



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

30 04 2008 No. 344

#### CONFIRMATION OF RESPONSIBLE PERSONS

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

Director General

Povilas Stumbrys

Chief Accountant

Vitalija Ramanauskienė

## THE INTERIM STATEMENT

The reporting cycle from 2007-01-01...2007-12-31

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](mailto:info@gubernija.lt). The internet address is [www.gubernija.lt](http://www.gubernija.lt)

### 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 of 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.

Beer and beer drinks in the structure of the products of the Company make 84, 16 percent of all sales in the rating expression, the rest part is kvass, kvass drinks, cider, other goods and services.

There were many changes in the Company in the year 2007. General manager Romualdas Dunauskas resigned on April 02, 2007. On April 06, 2007 Mr Romas Bubnelis was appointed the general manager.

A board of the Company was reelected on April 06, 2007 during the general meeting of the shareholders. On April 26, 2007 the main creditor of AB "Gubernija" changed. UAB "Respublikos

investicija” took over the requirement rights occurring from the crediting contract of December 28, 2004 made with AB SEB Vilnius bank and AB Bank “Hansabankas”. Order and terms of the implementation of the Crediting contract obligations have not changed to AB “Gubernija.

The Company worked hard: due to the lack of stock, production of beer was suspended and restarted. The Company was overburdened with the requirements of suppliers and creditors, and lack of current assets.

The year 2007 was especially difficult looking from the point of view of the activities. The Company worked hard the whole year: there was a lack of the current assets due to the pay up of the debts to the suppliers which were left by the former managers to the new ones, that is why the suppliers raised the prices of the stock and materials, the negotiations for more favourable supplying conditions and terms of payment became impossible. Suppliers require the payment and supply the stock only for the paid sums. Production of beer was suspended and restarted. The Company was overburdened with the requirements of suppliers and creditors, judicial processes began, the assets of the Company was arrested. Due to the lack of the main stock and other material necessary for the production the Company reduced the range of the production. The Company only partially fulfills the orders of the buyers of the main goods.

During the period of governing (since April) a lot of actions were performed reconsidering the prices of the sold production, refusing from the loss-making export, an unexpedient rent of the premises and territories. Old employees from the sales department resigned, new ones have no sufficient experience. One of the main reasons that the Company is in a complicated situation is the reduce in sales and a significant increase in the prices of malt and energetic resources.

Sales of beer in the year 2007 decreased significantly (in 17, 89 %). Income from sales during the year 2007 in comparison with the same period of the year 2006 decreased in 3, 37% or 1, 91 million Lt. Sales of beer in comparison with the same period of the year 2006 decreased in 12, 14%. Only sales of kvass increased. 459, 03 thousand deciliters of kvass were sold during the year 2007. In comparison with the year 2006, sales increased in 30, 8 %. Sales decreased due to the disorders of the material supplies, it is impossible to gain malt and other necessary material and containers, there is a periodical underproducing of production and the Company pays fines as it can not deliver orders of the production.

Due to the decreased amount of the produced production permanent expenses for 1 dal of production increased. The increase of the cost price was influenced by the rise in prices of energetic resources, the stock, and the structural changes of the production.

#### *Analysis of results from the financial activities*

In the year 2007 AB “Gubernija” worked into a loss and experienced a loss of 6, 15 million Lt, though the profit before the interest, depreciation, and amortization (EBITDA) is positive-1, 8 million Lt. The significant part of the expenses make depreciation and amortization. A fall in sales and a huge shift of the personnel determined a such result.

In the year 2007 a lot of attention was paid to the control of the expenses and improvement of the activities, but no positive results were gained.

The unacknowledged profit of the reporting cycle in the profit/loss report of the year 2007 due to the depreciation of the reassessed part in the long-term assets is 463, 4 thousand Lt.

On December 31, 2007 the corporate property of the Company was 43, 79 million Lt.

On December 31, 2007 the short-term assets were 10, 03 million Lt. Short-term obligations were 19, 89 million Lt.

At the moment the situation in the Company is very complicated. At the end of the year The private capital of the Company became less than ½ of the authorized capital declared in the statutes. The board of the Company is informed about this situation and has to make a decision not later than in three months to rectify the situation.

### *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. All shares are completely paid-up. 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.

