ REVALUATION RESERVE	11	3 323 389	3 882 373
III.	REZERVAI/ RESERVES			
III.1	Privalomasis rezervas/ Legal reserve			
III.2	Savoms akcijoms įsigyti/ Reserve for acquiring own shares			
III.3	Kiti rezervai/ Other reserves			
IV.	NEPASKIRSTYTASIS PELNAS (NUOSTOLIAI) PROFIT (LOSS)/ BROUGHT FORWARD	12	(10 798 865)	(7 060 536)
IV.1	Ataskaitinių metų pelnas (nuostolis)/ Profit (loss) of the reporting year profit		(3 738 329)	(3 122 537)
IV.2	Ankstesnių metų pelnas (nuostolis)/ Profit (loss) of the previous year		(7 060 536)	(3 937 999)
E.	MOKĖTINOS SUMOS IR ĮSIPAREIGOJIMAI/ Amounts payable and liabilities		37 924 589	38 990 912
I.	PO VIENERIŲ METŲ MOKĖTINOS SUMOS IR ILGALAIKIAI ĮSIPAREIGOJIMAI/ Amounts payable after one year and long term liabilities	13	19 040 670	19 498 551
I.1	Finansinės skolos/ Financial debts		17 950 838	18 220 301
I.1.1	Lizingo (finansinės nuomos) ar panašūs įsipareigojimai/ Leases and similar obligations			87 284
I.1.2	Kreditinėms institucijoms / Credit institutions		17 950 838	18 130 384
I.1.3	Kitos / Others			2 633
I.5	Atidėtieji mokesčiai/ Deferred taxes		1 089 832	1 278 250
I.6	Kitos mokėtinos sumos ir ilgalaikiai įsipareigojimai/ Other amounts payable and non-current liabilities			
II.	PER VIENERIUS METUS MOKĖTINOS SUMOS IR TRUMPALAIKIAI ĮSIPAREIGOJIMAI/ Amounts payable in one year and short term liabilities		18 883 919	19 492 361
II.1	Ilgalaikių skolų einamųjų metų dalis/ Current portion of non-current debts	14	3 246 587	6 039 874
II.2	Finansinės skolos/ Financial debts		2 779 942	3 797 180
II.2.1	Kreditinėms institucijoms / Credit institutions			
II.2.2	Kitos skolos/ Other debts		2 779 942	3 797 180
II.3	Skolos tiekėjams/ Trade amounts payable		6 077 474	5 963 821
II.5	Pelno mokesčio įsipareigojimai/ Profit tax liabilities			
II.6	Su darbo santykiais susiję įsipareigojimai./ Liabilities related with labour relations		1 725 916	1 634 169
II.7	Atidėjiniai/ Provisions			
II.8	Kitos mokėtinos sumos ir trumpalaikiai įsipareigojimai/ Other amounts payable and current liabilities		5 054 000	2 057 317
	NUOSAVO KAPITALO IR ĮSIPAREIGOJIMŲ, IŠ VISO/ TOTAL EQUITY AND LIABILITIES:		52 235 113	57 598 749

Generalinis direktorius
(įmonės administracijos vadovo pareigų pavadinimas)

(parašas)signature

Romualdas Dunauskas
vardas,pavardė(name, surname)

AB GUBERNIJA, 144715765

(įmonės pavadinimas)

DVARO 179, ŠIAULIAI

(įmonės kodas, adresas, kiti duomenys)

PATVIRTINTA

20 ____ m. _____ d.

protokolo Nr. _____

2006 m. gruodžio 31 d. **PELNO (NUOSTOLIŲ) ATASKAITA/
INCOME STATEMENT**

2006-01-01..2006-12-31
(ataskaitinis laikotarpis)

(finansiniai atskaitomybės sudarymo data) 2007 03 05 Nr.

Litas/in Litas

	Straipsniai/ Items	Pastabos Nr./	Finansiniai metai/ Financial year	Praėję finansiniai metai/ Previous financial year
I.	PARDAVIMO PAJAMOS/ SALES	18	52 395 801	54 818 751
II.	PARDAVIMO SAVIKAINA/ COST OF SALES	19	39 912 302	41 220 338
III.	BENDRASIS PELNAS (NUOSTOLIAI)/ GROSS PROFIT		12 483 499	13 598 413
IV.	VEIKLOS SĄNAUDOS / OPERATING EXPENSES	20	15 401 572	16 890 993
IV.	Pardavimo/ Sales		10 883 063	12 151 351
IV.	Bendrosios ir administracinės/ General and administrative		4 518 509	4 739 642
V.	TIPINĖS VEIKLOS PELNAS (NUOSTOLIAI) / OPERATING PROFIT		(2 918 073)	(3 292 580)
VI.	KITA VEIKLA / OTHER OPERATIONS	21	(3 680)	10 390
VI.	Pajamos/ Income		32 320	288 165
VI.	Išlaidos/ Expenses		36 000	277 775
VII.	FINANSINĖ IR INVESTICINĖ VEIKLA/ FINANCIAL AND INVESTING ACTIVITIES	22	(1 512 332)	(1 242 889)
VII.	Pajamos/ Income		13 805	63 002
VII.	Išlaidos/ Expenses		1 526 137	1 305 891
XI.	PELNAS (NUOSTOLIAI) PRIEŠ APMOKESTINIMĄ/ CURRENT YEAR PROFIT BEFORE TAXES		(4 434 085)	(4 525 079)
XII.	PELNO MOKESTIS/ PROFIT TAX	23	31 181	379 836
XIII.	GRYNASIS PELNAS (NUOSTOLIAI)/ NET PROFIT OF CURRENT YEAR		(4 402 904)	(4 145 243)

Gen. direktorius

(įmonės administracijos vadovo pareigų
pavadinimas)

parašas(signature)

Romualdas Dunauskas

vardas ir pavardė (name, surname)

2006 m. gruodžio 31 d

**NUOSAVO KAPITALO POKYČIŲ ATASKAITA/
STATEMENT OF CHANGES IN EQUITY**

(ataskaitomybės sudarymo data) 2007 03 05 Nr.

2006-01-01..2006-12-31

(ataskaitinis laikotarpis)

Litas/in Litas

	Apmokėtas įstatinis kapitalas/ Paid authorised capital	Akcijų priėdai/ Share	Savos akcijos (-)/ Own shares ()	Perkainojimo rezervas (rezultatai)/ Revaluation reserves (results)		Įstatymo numatyti rezervai/ Legal reserves		Kiti rezervai/ Other	Nepaskirstytasis pelnas (nuostoliai)/ Retained earnings (losses)	Iš viso/ Total
				Ilgalaikio materialiojo turto/ Tangible assets	Finansinio turto/ Financial	Privalomasis/ Compulsory	Savų akcijų įsigijimo/ acquisition of own			
1. Likutis praėjusių finansinių metų pradžioje/ Balance as of 31 December 2004	21 786 000			5 642 846		773 593			(4 073 094)	24 129 345
2. Apskaitos politikos pakeitimo rezultatas/ Result of change in accounting policies				(846 427)					(649 949)	(1 496 376)
3. Esminių klaidų taisymo rezultatas/ Result of correcting essential errors				(3 333)					25 703	22 370
4. Perskaičiuotas likutis praėjusių finansinių metų pradžioje/ Recalculated balance as of 31 December 2004	21 786 000			4 793 086		773 593			(4 697 340)	22 655 339
8. Pelno (nuostolių) ataskaitoje nepripažintas pelnas (nuostoliai)/Profit (loss), excluded from income statement				(870 713)					1 022 706	151 993
9. Ataskaitinio laikotarpio grynas pelnas (nuostoliai)/ Net profit (loss) of the reporting period									(4 145 243)	(4 145 243)
13. Panaudoti rezervai/ Used reserves						(773 593)			773 593	
15. Likutis praėjusių finansinių metų pabaigoje/ Balance as of 31 December 2005	21 786 000			3 922 373					(7 046 284)	18 662 089
3. Esminių klaidų taisymo rezultatas/ Result of correcting essential errors				(40 000)					(14 252)	(54 252)
4. Perskaičiuotas likutis praėjusių finansinių metų pradžioje/ Recalculated balance as of 31 December 2005	21 786 000			3 882 373					(7 060 536)	18 607 837
19. Pelno (nuostolių) ataskaitoje nepripažintas pelnas (nuostoliai)/ Profit (loss), excluded from income statement				(558 984)					664 575	105 591
20. Ataskaitinio laikotarpio grynas pelnas (nuostoliai)/ Net profit (loss) of the reporting period									(4 402 904)	(4 402 904)
26. Likutis ataskaitinių finansinių metų pabaigoje/ Balance as of 31 December 2006	21 786 000			3 323 389					(10 798 865)	14 310 524

Gen. direktorius

(įmonės administracijos vadovo pareigų pavadinimas)

(parašas)

Romualdas Dunauskas

(vardas ir pavardė)

—

AB GUBERNIJA, 144715765

(įmonės pavadinimas)

DVARO 179, ŠIAULIAI

(įmonės kodas, adresas, kiti duomenys)

PATVIRTINTA

20.... m.....d.

protokolo Nr.....

2006 m. gruodžio 31 d PINIGŲ SRAUTŲ ATASKAITA/

CASH FLOW STATEMENT

(finansinės atskaitomybės sudarymo data)

2007-03-05 Nr.