In the end of the year 2007 shareholders owning more than 5 % of the authorized capital / votes of the Company

Name, surname of the shareholder/ a company, the address of the seat, the code	Number of shares that the shareholder owns, in units	A possessed part of the authorized capital, in percent	A part of votes granted by the owned shares, in percent	A part of votes belonging to the shareholder and other contributors, in percent
VITAS TOMKUS	7 351 191	33,74	33,74	
UAB“RESPUBLIKOS“ SPAUSTUVĖ( UAB “RESPUBLIKOS“ PRINTING-HOUSE), A.SMETONOS 2, VILNIUS, 124250999	2 469 200	11,33	11,33	45,07
ROMUALDAS DUNAUSKAS	2 870 090	13,17	13,17	
JAVELIN FINANCE Siute 4, 41 Lower Baggot Street, Dublin, Ireland 221234	2 696 480	12,38	12,38	32,34
UAB “LINOS NAMAI“ Vilniaus g. 166, Šiauliai 300038452	1 369 039	6,28	6,28	
VIJOLETA DUNAUSKIENĖ	98 940	0,45	0,45	

LARISA AFANASEVA	2 590 110	11,89	11,89	On March 21, 2007 a right to vote was alienated to UAB “ Respublikos“ printing-house for two years, attached
TAKHIR SHABAEV	1 310 160	6,01	6,01	On March 21, 2007 a right to vote was alienated to UAB “ Respublikos“ printing-house for two years, attached

AB Gubernija and AB FMI “ Finasta“ (Konstitucijos prospektas 23, Vilnius) signed a contract about the keeping records of the shares issued by the Company, preparation of the periodical reports and rendering of other services.

*Plans and forecasts of the activities*

In the year 2007 the Company produced a new kind of beer “JUODAS LEDAS“ (“BLACK ICE“). The aim of the Company in the inner market is to return to a 10% part of the beer market in Lithuania and maintain the general growth of the market.

*Events after the balance was completed*

On January 22, 2007 the Commission of Securities of the Republic of Lithuania sent a report about the loss of the shares‘ packet and informed that Vitas Tomkus had sold 11, 34 percent of shares to UAB “ Respublikos“ printing-house. On March 21, 2007 a contract about the alienation of the voting rights was made by which L. Afanasjeva and T. Shabaev alienated their votes to UAB “ Respublikos“ printing-house for two years. Legal conflicts about that contract take place, alienated votes are being attached.

The case about the decisions of the general shareholders‘ meeting on April 06,2007 acknowledging as invalid in the court of Šiauliai circuit. On January 14, 2008 new statutes were registered and the authorized capital was expanded to 24 814 720 Lt.

*Information about the audit*

On March 06, 2008 a contract with UAB “Auditoriai ir konsultantai“ was signed to audit the financial accountability of the year 2007.

The Deputy of  
AB GUBERNIJA



Povilas Stumbrys

## INDEPENDENT AUDITOR'S REPORT

To AB "Gubernija" shareholders

We have audited the accompanying financial statements of AB "Gubernija", which comprise the balance sheet as of December 31, 2007, the profit(loss) statement, the statement of changes in equity and the cash flow statement, a declaratory letter, and the annual report for the year 2007 which is attached hereto to this financial accounting.

In our opinion, the financial accountability of AB "Gubernija" is prepared in accordance with the International Financial Reporting Standards validated in the European Union.

Management is responsible for the financial accountability and the annual report. Our responsibility is to express an opinion on these financial statements based on our audit and to evaluate if data given in the annual report coincide with the data in the financial reports.

We conducted our audit in accordance with International Standards on Auditing and the current practice. We planned and performed the audit to obtain reasonable assurance whether the financial statements are free from the material misstatement. During the audit, we did tests, which include a survey of sums in the financial statement in the way of sampling.

We audited the applied accounting principles and significant evaluations made by the management and declared in the financial report. Our job in point of the annual report was limited in the inspection if the declared data coincided with the financial statement and did not include the evaluation of management and inspection of the activity plans and forecasts.

In our opinion, the performed audit bases properly the notion about this financial accountability.

We believe the financial statements in all significant cases under the current circumstances give a true and fair view of the financial position of AB "Gubernija" on December 31, 2007, results of the activities of the year 2007 according to International Financial Reporting Standards validated in the European Union.

We did not notice any material misstatement in the annual report of AB "Gubernija" for the year 2007 in comparison with the audited financial statements.