(€ (ataskaitinis laikotarpis) 2006-01-01..2006-12-31

Litas/in Litas

Eil. Nr.	Straipsniai/ Items	Pastabos Nr./ Notes	Finansiniai metai/ Financial year	Praėję finansiniai metai/ Previous financial year
I.	Pagrindinės veiklos pinigų srautai/ Cash flows from operating activities			
I.1.	Ataskaitinio laikotarpio pinigų įplaukos (su PVM) / Inflows of the reporting period (VAT included)		58 286 968	59 885 782
I.1.1.	Pinigų įplaukos iš klientų/ Inflows from customers		56 258 329	59 777 724
I.1.2.	Kitos įplaukos/ Other inflows		2 028 639	108 058
I.2.	Ataskaitinio laikotarpio pinigų išmokos/ Outflows of the reporting period		(53 099 228)	(56 360 068)
I.2.1.	Pinigai, sumokėti žaliavų, prekių ir paslaugų tiekėjams (su PVM)/ Cash paid to suppliers of raw materials, goods and services, and employees (VAT included)		(28 418 229)	(30 273 507)
I.2.2.	Pinigų išmokos, susijusios su darbo santykiais/ Outflows connected with labour relations		(8 227 889)	(8 048 821)
I.2.3.	Sumokėti į biudžetą mokesčiai/ Taxes paid into the budget		(15 574 114)	(17 967 789)
I.2.4.	Kitos išmokos/ Other payments		(878 996)	(69 951)
	Grynjieji pagrindinės veiklos pinigų srautai/ Net cash flows from operating activities		5 187 740	3 525 714
II.	Investicinės veiklos pinigų srautai/ Cash flows from investing activities			
II.1.	Ilgalaikio turto (išskyrus investicijas) įsigijimas/ Acquisition of non-current assets (excluding investments)		(1 109 764)	(1 792 525)
II.2.	Ilgalaikio turto (išskyrus investicijas) perleidimas/ Transfer of non-current assets (excluding investments)		199 516	1 241 870
II.4.	Ilgalaikių investicijų perleidimas/ Transfer of long-term			801 275
	Grynjieji investicinės veiklos pinigų srautai/ Net cash flows from investing activities		(910 248)	250 620
III.	Finansinės veiklos pinigų srautai/ Cash flows from financing activities			
III.2.	Pinigų srautai, susiję su kitais finansavimo šaltiniais/ Cash flows arising from other financing sources		(4 258 218)	(3 939 229)
III.2.2.	Finansinių skolų sumažėjimas/ Decrease in financial debts		(4 258 218)	(5 492 839)
III.2.2.1.	Paskolų grąžinimas/ Loans returned		(2 589 600)	(3 346 108)
III.2.2.2.	Obligacijų supirkimas/ Purchase of bonds			
III.2.2.3.	Sumokėtos palūkanos/ Interest paid		(1 198 650)	(1 185 605)
III.2.2.4.	Lizingo (finansinės nuomos) mokėjimai/ Payments of lease (finance lease) liabilities		(469 968)	(961 126)
III.2.3.	Kitų įmonės išpareigojimų padidėjimas/ Increase in other enterprise liabilities			1 553 610

III.3.	Kiti finansinės veiklos pinigų srautų padidėjimai/ Other increase in cash flows from financing activities			
III.4.	Kiti finansinės veiklos pinigų srautų sumažėjimai/ Other decrease in cash flows from financing items			
	<u>Grynieji finansinės veiklos pinigų srautai/ Net cash flows from financing activities</u>		(4 258 218)	(3 939 229)
IV.	Ypatingųjų straipsnių pinigų srautai/ Cash flows from extraordinary items			
V.	Valiutų kursų pasikeitimo įtaka grynujų pinigų ir pinigų ekvivalentų likučiui/ Change in exchange rate			
VI.	Grynasis pinigų srautų padidėjimas (sumažėjimas)/ Net increase (decrease) in cash flows		19 274	(162 895)
VII.	Pinigai ir pinigų ekvivalentai laikotarpio pradžioje/ Cash at the beginning of period		369 287	532 182
VIII.	Pinigai ir pinigų ekvivalentai laikotarpio pabaigoje/ Cash at the end of period		388 561	369 287

Gen .direktorius
(įmonės administracijos vadovo
pareigų pavadinimas)

parašas(signature)

Romualdas Dunauskas
(vardas ir pavardė)

THE DECLARATORY LETTER

GENERAL INFORMATION

The joint-stock company AB "Gubernija" (hereinafter-the Company) was registered on Mays 5, 1993. The code of the Company is 144715765.

The main activity of the Company is production and sales of beer, beer drinks, kvass and bread cider.

The Company has got an agency in Vilnius (Kubiliaus g. 21, Vilnius). It is the warehouse of the wholesale.

AB "Gubernija" in its practice follows the Laws on Joint-stock companies of the Republic of Lithuania, Laws on Securities' market, other laws and regulatory acts of the Republic of Lithuania, and statutes of the Company.

Traditional technologies are used in production of beer in the joint-stock company AB "Gubernija": a natural method of fermentation is applied, beer is not being diluted. It allows producing beer of high quality.

AB "Gubernija" sells beer not only in Lithuania, but also exports to England, the USA, Canada, Russia, supplies to Latvia, Estonia and Germany.

Production of beer (thousand of deciliters)

No	Production title	The year 2006	The year 2005	The year 2004
1.	1. Beer in total (produced)	2879	3 150,0	2 624,3
	In bottles	2645	2 915,9	2368
	On tap	185,6	234,1	256,3
2.	2. Kvass in total (produced)	407,9	324,8	285,9

Sales and services (thousand Litas)

No.	Indicator	The year 2006	The year 2005	The year 2004
1.	Income from sales	52,4	54,8	50, 4

On December 31, 2006 there were 282 employees in the Company (on December 31, 2005 –there were 303 employees).

The financial year is coincident with the artificial year.

THE PRINCIPLES OF ACCOUNTING

The Company draws the financial reports in compliance with the Law on Accounting and the Law on Financial Reporting of the Republic of Lithuania, requirements of International Auditing Standards, and the accounting policy of the Company.

The Company implements the practice declared in the statutes.

The financial accountability is prepared with an assumption that the Company will be able to continue its activities in the future.

The financial year of the Company is coincident with the artificial year.

All numbers in these reports are given in a national currency, Litas (Lt). Litas is related to euro 3, 4528 litas for 1 euro.

The main principles of accounting which the Company used in preparation of this financial accountability are described further.

Sales

Income from sales is acknowledged following the principle of accumulation, i.e. it is registered in the reports when the goods are sold, without allowing for the receipt of money.

The income size is estimated by its real value, allowing to given discounts, refunds and write-off of the goods sold.

Sales are acknowledged after delivering the production and giving it to the customer less the value added tax.

The cost price of sales and the expenditure of activities

The excise duty is calculated into the cost price of the goods sold.

The cost price of the production sold includes direct and indirect expenditure of the production.

The expenditure of activities is acknowledged following the principles of accumulation and comparison in the reporting cycle when income is got due to them. The expenditure of activities is divided into those of sales and general.

The expenditure during the reporting cycle, that is impossible to relate directly with the earning of particular income and if it will not give any income next reporting cycle is acknowledged as the expenditure of the cycle when it was experienced. The expenditure is estimated by its real value.

Expenses of the financial activity

Interests of the loans are accounted in the profit (loss) report "Financial and investment activities" following the principle of accumulation.

Taxes

The profit of the Company is charged a 15% tariff of the profit tax according to the laws on taxes of the Republic of Lithuania. The Company pays these taxes: the excise duty, the value added tax, the real property tax, tax of the land rent, the pollution tax from stationary and mobile resources, the transport owner's taxes.

Following the newly become effective provisional law on the Social tax, the taxable profit of the year 2006 and 2007 is taxed additionally by a 4% and 3 % tariff social tax. The Company worked to the bad, so it did not pay the social tax.

The deferred profit tax is accounted applying the method of obligations to all temporary differences that occur between the assets and the base of the obligations, and their accounting value for the purpose of the financial accountability compliance. Valid tariffs of the profit tax are used for calculation of the deferred profit tax.

The intangible assets

The permanent intangible assets are declared in the value of acquisition, which is reduced by the sum of depreciation and is depreciated during the period of 4 years, applying the directly proportional (linear) method.

The permanent tangible assets

The permanent tangible assets (buildings, constructions and equipment) are accounted by the reassessed value, which is reduced by the sum of depreciation.

Depreciation is calculated applying the directly proportional (linear) method and considering set standards of the permanent tangible assets depreciation. Depreciation is being calculated since next month after it was started to exploit.

Standards of the permanent tangible assets depreciation:

Permanent tangible assets group	The year
Buildings, constructions	13-40
Equipment	10-14
Vehicles	5-7
Other equipment, machines, tools	4-6
Other tangible assets	4

The assets which are used to get some economic benefit during longer than one year period are subsumed to the permanent tangible assets according to certain groups of the assets. Each group has a set sum after reaching which the assets are accounted as permanent. In individual cases the principle of significance is used.

The expenses on repairs are accounted when they are experienced and acknowledged as expenditure of activities.

The unfinished construction is considered to certain groups of the permanent tangible assets when it is finished and the assets are prepared for its planned use.

Completing its financial accountability the Company defines if there are any indicators of depreciation which show that depreciation of the assets may be very important. If there are such, the Company sets the dividend value and compares it with the balance value of the assets. If the balance value of the assets is significantly higher than the dividend value, the balance value of the assets is reduced to the dividend value.

Profit or loss from the permanent tangible assets disposal is defined as the difference between the income and the residual value of the disposed permanent tangible assets.

Profit or loss from the permanent tangible assets disposal is accounted in respectively income or expenses from other activities.

Rent- the Company tenant

The rent of the permanent tangible assets, when the tenant gets the significant part of risk and profit of the property is considered as the rent of the activity. Deposits of the activity rent are acknowledged as expenses proportionally during the whole rent period.

Container

Containers (BBH boxes) are accounted as the permanent tangible assets in the group of machines and tools balance and are depreciated during the planned period of the useful service, approximately 4 years, applying the directly proportional (linear) method of depreciation.

Glass bottles are accounted in the group of the material and the recruitment of the production resources. The result of reassessment of bottles and other containers in the balance is shown in the contrary accounts (the Law on Deposits is applied on them).