The audit finished on April 14, 2008  
The report of the audit validated on April 15, 2008

UAB „Auditoriai ir konsultantai“  
(The number of the audit company No. 001239)

President Antanas Šiupienius,

An independent auditor the number of the auditor's certificate No. 000278)



AB GUBERNIJA, 144715765

(įmonės pavadinimas)

DVARO 179, ŠIAULIAI

(įmonės kodas, adresas, kiti duomenys)

PATVIRTINTA

20 \_\_\_\_\_ m. \_\_\_\_\_ d.

protokolo Nr. \_\_\_\_\_

2007 m. Gruodžio 31 d. **PELNO (NUOSTOLIŲ) ATASKAITA/  
INCOME STATEMENT**

2007-01-01..2007-12-31 (finansinių atskaitomybės sudarymo data) 2008 02 28 Nr.  
(ataskaitinis laikotarpis)

Litas/in Litas

	Straipsniai/ Items	Pastabos Nr./ Notes	Finans. m./ Finan. year2007-12- 31	Praeję finansiniai m. Previous financial year2006-12-31	Praeję fin. m./ Previous financial year2005-12-31
<b>I.</b>	<b>PARDAVIMO PAJAMOS/ SALES</b>	16	50 480 692	52 395 801	40 922 868
<b>II.</b>	<b>PARDAVIMO SAVIKAINA/ COST OF SALES</b>	17	39 583 762	39 912 302	30 802 711
<b>III.</b>	<b>BENDRASIS PELNAS (NUOSTOLIAI)/ GROSS PROFIT</b>		<b>10 896 930</b>	<b>12 483 499</b>	<b>10 120 157</b>
<b>IV.</b>	<b>VEIKLOS SĄNAUDOS / OPERATING EXPENSES</b>	18	15 141 032	15 401 572	11 153 600
IV	Pardavimo/ Sales		10 787 247	10 883 063	7 829 891
IV	Bendrosios ir administracinės/ General and administrative		4 353 785	4 518 509	3 323 709
<b>V.</b>	<b>TIPINĖS VEIKLOS PELNAS (NUOSTOLIAI) / OPERATING PROFIT</b>		<b>(4 244 102)</b>	<b>(2 918 073)</b>	<b>(1 033 443)</b>
<b>VI.</b>	<b>KITA VEIKLA / OTHER OPERATIONS</b>	19	163 532	( 3 680)	( 13 576)
VI	Pajamos/ Income		313 855	32 320	13 424
VI	Išlaidos/ Expenses		150 323	36 000	27 000
<b>VII.</b>	<b>FINANSINĖ IR INVESTICINĖ VEIKLA/ FINANCIAL AND INVESTING ACTIVITIES</b>	20	<b>(1 853 938)</b>	<b>(1 512 332)</b>	<b>(1 051 853)</b>
VI	Pajamos/ Income		5 358	13 805	101 303
VI	Išlaidos/ Expenses		1 859 296	1 526 137	1 153 156
<b>XI.</b>	<b>PELNAS (NUOSTOLIAI) PRIEŠ APMOKESTINIMĄ/ CURRENT YEAR PROFIT BEFORE TAXES</b>		<b>(5 934 508)</b>	<b>(4 434 085)</b>	<b>(2 098 872)</b>
<b>XII.</b>	<b>PELNO MOKESTIS/ PROFIT TAX</b>	21	<b>( 214 046)</b>	31 181	
<b>XIII.</b>	<b>GRYNASIS PELNAS (NUOSTOLIAI)/ NET PROFIT OF CURRENT YEAR</b>		<b>(6 148 554)</b>	<b>(4 402 904)</b>	<b>(2 098 872)</b>

Gen. direktoriaus pavaduotojas

(įmonės administracijos vadovo pareigų  
pavadinimas)

parašas( signature)



Povilas Stumbrys

vardas ir pavardė (name, surname)

AB GUBERNIJA, 144715765

(įmonės pavadinimas)

DVARO 179, ŠIAULIAI

(įmonės kodas, adresas, kiti duomenys)

PATVIRTINTA

20 \_\_\_\_\_ m.

protokolo Nr.