Resources

The material and the recruitment of the production are accounted by the cost of acquisition applying the FIFO method. The cost price of resources acquisition consists of the acquisition value, taxes which the Company does not get a refund from the state institutions, expenses on transportation and other, directly related with their acquisition.

The produced production is accounted by the production cost price. The cost price is calculated applying the FIFO method.

The cost price of the produced production consists of the material and resources value, expenses on work and other direct and indirect production expenses. The remainder of the material makes the unfinished production.

Financial assets and financial obligations

Financial assets include receivable sums, money, money equivalents and deposit accounts.

Financial assets are registered when the Company receives or contractually acquires the right to get money or other financial assets.

Receivable sums are estimated by the cost price of acquisition less the loss. If probable, that the Company will not be able to get the refund of the receivable sums, the loss is acknowledged.

Money and money equivalents are estimated by the cost price of acquisition.

Financial obligations include payable sums for received goods and services.

Financial obligations are registered in the accounting when the Company assumes an obligation to pay money or settle by other financial assets. Payable sums for goods and services are estimated by the cost price of acquisition.

Shares and annexes of the shares

Ordinary shares are accounted by their nominal value. The sum of sold shares that overcomes their nominal value is accounted as the annexes of the shares.

Defers

Defers are acknowledged on the obligations when the Company has a legal obligation or an irrevocable commitment due to the past activities, also it is probable that the available assets will be used to perform legal obligations or irrevocable commitments, but when the sum of the obligations can be credibly evaluated.

Foreign exchange

Transactions in foreign exchange are accounted due to the official exchange rates valid on the day of the change; profit and loss, that occur after transactions and recalculation of the money remainder in foreign exchange and obligations in the national currency are accounted in profit (loss) reports.

Reports of money flows

Money and money equivalents in the reports of money flows include money in the till, banks, tills of the specialized shops and money on the way (COLLECTION). The interest paid for the loans are defined to the financial activity.

The change in the accounting policy

In 2006 the Company changed the accounting policy of the permanent tangible assets. Till December 31, 2005 containers (plastic boxes) were accounted in the resources group. Since August, 2006 BBH boxes are accounted as the permanent assets in the accounts of the other permanent assets and depreciated applying the directly proportional (linear) method of depreciation during the period of 4 years. Boxes of the old type were sold after evaluation of their residual value.

Numbers of the last year

Numbers of the last year were adjusted where necessary in order to match the changes in the financial accountability introduction of the reporting financial year.

Management of the financial risk

The Company in its activities faces various financial risks. The board manages the risk. There are no written principles on how to manage risk of the general or specific nature, e.g. credit, exchange fluctuations, liquidity and interest rates risk. These main procedures of risk management are applied in the Company:

The credit risk

There is no significant risk concentration in the Company. The credit risk or risk that the contract half will not perform its obligations is controlled applying the conditions of crediting and monitoring procedures.

The exchange rates' risk

There is no significant exchange rates' risk concentration in the Company. The forecasts are not being prepared.

The liquidity risk

A conservative management of the liquidity risk is not effective at the moment and it is difficult to keep proper amounts of cash and money equivalents for reimbursement of planned expenses.

The interest rate risk

The income of the Company and the money flows from the activities are basically independent from the changes in the market interest rates.

NOTE 18-19:

INFORMATION ABOUT BUSINESS SEGMENTS

Lt

Indicators (thousand Lt)	Segments (production, goods, activity types)						All companies	
	Beer		Soft drinks		Ciders		2006	2005
	2006	2005	2006	2005	2006	2005		
Income	44 321 366	48 814 308	5 462 186	4 017 666	712 580		52 395 801	54 818 751
The cost price	33 857 267	36 643 810	3 858 578	2 952 698	670 945		39 912 302	41 220 338
The gross profit	10 464 099	1 217 498	1 603 608	1 064 968	41 635		12 483 499	13 598 413

Production of beer in comparison with the same period of the year 2005 decreased in 9% or 274 thousand of deciliters of beer less. Production of kvass in comparison with the same period of the year 2005 increased in 25% or 83, 1 thousand deciliters more.

Due to the decreased amount of the produced production permanent expenses for 1 dal of production increased.

The increase of expenses was influenced by the rise in prices of energetic resources and the stock. Expenses on production packing also increased in comparison with the year 2005 in 9,06% due to the changes of the selling production structure according to the containers for 1 dals of production.

The main production's sales in the natural and value expression in the selling prices in the year 2004-2006

Indicators	2006			2005			2004		
	Thousand dals	Thousand Lt.	Pct.	Thousand dals	Thousand Lt.	Pct.	Thousand dals	Thousand Lt.	Pct.
Beer, In:	2 873	47 939	87,9	3 127,4	51 571	92,3	2 601,1	45 702	92,5
Bottles	2 681	44 116	80,9	2 887,2	46 551	83,3	2 276,1	39 520	86,5
Other	192	3 823	7,1	249,2	5 020	9,0	325	6 182	13,5
Bread kvass	198	4 017	7,4	144,7	2 747	4,9	116,3	2 253	4,6
Other kvass	212	1 864	3,5	176,6	1545	2,8	165	1 448	2,9
Ciders	30	713	1,2						
In total;	3 313	54 533	100	3 448,7	55 863	100,0	2 882	49 403	100,0

In 2006 income from sales decreased in comparison with the year 2005 in 2,4 million Litas.

The decrease in sales income was influenced by the changes of the selling production structure and the kinds of beer.

Sales of beer to foreign countries in comparison with the year 2005 increased in almost 22 pct. It was determined by the increased beer sales to Latvia in 50 pct.

Sales of kvass to foreign countries in comparison with the year 2005 increased in 34, 5 pct. The biggest part of kvass was sold in Latvia-10 thousand dals, Russia-6 thousand dals, and Poland- 5 thousand dals.

In 2006 production sales of AB “Gubernija” made 8, 93 pct. of beer market sales of Lithuania (data of brewers’ association), in 2005 they were proportionately 10, 71 pct.

NOTE 20: EXPENSES OF ACTIVITES

The title of the article	The financial year 2006	Last financial year 2005
Expenses on sales:	10 883 063	12 151 3 51
Advertising	1 597 826	1 608 028
Logistics	650 227	487 615
Salaries and social insurance	3 623 232	3 648 147
Depreciation	1 752 319	2 000 136
Expenses on sales services	1 334 033	2 608 442
Repairs	1 920 320	1 748402
Expenses on doubtful debts	5 106	50 579
General and administrative expenses:	4 518 509	4 739 642
Depreciation	342 335	356 102
Salaries and social insurance,	1 620 099	1 445 868
Rent and maintenance of the premises	655 691	453 693
Expenses on consultations, audit, taxes, insurance	240 813	371 650
Expenses on communications	378 295	440 679
Loss	81 566	180 676
Other general expenses	1 199710	1 490 974
In total:	15 401 572	16 890 993

NOTE 21: OTHER ACTIVITY

On December 31, 2006 there was accounted a loss of 3,7 thousand Lt in the article of the other activity.

NOTE 22: FINANCIAL AND INVESTMENT ACTIVITIES

Indicators	The financial year 2006	Last financial year 2005
a)INCOME FROM FINANCIAL AND INVESTMENT ACTIVITIES	13 805	63 002
The interest received, other financial income	13 805	3 636
Profit due to the exchange fluctuations	0	59366
b) EXPENSES OF FINANCIAL AND INVESTMENT ACTIVITIES	1526137	1 305 891
Interest for the loans	1 262 310	1 232 302
Loss due to the exchange fluctuations	32 608	0
Fines and other financial services	231 219	73 589
c)THE RESULT OF FINANCIAL AND INVESTMENT ACTIVITIES	-1 512 332	-1 242 889

NOTE 23: THE PROFIT TAX

The expenses on the profit tax in the profit (loss) report consist of:

The title of the article	The financial year 2006	Last financial year 2005
The remittance from deferred taxes	-82 827	-98 525
The remittance from the assets of the deferred taxes	51 646	-281 311
IN TOTAL:	-31 181	-379 836

The assets of the deferred taxes and the obligation are calculated applying the tariff of the profit tax which should be in the periods when the temporary differences will disappear. The assets of the deferred profit taxes are 619, 9 thousand Lt.

In the year 2006 AB "Gubernija" worked into a loss (the loss is 4 402 904 Lt) while the profit before the interest, taxes, depreciation (EBITDA) is positive, 3,645 mln. Lt. The depreciation makes the significant part of expenses of the Company.

In the end of the year 2004 the Company reassessed buildings, constructions and production machines. A reserve of the reassessment was formed. Depreciating the part of the reassessed assets, the reassessment reserve is being reduced and the profit of the reporting cycle which is not acknowledged appears in the profit (loss) reports.

The unacknowledged profit of the reporting cycle of 2006 is 664 575 Lt. Due to this transaction the loss in the profit (loss) report does not match with the balance loss of the financial year. The balance loss of the reporting cycle is 3 738 329 Lt.

The unacknowledged profit due to the depreciation of the part of the reassessed assets is shown in the report of the capital changes.

In the year 2006 some errors were noticed while making the accountability which according to the accounting policy of the Company are considered as essential that is why they were corrected retrospectively.

The correction of the errors is shown in the report of the proper capital changes "The result of essential errors correction". Recalculated the disproportioned loss of the last reporting cycle, the reserve of the reassessment (results), the balance value of the balance article "Buildings and constructions"

NOTE 1: INTANGIBLE ASSETS

Programs for sales' analysis and completing of the budgets were bought during the reporting cycle. Programs are mastered completely. Their acquisition cost is 111 154 .00 Lt. The program of the industrial designs was bought. Its cost is 317 000, Lt. antivirus and outdated programs were written off.