2007 m. gruodžio 31 d. **BALANSAS/ BALANCE SHEET**

(finansinės atskaitomybės sudarymo data)

2008.02.28 Nr.

2007-01-01..2007-12-31

(ataskaitinis laikotarpis)

Litas/in Litas

	<b>TURTAS/ ASSETS</b>	Pasta- bos Nr./ Notes	Finansiniai metai/ Financial year 2007.12.31	Praėjėfinansiniai m./ Financial year2006-12-31	Praeję finansiniai m./ Previous financial year 2005-12-31
<b>A.</b>	<b>ILGALAIKIS TURTAS/ Long term assets</b>		<b>33 763 263</b>	<b>39 725 248</b>	<b>44 937 825</b>
<b>I.</b>	<b>NEMATERIALUSIS TURTAS / INTANGIBLE ASSETS</b>	1	<b>209 163</b>	<b>363 489</b>	<b>23 365</b>
I.3	Patentai, licencijos/ Licences and patents		163500	272 500	
I.4	Programinė įranga/ Computer software		43114	83 364	5 153
I.5	Kitas nematerialus turtas/ Other intangible assets		2549	7 625	18 212
<b>II.</b>	<b>MATERIALUSIS TURTAS/ TANGIBLE ASSETS</b>	2	<b>33 274 059</b>	<b>38 724 788</b>	<b>44 225 843</b>
II.2	Pastatai ir statiniai / Buildings & Plant		11957342	12 973 173	13 411 407
II.3	Mašinos ir įrengimai / Machinery & equipment		19171282	22 430 766	26 798 655
II.4	Transporto priemonės / Vehicles		406059	636 659	712 423
II.5	Kita įranga, prietaisai, įrankiai ir įrengimai / Other property, plant and equipment		1436137	2 348 774	2 253 814
II.6	Nebaigta statyba/ Construction in progress				375 453
II.7	Kitas materialusis turtas / Other tangible assets		303239	335 416	674 091
<b>III.</b>	<b>FINANSINIS TURTAS / FINANCIAL LONG - TERM ASSETS</b>	3	<b>17 100</b>	<b>17 100</b>	<b>17 100</b>
III.4	Kitas finansinis turtas/ Other financial assets		17100	17 100	17 100
<b>IV.</b>	<b>KITAS ILGALAIKIS TURTAS/OTHER TANGIBLE ASSETS</b>	4	<b>262 941</b>	<b>619 871</b>	<b>671 517</b>
IV.1	Atidėto pelno mokesčio turtas/Diferend profit taxes assets		262941	619 871	671 517
<b>B.</b>	<b>TRUMPALAIKIS TURTAS/ Short term assets</b>		<b>10 031 447</b>	<b>12 509 865</b>	<b>12 291 637</b>
<b>I.</b>	<b>ATSARGOS, IŠANKSTINIAI APMOKĖJIMAI IR NEBAIGTOS VYKDYTI SUTARTYS/ STOCK AND CONTRACTS IN PROGRESS</b>	5	<b>3 872 198</b>	<b>4 455 192</b>	<b>5 323 666</b>
I.1	Atsargos/ Inventories		<b>3 371 971</b>	<b>4 023 994</b>	<b>4 656 040</b>
I.1.1	Žaliavos ir komplektavimo gaminiai/ Raw materials and consumables		2544268	2 993 464	3 455 085
I.1.2	Nebaigta gamyba/ Work in progress		287571	393 839	504 147
I.1.3	Pagaminta produkcija/ Finished goods		529083	618 348	687 505
I.1.4	Pirktos prekės, skirtos perparduoti/ Goods for resale		11049	18 343	9 303
I.2	Išankstiniai apmokėjimai/ Prepayments		500227	431 198	667 626
I.3	Nebaigtos vykdyti sutartys/ Contracts in progress				
<b>II.</b>	<b>PER VIENERIUS METUS GAUTINOS SUMOS/ AMOUNTS RECEIVABLE WITHIN ONE YEAR</b>		<b>5 792 172</b>	<b>7 666 112</b>	<b>6 967 971</b>
II.1	Pirkėjų įsiskolinimas / Trade debtors	6	5785941	7 655 220	6 956 087
II.3	Kitos gautinos sumos / Other amounts receivable		6231	10 892	11 884
<b>III.</b>	<b>Kitas trumpalaikis turtas</b>	7	<b>87200</b>		
III.1	Terminuoti indėliai		87200		
<b>IV.</b>	<b>PINIGAI IR PINIGŲ EKVIVALENTAI/ CASH IN BANK AND IN HAND</b>	8	<b>279877</b>	<b>388 561</b>	<b>369 287</b>
	<b>TURTO IŠ VISO / TOTAL ASSETS:</b>		<b>43 794 710</b>	<b>52 235 113</b>	<b>57 598 749</b>