Indicators	Prestige	Patent rights, licenses, etc.	Program software	Other intangible assets	In total
The residual value in the end of the last financial year			5 153	18 212	23 365
a)Permanent intangible assets by their cost price In the end of the last financial year			169 464	119 963	287 427
Changes in the financial year:					
The acquisition of the assets		327 000	111 154		438 154
Disposed to other people and written-off assets (-)			158 575	17 902	176 477
Rewrites from one article to another +/-(-)					
In the end of the financial year		327 000	122 43	102 061	551 104
b) Depreciation In the end of the financial year			164 311	101 751	266 62
changes of the financial year:					
depreciation of the financial year		54 500	32 932	9 015	96 447
reconstructive contributions (-)					
depreciation of the disposed to other people and written-off assets			158 564	16 331	174 895
rewrites from one article to another +/-(-)					
In the end of the financial year		5 4 500	38 679	94 435	187 614
c) Decrease of the value In the end of the last financial year					
Changes in the financial year:					
decrease of the value of the financial year					
reconstructive contributions (-)					
depreciation of the disposed to other people and written-off assets (-)					
rewrites from one article to another +/-(-)					
In the end of the financial year					
d) The residual value in the end of the last financial year		272 500	83 364	7 626	363 490

On December 29, 2006 the cost price of the completely depreciated but still in use intangible assets was 12 382, 00 Lt.

NOTE 2: TANGIBLE ASSETS

The Company applies the evaluation method of the reassessed value to separate groups of the permanent assets (buildings, constructions and machines).

The permanent assets for 1, 2 million Lt was bought during the reporting cycle. These are: a packaging device, a compressor, plastic BBH boxes, computers, printing equipment, copying mechanisms and loaders.

The written-off assets which are not suitable to use: refrigerators, equipment for freezing, computers, advertising boards, tables and convertible chairs.

TANGIBLE ASSETS

Indicators	Buildings and constructions	Machines and equipment	Vehicles	Other equipment, tools	Unfinished constructions	Other equipment, tools	In total
The residual value in the end of the last financial year	13 411 407	26 798 655	712 423	674 091	375 453	2 253 814	44 269 176
a) The cost price of the acquisition	13 994 314	40 537 722	3 678 769	674 091	375 453	7 056 635	66 316 984
In the end of the last financial year							
Changes in the financial year:							
the acquisition of the assets	91 325	16 300	154 327	169 437		817 788	1 249 177
Disposed and written-off assets (-)	21 942	663 834	106 596	4 420		206 649	1 003 441
rewrites from one article to another +/-(-)	485 380	140 258	29 990	-503 692	-375 453	351 945	128 428
In the end of the financial year							
b) Reassessment							
In the end of the last financial year	2 530 947	2 408 047					4 938 994
Changes in the financial year:							
increase (decrease) of the value +/-(-)		6 419					6 419
disposed and written-off to others assets (-)							
rewrites from one article to another +/-(-)							
In the end of the financial year							
c) Depreciation							
In the end of the last financial year	311 3854	16 147 114	2 966 346			4 802 821	26 986 802
Changes in the financial year:							
depreciation of the financial year	794 792	3 678 282	260 072			1 030 028	5 763 174
depreciation of the reassessed assets	220 145	440 463					703 941
depreciation of disposed and written-off to others assets (-)	21 940	262 467	106 587			161 904	552 898
depreciation of disposed and written-off to others assets (-)		2084					2084
In the end of the financial year	4 106 851	20 001 308	3 119 831			5 670 945	32 898 935
e) The residual value in the end of the last financial year	12 973 173	22 430 766	636 659	335 416		2 348 774	38 724 788

Expenses on depreciation are included in the profit (loss) report:

The article	The financial year 2006	The last financial year 2005
The cost price of the sale	4 468 908	4 660 222
Expenses of activities	2 094 654	2 356 238
In total:	6 563 562	7 016 460

The depreciated permanent tangible assets in use in their cost price

The title of the group	The financial year 2006	The last financial year 2005
Buildings, constructions	68 658	80 096
Technological equipment	2 935 877	979 636
Other equipment	2 327 058	1 573 997
In total	5 331 593	2 633 729

NOTE 3: THE FINANCIAL ASSETS

The financial assets of AB "Gubernija" consist of investments to:

- UAB "ŽALIASIS TAŠKAS"- 15 000, 00 Lt. It makes 35 percent of the authorized capital of that company,
- VĮ Šiaulių universiteto mokslo ir technologijų parkas (The park of education and technology of Šiauliai University)-2000, 00 Lt,
- UAB "Krepšinis ir mes" ("Basketball and we")- 100 Lt

The method of the acquisition cost price is applied to the financial assets accounting of the Company.

NOTE 4: THE ASSETS OF THE DEFERRED PROFIT TAX

The change of the deferred profit tax is declared further (Lt):

The title of the article	The financial year 2006	The last financial year 2005
The remainder of the deferred profit tax assets on January 1	671 517	671 517
Income (expenses) in the profit (loss) report	-51646	0
The remainder:: on December 29, 2006	619 871	671 517

The deferred profit tax assets are 619, 9 thousand Lt.

The deferred profit tax assets on December 31, 2005 made due to the acknowledgement of temporary differences in the financial and taxing accounting of these articles:

Temporary differences	The financial year 2006	The last financial year 2005
The raising taxing loss	0	2 153 406
Capitalized interest are acknowledged as expenses	309 213	2 272 980
Doubtful debts are acknowledged as permissible deductions	35 093	50 394
Temporary differences in total	344 306	4 476 780
The deferred profit tax assets applying the profit tax tariff	15	15
IN TOTAL:	51 646	671 517

NOTE 5: RESOURCES

	The stock and items of recruitment	The unfinished construction	The produced production	Goods bought to resell	In total
a)The cost price of stock acquisition					
In the end of the last financial year	3 455 085	504 147	687 505	9303	4 656 040
In the end of the financial year	2 993 464	393 839	618 348	18 343	4 023 994
b)The write-off to the clear value of realization (re-creation)					
In the end of the last financial year					
In the end of the financial year					
c) The clear value of the possible realization in the end of the financial year (a)-(b)	2 993 464	393 839	618 348	18 343	4 023 994
Differences in estimation if the FIFO method was applied	-	-	-	-	-
The value of collateral resources	2 993 464	393 839	618 348	18 343	4 023 994
Resources at the third persons	-	-	-	-	-

NOTE 6: PREPAYMENTS AND EXPENSES OF THE COMING PERIODS

The division of prepayments according to the types	The financial year 2006	The last financial year 2005
Prepayments for the bars and cafes	19 548	60 154
Expenses of the coming periods:	113 738	171 481
- Insurance	104 744	156 359
- VAT	8 994	15 122
-Prepayments to STI due to the excise	87 170	87 170
Other payments in advance to the suppliers	210 742	348 821
IN TOTAL:	431 198	667 626

NOTE 7: INDEBTEDNESS OF THE CUSTOMERS

Indebtedness of the customers	The financial year 2006	The last financial year 2005
Indebtedness of the customers	7 661 228	6 989 879
Devaluation till the recoverable value	-6008	-33792
IN TOTAL:	7 655 220	6 956 087

NOTE 8: OTHER RECEIVABLE SUMS

The division of other receivable sums according to the type	The financial year 2006	The last financial year 2005
The deferred VAT on import	5 029	
Short-term loans to the employees		1 430
Responsible persons	799	5391
Others (a shoplifting in Klaipėda)	5 063	5 063
IN TOTAL:	100891	11 884

NOTE 9: MONEY AND MONEY EQUIVALENTS

Indicators	The financial year 2006	The last financial year 2005
Money in a bank	302 895	298 095
Money in the till	41 465	32 885
Money on the way (COLLECTING)	44 201	38 307
IN TOTAL	388 561	369 287

NOTE 10: THE CAPITAL

Indicators	The amount of the shares	The sum
The structure of the share capital in the end of the financial year	21786000	21786000
1. According to the type of the shares		
1.1. Ordinary shares	21786000	21786000
1.2. Preference shares		
1.3. Shares of the employees		
1.4. Special shares		
1.5. Other shares		
IŠ VISO:	21786000	21786000
2. The capital of the state or municipalities	-	-
Shares which The Company owes	-	-
Shares which the subsidiary enterprises owe	-	-

The nominal value for one shares of the Company is 1 Lt. Shares are completely paid. AB "Gubernija" did not buy its own shares during the reporting cycle.

Ordinary nominal shares of AB "Gubernija" are in the list of the current market of AB "Vilniaus vertybinių popierių birža" ("Vilnius bourse").

NOTE 11: THE RESERVE OF REASSESSMENT

In the end of the year 2004 the Company reassessed buildings, constructions and production machines. A reserve of the reassessment was formed. Depreciating the part of the reassessed assets, the reassessment reserve is being reduced and the profit of the reporting cycle which is not acknowledged appears in the profit (loss) reports.

NOTE 12: THE PROJECT OF THE PROFIT DISTRIBUTION

The articles	The sum
The undistributed result-profit (loss) in the end of the financial year	-7 060 536
The clear result of the financial year- profit (loss)	-4 402 904
Profit of the reporting cycle that is not acknowledged in the profit (loss) report	664 575
The distributed result- the profit (loss) in the end of the financial year	-10 798 865
Transactions from reserves	-
The profit (loss) for distribution	-10 798 865
The distribution of the profit to the reserves according to the laws to other reserves dividends others	
The undistributed result-profit (loss) in the end of the financial year	-10 798 865

NOTE 13: THE STATUS OF OBLIGATIONS OF THE COMPANY

Indicators	Debts or their parts, payable		
	During one financial year	In one year but not later than in five years	In five years
The division of the payable sums according to the types			
Financial debts:	3 246 586	17 950 838	-
- To the credit institutions	3 246 586	17 950 838	-
Debts to the suppliers	6 077 474	-	-
Received prepayments		-	
Obligations related with work terms	1 725 916	-	-
Other payable sums and short-term obligations	2 779 942	-	-
Payable taxes:	1 878 201		
-The excise duty	1 165 402	-	-
-Water and environment pollution	6 648	-	-
- The real property tax	16 289	-	-
- Other taxes	275	-	-
-VAT	689 587	-	-
Other payable sums	3 175 799		-
Deferred taxes		1 089 832	
IN TOTAL:	18 883 919	19 040 670	-

On December 31, 2006 The Company has short-term obligations for credit institutions, AB SEB Vilnius bank and Hansabankas the part of the long-term loan of the current year 3 159 303, 00 Lt., the leasing of SEB Vilnius bank – 87 283 Lt.