	<b>NUOSAVAS KAPITALAS IR ĮSIPAREIGOJIMAI/ Capital and reserves</b>	Pastabos Nr./ Notes	Finansiniai m. Financial year2007-12-31	Praėję finansiniai m. Previous financial year2006-12-31	Praėję finansiniai m. Previous financial year2005 12-31
<b>C.</b>	<b>NUOSAVAS KAPITALAS / SHAREHOLDERS CAPITAL</b>		<b>8 161 970</b>	<b>14 310 524</b>	<b>18 607 837</b>
I.	KAPITALAS/ CAPITAL	9	21786000	21786000	21786000
I.1	Istatinis (pasirašytasis) / Subscribed capital		21786000	21 786 000	21 786 000
I.4	Savos akcijos/ Own Shares (-)				
<b>II.</b>	<b>PERKAINOJIMO REZERVAS (REZULTATAI)/ REVALUATION RESERVE</b>	10	<b>2859941</b>	<b>3 323 389</b>	<b>3 882 373</b>
<b>III.</b>	<b>REZERVAI/ RESERVES</b>	11			
III.1	Privalomasis rezervas/ Legal reserve				
III.2	Savoms akcijoms įsigyti/ Reserve for acquiring own shares				
III.3	Kiti rezervai/ Other reserves				
<b>IV.</b>	<b>NEPASKIRSTYTASIS PELNAS (NUOSTOLIAI) PROFIT (LOSS)/ BROUGHT FORWARD</b>	12	<b>(16 483 971)</b>	<b>(10 798 865)</b>	<b>(7 060 536)</b>
IV.1	Ataskaitinių metų pelnas (nuostolis)/ Profit (loss) of the reporting year profit		(5 685 106)	(3 738 329)	(3 122 537)
IV.2	Ankstesnių metų pelnas (nuostolis)Profit (loss) of the previous year		(10 798 865)	(7 060 536)	(3 937 999)
<b>E.</b>	<b>MOKĖTINOS SUMOS IR ĮSIPAREIGOJIMAI/ Amounts payable and liabilities</b>		<b>35 632 740</b>	<b>37 924 589</b>	<b>38 990 912</b>
<b>I.</b>	<b>PO VIENERIŲ METŲ MOKĖTINOS SUMOS IR ILGALAIKIAI ĮSIPAREIGOJIMAI/ Amounts payable after one year and long term liabilities</b>	13	<b>15 738 457</b>	<b>19 040 670</b>	<b>19 498 551</b>
I.1	Finansinės skolos/ Financial debts		14 791 509	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		14791509	17 950 838	18 130 384
I.1.3	Kitos / Others				<b>2 633</b>
I.5	Atidėtieji mokesčiai/ Deferred taxes		946 948	1 089 832	1 278 250
<b>I.6</b>	<b>Kitos mokėtinos sumos ir ilgalaikiai įsipareigojimai/ Other amounts payable and non-current liabilities</b>				
<b>II.</b>	<b>PER VIENERIUS METUS MOKĖTINOS SUMOS IR TRUMPALAIKIAI ĮSIPAREIGOJIMAI/ Amounts payable in one year and short term liabilities</b>	14	<b>19 894 283</b>	<b>18 883 919</b>	<b>19 492 361</b>
II.1	Ilgalaikių skolų einamųjų metų dalis/ Current portion of non-current debts		3 810 815	3 246 587	6 039 874
II.2	Finansinės skolos/ Financial debts		2 833 039	2 779 942	3 797 180
II.2.1	Kreditinėms institucijoms / Credit institutions				
II.2.2	Kitos skolos/ Other debts		2833039	2 779 942	3 797 180
II.2	Skolos tiekėjams/ Trade amounts payable		5403983	6 077 474	5 963 821
II.3	Avansu gautos sumos p/g pasirašytas sutartis		1837809		
II.5	Pelno mokesčio įsipareigojimai/ Profit tax liabilities				
II.6	Su darbo santykiais susiję įsipareigojimai./ Liabilities related with labour relations		1619089	1 725 916	1 634 169
II.7	Atidėjiniai/ Provisions				
II.8	Kitos mokėtinos sumos ir trumpalaikiai įsipareigojimai/ Other amounts payable and current liabilities	15	4389548	5 054 000	2 057 317
	<b>NUOSAVO KAPITALO IR ĮSIPAREIGOJIMŲ, IŠ VISO/ TOTAL EQUITY AND LIABILITIES:</b>		<b>43 794 710</b>	<b>52 235 113</b>	<b>57 598 749</b>