NOTE 16: FINANCIAL CONNECTIONS WITH THE MANAGERS OF THE COMPANY AND OTHER ASSOCIATED PEOPLE

Contracts with the managers

Indicators	The financial year 2006	The last financial year 2005	The remainder in the end of the financial year
A. The sums of the work terms counted during the year:	631080	534917	
1.To the managers	631080	534917	-
2.To other associated people			-
B. Other significant sums counted during the year:			
1. To the managers			-
2. To other associated people			-
The average number of the managers during the year	7	7	X

NOTE 17: OTHER PAYABLES SUMS AND SHORT-TERM OBLIGATIONS

On June 12, 2006 the shareholders' meeting decided to increase the authorized capital by additional contribution- 6 million Lt. Shares of 3 028 720 Lt are signed and paid. On July, 2006 the circuit court of Šiauliai on request of Vitas Tomkus, the shareholder of AB "Gubernija" in July, 2006 banned the performance of the general shareholders' meeting decision affirmed on July 12, 2006 about the authorized capital increase of the Company from additional contributions proportionally to the nominal value of the shares which the shareholders owed on the day of the general shareholders' meeting when the decision about the increase of the authorized capital was affirmed. The new edit of the statutes of the Company and the specified authorized capital are not registered. The case is transferred to the court of Šiauliai district. The shareholders' contributions for the increase of the authorized capital are registered as obligations in the report of other payable sums and obligations.

The claim

In December, 2002 AB "Gubernija" brought AB "Kalnapilis" to court due to the illegitimate circulation of beer named "Ledo" ("Ice") in 2 l PET bottles. The case is transferred to the Constitutional court of the Republic of Lithuania at the moment.

The tax inspection

The Tax inspectorate can inspect how the Company pays taxes and count additional taxes and fines at any time. The managers of the Company do not know any circumstances due to which there could appear a potential significant obligation in this regard.

The president of
AB "Gubernija"

Romualdas Dunauskas

ANNUAL REPORT

The joint-stock company “Gubernija” (hereinafter- the Company) was registered on May 5, 1993. The code of the Company is 144715765. The address of the seat is Dvaro g. 179, LT- 76176 Šiauliai. The e-mail is: info@gubernija.lt

The short description of the history of the Company

GUBERNIJA is the oldest industrial brewery working in Lithuania which has developed from the manufactory manor house and the brewery. It is known that in 1682 its products reached not only different places in Lithuania, but also a part of western Belarus and Minsk. There is a document dated in the second half of the XVII th century in the historic archives of Radvilos in Warsaw where The brewery of Šiauliai manor is described in details. “GUBERNIJA” brewery is justly considered as the oldest brewery in Lithuania.

The first reconstruction of “GUBERNIJA” brewery which started in 1799 lasted more than ten years. Later reconstructions of “GUBERNIJA” brewery took place every hundred years. The second reconstruction took place in the last decade of the XIX th century and the beginning of the XX th century. Till the end of the XIX th century all works were manual. Beer was tipped off into casks and only since the end of the XIX th century bottles came into the use.

During the Second World War “GUBERNIJA” brewery was destroyed badly and burnt but in August, 1944 it started working again. The brewery developed little by little. In 1982 a spacious room for bottling was opened, in 1985 a new administrative building was built. In 1996 after privatization of “GUBERNIJA” brewery, a new period of the brewery history started. In 1996 a material reconstruction of the brewery was begun. A modern brewery with forward technologies was built in the territory of the Old Gubernija.

The lawful base of the activities and the review

AB “GUBERNIJA“ in its practice follows the Laws on Joint-stock companies of the Republic of Lithuania, Laws on Securities’ market, other laws and regulatory acts of the Republic of Lithuania, statutes and the accounting policy of the Company.

AB “GUBERNIJA” belongs to the brewers’ association of Lithuania, also to the industrialists’ association of Šiauliai and participates in the activities in the associations.

The main direction of the activities of the Company is production and sales of beer, beer drinks, cider, and kvass. The Company constantly renews the assortment of production and pays a lot of attention to the quality. “GUBERNIJA” brewery produces beer without “high gravity” technology considering its own technology of production as a vantage when the production of beer is performed to every title of beer from the primary boiling stage till the final stage of tipping-off to the containers. Such technology of beer production is more expensive and such products can not be cheap in the shops.

Experts of beer estimating this circumstance granted “GUBERNIJOS STELLA” a medal in the exhibition “AgroBALT” in 2006 as the undisputable favorite of the beer quality.

Beer and beer drinks in the structure of the products of the Company make 87, 9 percent of all sales in the rating expression, the rest part is kvass, kvass drinks, cider, other goods and services.

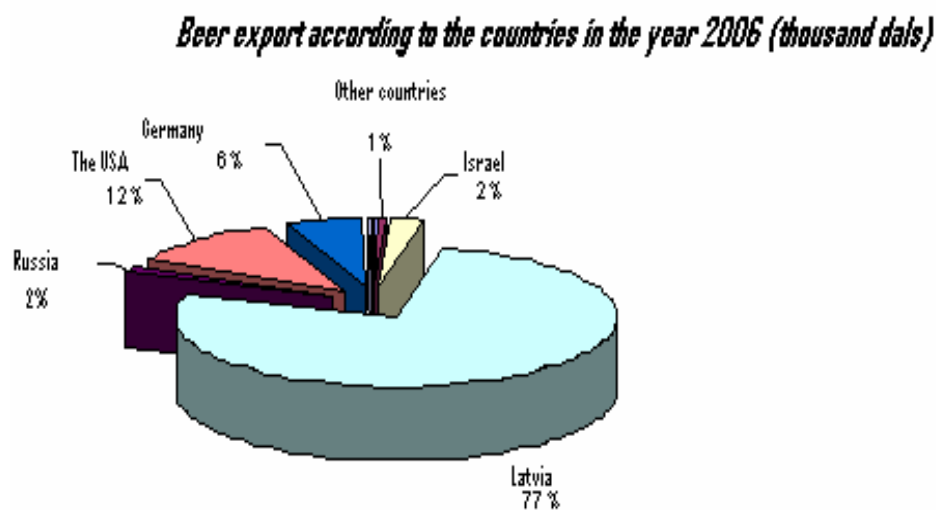
The year 2006 for “GUBERNIJA” was especially important from the point of view of the activities: in summer a part of the production was bottled into brown bottles, very popular in the market of Lithuania. The Company bought the license and brought into the circulation the dominating box of the industrial design belonging to BBH combine.

The Company managed to present new products to the market of Lithuania- in the year 2006 a new brand- “Respublikos” (“REPUBLIC”) beer was brought into the market, cider with a brand “WINNER’S cider” was started to produce.

The income from sales of the Company is 52, 4 million Lt. The amounts of sales in comparison with the year 2005 decreased in 2, 4 million Lt or 4, 4%. The biggest fall in sales had production bottled in PET bottles. In comparison with the year 2005 the amounts of sales of the production in PET bottles decreased in 14 % (268 243 dals).

It was influenced by huge competition and active management decisions of the rivals.

The general amount of beer sales abroad in the year 2006 in comparison with the year 2005 increased in almost 22 %. It was influenced by increased sales in Latvia which make 78 % of all beer sold abroad. Production sales to Germany also increased significantly. They make about 6% of all beer sold abroad.



Following the information of the Brewers' association of Lithuania, the amounts of sales of the Company made 8, 93 % (in the year 2005 they were 10, 71%) of the beer market in Lithuania(without exported production). GUBERNIJA takes 10, 2% of produced beer in Lithuania. The part of the beer market taken in Lithuania decreased in almost 2 percent but we think that the strategy based on the occupation of the bigger part of the market is old-fashioned because applying the bright price-control system the profit equity can be improved by some percent.

AB “GUBERNIJA” has got an agency in Vilnius (Kubiliaus g. 21, Vilnius). It is the warehouse of the wholesale.

The analysis of the financial results of the activities

In the year 2006 AB "GUBERNIJA" worked into a loss (the loss is 4 402 904 Lt) while the profit before the interest, taxes, depreciation is positive, 3, 645 million Lt. The depreciation makes the significant part of expenses of the Company.

Such result was influenced by the fall of sales. A lot of attention was paid to control of expenses and the improvement of activities.

Indicators of the activities of the Company are shown in the table:

Indicators	2006	2005	2004
Net profitability=net profit/sales	-8.4%	-7.5 %	-9.5 %
Coefficient of debts=obligations/the whole assets	0.73	0.68	0.65
Coefficient of owing the debt= obligations sums/ property of the owners	2.64	2.09	1.64
Turnover of the assets=income/the whole assets	1.0	0.95	0.78
Change of the medium assets=net profit/(assets in the beginning of the period+assets in the end of the period)/2*100	-8%	-6,8%	-7,9%
General coefficient of liquidity=short-term assets/short-term obligations	0.66	0.65	0.82
Turnover of assets=sales/assets	1,0	0,95	0,79
The accounting value of the share=proper capital/number of shares	0,65	0,85	0,79
Net profit to a share= net profit/number of shares	-	-	-

On December 31, 2006 the corporate property of the Company was 52, 23 million Lt. The permanent assets in comparison with the year 2005 decreased in 5, 5 million Lt or 12% due to the depreciation and on December 31, 2006 they were 38, 72 million Lt.

On December 31, 2006 the short-term assets were 12, 50 million Lt. Short-term obligations were 18, 88 million Lt.

In the year 2006 the Company equipped a system of products freezing for the improvement of the production technological process and the quality of the products which allows shortening the technological process and helps to master the production of new products. A new machine of tins dating was acquired for qualified marking of the production. The Company invested 312 thousand Lt for the improvement of the equipments in the year 2006.

In the year 2006 AB GUBERNIJA paid a lot of attention for the improvement of work conditions of its employees. Ventilation systems in the prepack section and the production block were reconstructed, a new ventilation system was installed in the boiling section. A modern warehouse for the ready production was equipped in the old production block.

Rivals

Main rivals and data of the beer industry of Lithuania (thousand deciliters) in the year 2006 are shown in the table (the source is the Brewers' association of Lithuania):

Company	Total	In bottles	On tap
Švyturys – Utenos alus	13 367	11 865	1 503
KALNAPILIO - TAURO GRUPĖ	7 286	6 327	960
Ragutis	2 934	2 789	145
Gubernija	2 873	2 681	190
Rinkuškiai	1 118	1 035	100
Kauno alus	702	658	

On December 29, 2006 there were 282 employees in the Company (on December 31, 2005 – there were 303 employees).

Employees according to the categories:

Group of employees	Average number on the list			Education												Average salary, Lt			
				High			spec. secondary			secondary			Unfinished secondary						
	2004	2005	2006	2004	2005	2006	2004	2005	2006	2003	2004	2005	2004	2005	2006	2004	2005	2006	
Managers	7	7	7	7	7	7			1								5018	6377	7717
Specialists	62	63	62	28	23	26	52	52	48								1863	2029	
Officials	20	16	18	8	8	8	12	11	10	3	4	3					1210	1362	2172
Shop-floor	249	215	195	2	2	1	11	9	10	193	164	149	22	23	20		1210	1362	1436
In total:	338	303	282	45	40	41	75	72	69	196	168	152	22	23	20		1442	1647	1779

Risk factors related with the activities

Risk of the activities. The main risk factors related with the activities are the threat of deficiency of the circulating assets (seasons), negative global processes in the market of beer-corporate “pressure” in the sphere of prices and management. The Company works under conditions of high competitions, therefore it is very important that the products were of good taste, attractive outlook and competitive.

Dividends. The managers of AB GUBERNIJA have declared that the Company in the nearest future is not going to announce and pay dividends or other payments from the profit to the shareholders of the Company.

Taxes. Since December 1, 2003 there is a law, according to which the Company has to pay a tax of the environment pollution for plastic and glass bottles. We made a contract with UAB “Žalvaris” about the tare clearing following the tare clearing standards set by the Government of

the Republic of Lithuania. AB GUBERNIJA carried out the tare clearing standards so did not pay the environment pollution tax.

Since August 1, 2006 a law on the bottles deposit came into validity.

Securities

The authorized (signed) capital of the Company is 21 786 000 Lt. The capital is divided into 21.786.000 ordinary nominal shares, the nominal value of every share is 1 Lt.

Ordinary nominal shares of AB “Gubernija” are on the list of the current market of AB “Vilniaus vertybinių popierių birža” (“Vilnius bourse”) (enlisted on September 13, 2004). Sales of the shares of the Company are in “Vilniaus vertybinių popierių birža” (“Vilnius bourse”). There no other bourses which sell shares of AB GUBERNIJA.

AB GUBERNIJA did not buy its own shares during the reporting cycle.

On December 31, 2006 shareholders owned more than 5 % of the authorized capital / votes of the Company

The name and surname of the shareholder, the title of the company, the address of the seat, the code	The number of shares that the shareholder owes, apiece.	The owing part of the authorized capital, percent.	The part of the votes given by the owned shares, percent.	The part of the votes belonging to the shareholder together with the performing people, percent.
VITAS TOMKUS	9 820 391	45,08	45,08	----
ROMUALDAS DUNAUSKAS	2 870 090	13,17	13,17	32,25
JAVELIN FINANCE Siute 4, 41 Lower Baggot Street, Dublin, Ireland 221234	2 696 480	12,38	12,38	
UAB “LINOS NAMAI“ Vilniaus g. 166, Šiauliai 300038452	1 360 428	6,24	6,24	
VIOLETA DUNAUSKIENĖ	98 940	0,45	0,45	
LARISA AFANASEVA	2 590 110	11,89	11,89	----
TAKHIR SHABAEV	1 310 160	6,01	6,01	----

AB GUBERNIJA and AB FMĮ “Finasta” (Konstitucijos pr. 23, Vilnius) signed a contract about the accounting management of the securities of the Company, preparation of the periodic reports and delivery of other services.

Plans and forecasts of the activities

The Company must create new hybrid kinds of products and develop the supply of the niche products. The newest product “Dvaro mišas” proved the vantage of AB GUBERNIJA in the segment of the niche products. In the year 2007 the Company decided to produce some more niche products in the group with alcohol percent and soft drinks.

The turnover of new products in the year 2007 would be considered as successful if reached the turnover of 10 million Lt. To reach it programs of products development and maintenance are oriented today.

The aim of the Company in the inner beer market is to return to 10% of the beer market of Lithuania and to maintain the growth of the general market.

In the year 2007 it is planned to increase the export of beer in 20%. In the end of the year 2006 the first consignment of beer was sent to Canada and we hope that export to this country will increase in 10%, also we expect to increase beer sales in Germany and Ireland.

Events after completing of the balance

On January 22, 2007 the Commission of Securities of the Republic of Lithuania sent a notification about the loss of the share parcel, which informed that Vitas Tomkus had sold 11, 34% of shares to the press of UAB “Respublika” (“Republic”) (124250999).

Information about the audit

UAB “IDG AUDITORIAI” performed the audit of AB GUBERNIJA of the financial accountability. The audit of December 31, 2006 of the balance and profit (loss), and reports of the money flows was performed (the conclusion of the audit is attached). The audit of the year 2006 was finished and the auditor’s opinion was signed on March 23, 2007.

The audit of the year 2006 was performed and the conclusion was signed by the auditor Gražina Ribinskienė.

*General manager of
AB GUBERNIJA*

Romualdas Dunauskas

*Annex 1***To AB “Gubernija” annual report**

The joint-stock company AB “Gubernija“, 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 permanent optimizing the value of the shareholders’ property.		
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 aims to have to 10% of the beer market, to export to 20% of beer, to increase the production of soft drinks for inner and foreign markets: detailed comments about the strategy and goals are in the website of the Company in the column “To investors”.
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	By the decision of the board of the Company the development plan for soft drinks and managing actions for export were affirmed. The actions of the board are directed to assure funding opportunities.
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 chairman of the board and the General manager is the same person; therefore a more conventional way of management ensures operate strategic actions and the level of responsibility. The board together with the General manager is very dynamic and the decisions are objectively real.
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	Traditions of the product which is being produced for centuries constantly convey attitudes of humanity and respect. The board of the Company, managers and other principal staff naturally and consonantly represent interests of the Company and the product. The development of the brand of the Company obliges more than any bureaucratic recommendations.
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.	Yes	A general shareholders' meeting, the board, and the chief executive officer are the company's management bodies. The supervisory board is not set up because there is no need to waste money of the Company.
2.2. A collegial management body is responsible for the strategic management of the company and performs other key functions of corporate governance. A collegial supervisory body is responsible for the effective supervision of the company's management bodies.	Yes	The General manager and the board perform basic functions of management in the Company.
2.3. Where a company chooses to form only one collegial body, it is recommended that it should be a supervisory body, i.e. the supervisory board. In such a case, the supervisory board is responsible for the effective monitoring of the functions performed by the company's chief executive officer.	No	The supervisory board is not set up.
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		

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

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	A general shareholders' meeting elected a board of 5 members for the period of four years. The number of members is sufficient because there are specialists from different spheres.
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.	Yes	The tenure of the members of the board is 4 (four) years.
2.7. Chairman of the collegial body elected by the general shareholders' meeting may be a person whose current or past office constitutes no obstacle to conduct independent and impartial supervision. Where a company should decide not to set up a supervisory board but rather the board, it is recommended that the chairman of the board and chief executive officer of the company should be a different person. Former company's chief executive officer should not be immediately nominated as the chairman of the collegial body elected by the general shareholders' meeting. When a company chooses to departure from these recommendations, it should furnish information on the measures it has taken to ensure impartiality of the supervision.	No	The chairman of the board of the Company and the General manager is the same person. A more conventional way of management.
<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>		

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>	Yes	While a general shareholders' meeting is offering candidates to the board, information about every candidate is provided.
<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>	Yes	The board operates according to the regulation of the Board.
<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>	Yes	Members of the board and other specialists have all opportunities to participate in seminars and conferences to raise their qualifications.
<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>	Yes	All conditions are offered to the members of the board and other specialists to raise their qualifications, acquire diverse knowledge, judgment and experience to complete their tasks 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.</p>	Yes	Employees of all basic offices are members of the board. They work following the laws regulating the activities of the Company and their changes.