Gen. direktoriaus pavaduotojas  
(įmonės administracijos vadovo pareigų pavadinimas)

(parašas)signature



Povilas Stumbrys  
vardas,pavardė(name, surname)

2007 m. gruodžio 31

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

( atskaitomybės sudarymo data)

2008 02 28 Nr.

2007-01-01..2007-12-31

(ataskaitinis laikotarpis)

Litas/in Litas

	Apmokėtas įstatinis kapitalas/ Paid authorised capital	Ak cij ų pri eda i/ Sh are	Savos akcijos (-)/ Own shares ( )	Perkainojimo rezervas (rezultatai)/ Revaluation reserves (results)		Įstatymo numatyti rezervai/ Legal reserves		Kiti rezerv ai/	Nepa- skirstytasis pelnas (nuostoliai)/ Retained earnings (losses)	Iš viso/ Total
				Ilgalaikio materialiojo turto/ Tangible assets	Finansi nio turto/ Financi al	Privaloma- sis/ Compulsory	Savų akcijų įsigijimo/ acquisition of own			
<b>1 Persk. Lik.praėj. Finans. metų pradžioje/ Balance as of 31 December 2005</b>	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 grynasis pelnas (nuostoliai)/ Net profit (loss) of the reporting period									(4 402 904)	(4 402 904)
<b>26. Likutis ataskaitinių finansinių metų pabaigoje/ Balance as of 31 December 2006</b>	<b>21 786 000</b>			<b>3 323 389</b>					<b>(10 798 865)</b>	<b>14 310 524</b>
19. Pelno (nuostolių) ataskaitoje nepripažintas pelnas (nuostoliai)/ Profit (loss), excluded from income statement				( 463 448)					463 448	
20. Ataskaitinio laikotarpio grynasis pelnas (nuostoliai)/ Net profit (loss) of the reporting period									(6 148 554)	(6 148 554)
<b>26. Likutis ataskaitinių finansinių metų pabaigoje/ Balance as of 31-12- 2007</b>	<b>21 786 000</b>			<b>2 859 941</b>					<b>(16 483 971)</b>	<b>8 161 970</b>

Gen. direktoriaus pavaduotojas

(įmonės administracijos vadovo pareigų pavadinimas)

(parašas)signature



Povilas Stumbrys

vardas,pavardė(name, surname)

AB GUBERNIJA, 144715765

(įmonės pavadinimas)

DVARO 179, ŠIAULIAI

(įmonės kodas, adresas, kiti duomenys)

PATVIRTINTA

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

protokolo Nr.....

2007 m. gruodžio mėn. 31 d PINIGŲ SRAUTŲ ATASKAITA/

CASH FLOW STATEMENT

(finansinės atskaitomybės sudarymo data)

2008-02-28 Nr.