<p>3.6. In order to ensure that all material conflicts of interest related with a member of the collegial body are resolved properly, the collegial body should comprise a sufficient⁴ number of independent⁵ members.</p>		
<p>3.7. A member of the collegial body should be considered to be independent only if he is free of any business, family or other relationship with the company, its controlling shareholder or the management of either, that creates a conflict of interest such as to impair his judgment. Since all cases when member of the collegial body is likely to become dependant are impossible to list, moreover, relationships and circumstances associated with the determination of independence may vary amongst companies and the best practices of solving this problem are yet to evolve in the course of time, assessment of independence of a member of the collegial body should be based on the contents of the relationship and circumstances rather than their form. The key criteria for identifying whether a member of the collegial body can be considered to be independent are the following:</p> <ol style="list-style-type: none"> 1) He/she is not an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) of the company or any associated company and has not been such during the last five years; 2) He/she is not an employee of the company or some any company and has not been such during the last three years, except for cases when a member of the collegial body does not belong to the senior management and was elected to the collegial body as a representative of the employees; 3) He/she is not receiving or has been not receiving significant additional remuneration from the company or associated company other than remuneration for the office in the collegial body. 		<p>There are not many employees of proper qualification.</p>

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

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

<p>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>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</p>		
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<p>above items 1 to 8. Close relative is considered to be a spouse (common-law spouse), children and parents.</p> <p>3.8. The determination of what constitutes independence is fundamentally an issue for the collegial body itself to determine. The collegial body may decide that, despite a particular member meets all the criteria of independence laid down in this Code, he cannot be considered independent due to special personal or company-related circumstances.</p>		
<p>3.9. Necessary information on conclusions the collegial body has come to in its determination of whether a particular member of the body should be considered to be independent should be disclosed. When a person is nominated to become a member of the collegial body, the company should disclose whether it considers the person to be independent. When a particular member of the collegial body does not meet one or more criteria of independence set out in this Code, the company should disclose its reasons for nevertheless considering the member to be independent. In addition, the company should annually disclose which members of the collegial body it considers to be independent.</p>		
<p>3.10. When one or more criteria of independence set out in this Code has not been met throughout the year, the company should disclose its reasons for considering a particular member of the collegial body to be independent. To ensure accuracy of the information disclosed in relation with the independence of the members of the collegial body, the company should require independent members to have their independence periodically re-confirmed.</p>		

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.	No	Not applicable because it is not remunerated from the company's funds.
<p>Principle IV: The duties and liabilities of a collegial body elected by the general shareholders' meeting</p> <p>The corporate governance framework should ensure proper and effective functioning of the collegial body elected by the general shareholders' meeting, and the powers granted to the collegial body should ensure effective monitoring⁷ of the company's management bodies and protection of interests of all the company's shareholders.</p>		
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	The annual financial integrity / accountability and the project of the profit share are discussed and confirmed by the board.

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.

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

<p>4.2. Members of the collegial body should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders with due regard to the interests of employees and public welfare. Independent members of the collegial body should (a) under all circumstances maintain independence of their analysis, decision-making and actions (b) do not seek and accept any unjustified privileges that might compromise their independence, and (c) clearly express their objections should a member consider that decision of the collegial body is against the interests of the company. Should a collegial body have passed decisions independent member has serious doubts about, the member should make adequate conclusions. Should an independent member resign from his office, he should explain the reasons in a letter addressed to the collegial body or audit committee and, if necessary, respective company-not-pertaining body (institution).</p>		Not applicable.
<p>4.3. Each member should devote sufficient time and attention to perform his duties as a member of the collegial body. Each member of the collegial body should limit other professional obligations of his (in particular any directorships held in other companies) in such a manner they do not interfere with proper performance of duties of a member of the collegial body. In the event a member of the collegial body should be present in less than a half⁹ of the meetings of the collegial body throughout the financial year of the company, shareholders of the company should be notified.</p>		Not applicable.
<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>	Yes	The clear order for communication with the shareholders is provided in the regulation of the activities of the Company.

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>4.5. 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>	Yes	Decisions about significant contracts are made by the board.
<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>		Not applicable.
<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</p>	No	There are no committees in the Company due to a small number of specialists and officials and it would be beside the purpose.

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>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>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>4.9. Committees established by the collegial body should normally be composed of at least three members. In companies with small number of members of the collegial body, they could exceptionally be composed of two members. Majority of the members of each committee should be constituted from independent members of the collegial body. In cases when the company chooses not to set up a supervisory board, remuneration and audit committees should be entirely comprised of non-executive directors. Chairmanship and membership of the committees should be decided with due regard to the need to ensure that committee membership is refreshed and that undue reliance is not placed on particular individuals.</p>		

<p>4.10. Authority of each of the committees should be determined by the collegial body. Committees should perform their duties in line with authority delegated to them and inform the collegial body on their activities and performance on regular basis. Authority of every committee stipulating the role and rights and duties of the committee should be made public at least once a year (as part of the information disclosed by the company annually on its corporate governance structures and practices). Companies should also make public annually a statement by existing committees on their composition, number of meetings and attendance over the year, and their main activities. Audit committee should confirm that it is satisfied with the independence of the audit process and describe briefly the actions it has taken to reach this conclusion.</p>		
<p>4.11. In order to ensure independence and impartiality of the committees, members of the collegial body that are not members of the committee should commonly have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or demand participation in the meeting of particular officers or experts. Chairman of each of the committees should have a possibility to maintain direct communication with the shareholders. Events when such are to be performed should be specified in the regulations for committee activities.</p>		
<p>4.12. Nomination Committee. 4.12.1. Key functions of the nomination committee should be the following:</p> <ul style="list-style-type: none"> • Identify and recommend, for the approval of the collegial body, candidates to fill board vacancies. The nomination committee should evaluate the balance of skills, knowledge and experience on the management body, prepare a description of the roles and capabilities required to assume a particular office, and assess the time commitment expected. Nomination committee can also consider candidates to members of the collegial body delegated by the shareholders of the company; • Assess on regular basis the structure, size, composition and performance of the supervisory and management bodies, and make recommendations to the collegial body regarding the means of achieving necessary changes; • Assess on regular basis the skills, knowledge and experience of individual directors and report on this to the 		

<p>collegial body;</p> <ul style="list-style-type: none"> • 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>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; • 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 		

<p>structure of remuneration for senior management (as defined by the collegial body) with regard to the respective information provided by the executive directors and members of the management bodies.</p> <p>4.13.2. With respect to stock options and other share-based incentives which may be granted to directors or other employees, the committee should:</p> <ul style="list-style-type: none">• 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 		
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<p>responsiveness of management to recommendations made in the external auditor's management letter.</p> <p>4.14.2. All members of the committee should be furnished with complete information on particulars of accounting, financial and other operations of the company. Company's management should inform the audit committee of the methods used to account for significant and unusual transactions where the accounting treatment may be open to different approaches. In such case a special consideration should be given to company's operations in offshore centers and/or activities carried out through special purpose vehicles (organizations) and justification of such operations.</p> <p>4.14.3. The audit committee should decide whether participation of the chairman of the collegial body, chief executive officer of the company, chief financial officer (or superior employees in charge of finances, treasury and accounting), or internal and external auditors in the meetings of the committee is required (if required, when). The committee should be entitled, when needed, to meet with any relevant person without executive directors and members of the management bodies present.</p> <p>4.14.4. Internal and external auditors should be secured with not only effective working relationship with management, but also with free access to the collegial body. For this purpose the audit committee should act as the principal contact person for the internal and external auditors.</p> <p>4.14.5. The audit committee should be informed of the internal auditor's work program, and should be furnished with internal audit's reports or periodic summaries. The audit committee should also be informed of the work program of the external auditor and should be furnished with report disclosing all relationships between the independent auditor and the company and its group. The committee should be timely furnished information on all issues arising from the audit.</p> <p>4.14.6. The audit committee should examine whether the company is following applicable provisions regarding the possibility for employees to report alleged significant irregularities in the company, by way of complaints or through anonymous submissions (normally to an independent member of the collegial body), and should ensure that there is a procedure established for proportionate</p>		
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<p>and independent investigation of these issues and for appropriate follow-up action.</p> <p>4.14.7. The audit committee should report on its activities to the collegial body at least once in every six months, at the time the yearly and half-yearly statements are approved .</p>		
<p>4.15. Every year the collegial body should conduct the assessment of its activities. The assessment should include evaluation of collegial body's structure, work organization and ability to act as a group, evaluation of each of the collegial body member's and committee's competence and work efficiency and assessment whether the collegial body has achieved its objectives. The collegial body should, at least once a year, make public (as part of the information the company annually discloses on its management structures and practices) respective information on its internal organization and working procedures, and specify what material changes were made as a result of the assessment of the collegial body of its own activities.</p>		
<p>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>5.2. It is recommended that meetings of the company's collegial bodies should be carried out according to the schedule approved in advance at certain intervals of time. Each company is free to decide how often to convene meetings of the collegial bodies, but it is recommended that these meetings should be convened at such intervals, which would guarantee an interrupted resolution of the essential corporate governance issues. Meetings of the company's supervisory board should be convened at least once in a quarter, and the company's board should meet at least once a month¹¹.</p>	Yes	The company is free to decide how often to convene meetings of the board. Under the necessity an extraordinary meeting of the board is being convened.
<p>5.3. Members of a collegial body should be notified about the meeting being convened in advance in order to allow sufficient time for proper preparation for the issues on the agenda of the meeting and to ensure fruitful discussion and adoption of appropriate decisions. Alongside with the notice about the meeting being convened, all the documents relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body are present or certain issues of great importance to the company require immediate resolution.</p>		
<p>5.4. In order to co-ordinate operation of the company's collegial bodies and ensure effective decision-making process, chairpersons of the company's collegial bodies of supervision and management should closely co-operate by co-coordinating dates of the meetings, their agendas and resolving other issues of corporate governance. Members of the company's board should be free to attend meetings of the company's supervisory board, especially where issues concerning removal of the board members, their liability or remuneration are discussed.</p>		Dates and agendas of the meetings are coordinated.
<p>Principle VI: The equitable treatment of shareholders and shareholder rights</p> <p>The corporate governance framework should ensure the equitable treatment of all shareholders, including minority and foreign shareholders. The corporate governance framework should protect the rights of the shareholders.</p>		
<p>6.1. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all their holders.</p>	Yes	<i>Ordinary nominal shares that make the authorized capital of the Company, grant equal rights to the owners of the shares.</i>

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.

6.2. 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	Complete information about the shares that are being issued is provided in the shareholders' meeting. The substantial event is announced in the press.
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	Transactions that are important to the Company including approval of transactions referred to is performed by the board.
6.4. Procedures of convening and conducting a general shareholders' meeting should ensure equal opportunities for the shareholders to effectively participate at the meetings and should not prejudice the rights and interests of the shareholders. The venue, date, and time of the shareholders' meeting should not hinder wide attendance of the shareholders. Prior to the shareholders' meeting, the company's supervisory and management bodies should enable the shareholders to lodge questions on issues on the agenda of the general shareholders' meeting and receive answers to them.	Yes	The statutes of the Company determine to whom and in what way information could be provided.