(ataskaitinis laikotarpis) 2007-01-01..2007-12-31

Litas/in Litas

Eil. Nr.	Straipsniai/ Items	Pastabos Nr./ Notes	Finansiniai metai/ Financial year 2007-12-31	Praėję finansiniai m./ Previous financial year 2006-12-31
<b>I.</b>	<b>Pagrindinės veiklos pinigų srautai/ Cash flows from operating activities</b>			
I.1.	Ataskaitinio laikotarpio pinigų įplaukos (su PVM) / Inflows of the reporting period (VAT included)		52 753 946	58 286 968
I.1.1.	Pinigų įplaukos iš klientų/ Inflows from customers		52 400 261	56 258 329
I.1.2.	Kitos įplaukos/ Other inflows 15209		353 685	2 028 639
I.2.	Ataskaitinio laikotarpio pinigų išmokos/ Outflows of the reporting period		(50 875 608)	(53 099 228)
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)		(27 539 318)	(28 418 229)
I.2.2.	Pinigų išmokos, susijusios su darbo santykiais/ Outflows connected with labour relations		(8 514 102)	(8 227 889)
I.2.3.	Sumokėti į biudžetą mokesčiai/ Taxes paid into the budget		(14 126 921)	(15 574 114)
I.2.4.	Kitos išmokos/ Other payments		( 695 267)	( 878 996)
	<b>Gryniesi pagrindinės veiklos pinigų srautai/ Net cash flows from operating activities</b>		<b>1 878 338</b>	<b>5 187 740</b>
<b>II.</b>	<b>Investicinės veiklos pinigų srautai/ Cash flows from investing activities</b>			
II.1.	Ilgalaikio turto (išskyrus investicijas) įsigijimas/ Acquisition of non-current assets (excluding investments)		( 188 246)	(1 109 764)
II.2.	Ilgalaikio turto (išskyrus investicijas) perleidimas/ Transfer of non-current assets (excluding investments)		71 953	199 516
II.4.	Ilgalaikių investicijų perleidimas/ Transfer of long-term			
	<b>Gryniesi investicinės veiklos pinigų srautai/ Net cash flows from investing activities</b>		<b>( 116 293)</b>	<b>( 910 248)</b>
<b>III.</b>	<b>Finansinės veiklos pinigų srautai/ Cash flows from financing activities</b>			
III.2.	Pinigų srautai, susiję su kitais finansavimo šaltiniais/ Cash flows arising from other financing sources		(1 870 729)	(4 258 218)
III.2.1	Finansinių skolų padidėjimas		1 000 000	
III.2.1.1	Paskolų gavimas		1 000 000	
III.2.2.	Finansinių skolų sumažėjimas/ Decrease in financial debts		(4 708 536)	(4 258 218)
III.2.2.1.	Paskolų grąžinimas/ Loans returned		(3 507 809)	(2 589 600)
III.2.2.2.	Obligacijų supirkimas/ Purchase of bonds			
III.2.2.3.	Sumokėtos palūkanos/ Interest paid		(1 097 732)	(1 198 650)
III.2.2.4.	Lizingo (finansinės nuomos) mokėjimai/ Payments of lease (finance lease) liabilities		( 102 995)	( 469 968)

III.2.3.	Kitų įmonės įsipareigojimų padidėjimas/ Increase in other enterprise liabilities		1 837 807	
III.2.4.	Kitų įmonės įsipareigojimų sumažėjimas/ decrease in other enterprise liabilities			
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			
	<b><u>Grynieji finansinės veiklos pinigų srautai/ Net cash flows from financing activities</u></b>		<b>(1 870 729)</b>	<b>(4 258 218)</b>
IV.	Ypatingųjų straipsnių pinigų srautai/ Cash flows from extraordinary items			
V.	Valiutų kursų pasikeitimo įtaka grynujų pinigų ir pinigų ekvivalentu likučiui/ Change in exchange rate			
VI.	Grynasis pinigų srautų padidėjimas (sumažėjimas)/ Net increase (decrease) in cash flows		( 108 684)	19 274
VII.	Pinigai ir pinigų ekvivalentai laikotarpio pradžioje/ Cash at the beginning of period		388 561	369 287
VIII.	Pinigai ir pinigų ekvivalentai laikotarpio pabaigoje/ Cash at the end of period		279 877	388 561

Gen .direktoriaus pavaduotojas  
(įmonės administracijos vadovo  
pareigų pavadinimas)

\_\_\_\_\_  
parašas(signature)



**Povilas Stumbrys**  
(vardas ir pavardė)

AB “Gubernija”, the code of the Company -144715765, Dvaro 179, Šiauliai

**THE DECLARATORY LETTER**  
To the interim statement for the year 2007

**I. GENERAL INFORMATION**

AB “Gubernija” (hereinafter-the Company) was registered on May 5, 1993 in the registry of the legal entities. The code of the Company is 144715765. The manager of the registry is the national enterprise “Registry centre”. The main activity of the Company is production and sales of beer, beer drinks, kvass and bread cider in the local market and abroad. The main production is produced from the raw material bought in Lithuania.

The Company has an agency in Vilnius (M. Sleževičiaus g. 7). It is the warehouse of the wholesale. Traditional technologies are used in production of beer in the joint-stock company “Gubernija”: a natural method of fermentation is applied, beer is not being diluted. It allows producing beer of high quality. Beer makes 83.5 percent in the structure of the produced products of the Company.

AB “Gubernija” sells beer not only in Lithuania, but also exports to the USA, Israel, Russia, Africa, supplies beer to Latvia, Germany, Sweden, and Estonia. Kvass is being sold in Latvia, Poland, Ireland, Germany, Great Britain, Russia, and Sweden.