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

<p>6.5. It is recommended that documents on the course of the general shareholders' meeting, including draft resolutions of the meeting, should be placed on the publicly accessible website of the company in advance¹³. It is recommended that the minutes of the general shareholders' meeting after signing them and/or adopted resolutions should be also placed on the publicly accessible website of the company. Seeking to ensure the right of foreigners to familiarize with the information, whenever feasible, documents referred to in this recommendation should be published in English and/or other foreign languages. Documents referred to in this recommendation may be published on the publicly accessible website of the company to the extent that publishing of these documents is not detrimental to the company or the company's commercial secrets are not revealed.</p>	Yes	It is announced in the website of the Company.
<p>6.6. Shareholders should be furnished with the opportunity to vote in the general shareholders' meeting in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.</p>	Yes	The shareholder can participate in the shareholders' meeting in person, by deputy if the person has proper authorization or whether an assignation contract of voting rights is signed, or can vote by post.
<p>6.7. With a view to increasing the shareholders' opportunities to participate effectively at shareholders' meetings, the companies are recommended to expand use of modern technologies in voting processes by allowing the shareholders to vote in general meetings via terminal equipment of telecommunications. In such cases security of telecommunication equipment, text protection and a possibility to identify the signature of the voting person should be guaranteed. Moreover, companies could furnish its shareholders, especially foreigners, with the opportunity to watch shareholder meetings by means of modern technologies.</p>	No	There are no possibilities to apply modern technologies and telecommunication equipment for shareholders to vote in the shareholders' meetings.
<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	The members of the board follow these recommendations; do not participate in voting and making decisions when personal interests are involved.
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.		
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.		
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	Recommendations are being followed.
<p>Principle VIII: Company's remuneration policy</p> <p>Remuneration policy and procedure for approval, revision and disclosure of directors' remuneration established in the company should prevent potential conflicts of interest and abuse in determining remuneration of directors, in addition it should ensure publicity and transparency both of company's remuneration policy and remuneration of directors.</p>		
8.1. A company should make a public statement of the company's remuneration policy (hereinafter the remuneration statement). This statement should be part of the company's annual accounts. Remuneration statement should also be posted on the company's website.	Yes	Concise information is provided in the annual report.

<p>8.2. Remuneration statement should mainly focus on directors' remuneration policy for the following year and, if appropriate, the subsequent years. The statement should contain a summary of the implementation of the remuneration policy in the previous financial year. Special attention should be given to any significant changes in company's remuneration policy as compared to the previous financial year.</p>		
<p>8.3. Remuneration statement should leastwise include the following information:</p> <ul style="list-style-type: none"> • Explanation of the relative importance of the variable and non-variable components of directors' remuneration; • Sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration; • Sufficient information on the linkage between the remuneration and performance; • The main parameters and rationale for any annual bonus scheme and any other non-cash benefits; • A description of the main characteristics of supplementary pension or early retirement schemes for directors. 		
<p>8.4. Remuneration statement should also summarize and explain company's policy regarding the terms of the contracts executed with executive directors and members of the management bodies. It should include, inter alia, information on the duration of contracts with executive directors and members of the management bodies, the applicable notice periods and details of provisions for termination payments linked to early termination under contracts for executive directors and members of the management bodies.</p>		
<p>8.5. The information on preparatory and decision-making processes, during which a policy of remuneration of directors is being established, should also be disclosed. Information should include data, if applicable, on authorities and composition of the remuneration committee, names and surnames of external consultants whose services have been used in determination of the remuneration policy as well as the role of shareholders' annual general meeting.</p>		
<p>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>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 during the relevant financial year; • When the pension scheme is defined-contribution scheme, detailed information on contributions paid or payable by the company in respect of that director during the relevant financial year. <p>8.7.4. The statement should also state amounts that the company or any subsidiary company or entity included in the consolidated annual financial statements of the company has paid to each person who has served as a director in the company at any time during the relevant financial year in the form of loans, advance payments or guarantees, including the amount outstanding and the interest rate.</p>		
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<p>8.8. Schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements should be subject to the prior approval of shareholders' annual general meeting by way of a resolution prior to their adoption. The approval of scheme should be related with the scheme itself and not to the grant of such share-based benefits under that scheme to individual directors. All significant changes in scheme provisions should also be subject to shareholders' approval prior to their adoption; the approval decision should be made in shareholders' annual general meeting. In such case shareholders should be notified on all terms of suggested changes and get an explanation on the impact of the suggested changes.</p>		
<p>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>		
<p>8.11. Provisions of Articles 8.8 and 8.9 should not be applicable to schemes allowing for participation under similar conditions to company's employees or employees of any subsidiary company whose employees are eligible to participate in the scheme and which has been approved in the shareholders' annual general meeting.</p>		

<p>8.12. Prior to the annual general meeting that is intended to consider decision stipulated in Article 8.8, the shareholders must be provided an opportunity to familiarize with draft resolution and project-related notice (the documents should be posted on the company’s website). The notice should contain the full text of the share-based remuneration schemes or a description of their key terms, as well as full names of the participants in the schemes. Notice should also specify the relationship of the schemes and the overall remuneration policy of the directors. Draft resolution must have a clear reference to the scheme itself or to the summary of its key terms. Shareholders must also be presented with information on how the company intends to provide for the shares required to meet its obligations under incentive schemes. It should be clearly stated whether the company intends to buy shares in the market, hold the shares in reserve or issue new ones. There should also be a summary on scheme-related expenses the company will suffer due to the anticipated application of the scheme. All information given in this article must be posted on the company’s website.</p>		
<p>Principle IX: The role of stakeholders in corporate governance</p> <p>The corporate governance framework should recognize the rights of stakeholders as established by law and encourage active co-operation between companies and stakeholders in creating the company value, jobs and financial sustainability. For the purposes of this Principle, the concept “stakeholders” includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interest in the company concerned.</p>		
<p>9.1. The corporate governance framework should assure that the rights of stakeholders that are protected by law are respected.</p>		
<p>9.2. The corporate governance framework should create conditions for the stakeholders to participate in corporate governance in the manner prescribed by law. Examples of mechanisms of stakeholder participation in corporate governance include: employee participation in adoption of certain key decisions for the company; consulting the employees on corporate governance and other important issues; employee participation in the company’s share capital; creditor involvement in governance in the context of the company’s insolvency, etc.</p>		
<p>9.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.</p>		
<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</p>		

regarding the company, including the financial situation, performance and governance of the company.		
<p>10.1. The company should disclose information on:</p> <ul style="list-style-type: none"> • The financial and operating results of the company; • Company objectives; • Persons holding by the right of ownership or in control of a block of shares in the company; • Members of the company’s supervisory and management bodies, chief executive officer of the company and their remuneration; • Material foreseeable risk factors; • Transactions between the company and connected persons, as well as transactions concluded outside the course of the company’s regular operations; • Material issues regarding employees and other stakeholders; • Governance structures and strategy. <p>This list should be deemed as a minimum recommendation, while the companies are encouraged not to limit themselves to disclosure of the information specified in this list.</p> <p>10.2. It is recommended that consolidated results of the whole group to which the company belongs should be disclosed when information specified in item 1 of Recommendation 10.1 is under disclosure.</p> <p>10.3. It is recommended that information on the professional background, qualifications of the members of supervisory and management bodies, chief executive officer of the company should be disclosed as well as potential conflicts of interest that may have an effect on their decisions when information specified in item 4 of Recommendation 10.1 about the members of the company’s supervisory and management bodies is under disclosure. It is also recommended that information about the amount of remuneration received from the company and other income should be disclosed with regard to members of the company’s supervisory and management bodies and chief executive officer as per Principle VIII.</p> <p>10.4. It is recommended that information about the links between the company and its stakeholders, including employees, creditors, suppliers, local community, as well as the company’s policy with regard to human resources, employee participation schemes in the company’s share capital, etc. should be disclosed when information specified in item 7 of Recommendation 10.1 is under disclosure.</p>	Yes	All information is provided in the website of the Company.

10.5. Information should be disclosed in such a way that neither shareholders nor investors are discriminated with regard to the manner or scope of access to information. Information should be disclosed to all simultaneously. It is recommended that notices about material events should be announced before or after a trading session on the Vilnius Stock Exchange, so that all the company's shareholders and investors should have equal access to the information and make informed investing decisions.	Yes	The Company states that it follows the best part of the principles and recommendations of the Governance code.
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.		
10.7. It is recommended that the company's annual reports and other periodical accounts prepared by the company should be placed on the company's website. It is recommended that the company should announce information about material events and changes in the price of the company's shares on the Stock Exchange on the company's website too.	Yes	It is announced in the website of the Company.
<p>Principle XI: The selection of the company's auditor</p> <p>The mechanism of the selection of the company's auditor should ensure independence of the firm of auditor's conclusion and opinion.</p>		
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	An independent firm of auditors conducts an audit of the Company's financial statements and annual report.
11.2. It is recommended that the company's supervisory board and, where it is not set up, the company's board should propose a candidate firm of auditors to the general shareholders' meeting.	Yes	The competition for conducting of the audit should be announced. The offers are discussed in the board, the decision is made and the candidate audit firm is presented to the general shareholders' meeting.

11.3. It is recommended that the company should disclose to its shareholders the level of fees paid to the firm of auditors for non-audit services rendered to the company. This information should be also known to the company's supervisory board and, where it is not formed, the company's board upon their consideration which firm of auditors to propose for the general shareholders' meeting.	Yes	All information about the audit firm is given to the shareholders.
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The chairman of the board

Romualdas Dunauskas