Production of beer (thousand of deciliters)

No	Production title	I-XII months of the year 2007	I-XII months of the year 2006
1.	1. Beer in total (produced)	2 364	2 879
	In bottles	2 009	2 645
	On tap	355	185,6
2	2. Kvass in total (produced)	465,6	407,90

Sales and services (million Litass)

No	Indicators	I-XII months of the year 2007	I-XII months of the year 2006
1.	Income from sales	50,48	52,40
2.	The cost price of sales	39,58	39,91

On December 31, 2007 there were 270 employees in the Company (on December 31, 2006 –there were 282 employees).

The financial year is coincident with the artificial year.

**THE PRINCIPLES OF ACCOUNTING**

AB “Gubernija” in its practice follows the Laws on Joint-stock companies of the Republic of Lithuania, Laws on the Securities’ market, other laws and regulatory acts of the Republic of Lithuania.

The Company draws its financial reports in compliance with the Laws 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 nearest future.

Numbers in these reports are given in a national currency, Litas (Lt). Litas has been related to euro 3, 4528 litas for 1 euro since February 2, 2002.

In the year 2007, AB “Gubernija” applied the same accounting policy as in the year 2006. A short description of the accounting policy is declared in the financial accountability on December 31, 2006.

### III. NOTES OF THE DECLARATORY LETTER

#### NOTE 1: THE INTANGIBLE ASSETS

AB “Gubernija” did not buy and write-off any intangible assets during the reporting cycle.

Indicators	Prestige	Patent rights, licenses, etc.	Program software	Other intangible assets	In total
The residual value in the end of the last financial year		272 500	83 364	7 626	363 490
a) Permanent intangible assets by their cost price					
In the end of the last financial year		327 000	122 043	102 061	551 104
Changes in the financial year:					
The acquisition of the assets					
Disposed to other people and written-off assets (-)					
Rewrites from one article to another +/-(-)					
In the end of the financial year		327 000	122 043	102 061	551 104
b) Depreciation					
In the end of the financial year		54 500	38 679	94 435	187 614
changes of the financial year:					
depreciation of the financial year		10 900	40 250	5 076	154 326
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		163 500	78 929	99 512	341 941
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 financial year		163 500	43 114	2 549	209 163

On December 31, 2007 the cost price of the completely depreciated but still in use intangible assets was 31 thousand Lt.

#### NOTE 2: PERMANENT TANGIBLE ASSETS

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

**PERMANENT TANGIBLE ASSETS**

Indicators	Buil- dings and constructio ns	Machi nes and equip ment	Ve hicles	Perma nent assets in sets	Unfi ni shed constr uction s	Other equip ment, tools	In total
The residual value in the end of the last financial year	12973173	22430766	636659	335416		2348774	38724788
a) The cost price of the acquisition							
In the end of the last financial year	14549077	40030446	3756490	335416		8019719	66691148
Changes in the financial year:							
the acquisition of the assets		2732	57264	66018		40513	166527
Disposed and written- off assets (-)		5763	305002	6155		38796	355716
rewrites from one article to another +/-(-)	262	398894	(27670)	(92040)		88387	367833
In the end of the financial year	14549339	40426309	3481082	303239		8109823	66869792
b) Reassessment							
In the end of the last financial year	2530947	2401628	0	0	0	0	4932575
Changes in the financial year:							
increase (decrease) of the value +/-(-)							
disposed and written- off to others assets (-)							
rewrites from one article to another +/-(-)		367					367
In the end of the financial year	2530947	2401995	0	0	0	0	4932942
c) Depreciation							
In the end of the last financial year	4106851	20001308	3119831			5670945	32898935
Changes in the financial year:							
depreciation of the financial year	802615	3329711	164495			1028628	5325449
depreciation of the reassessed assets	213479	331754					545233
depreciation of disposed and written- off to others assets (-)		5752	209303			25887	240942
depreciation of disposed and written- off to others assets (-)							
In the end of the financial year	5122945	23657021	3075023	0	0	6673686	38528675
e) The residual value in the end of the last financial year	11957342	19171282	406059	303239		1436137	33274059

The cost price of the completely depreciated but still in use tangible assets estimating reassessment makes 11 million Lt. The state of buildings of the Company is good. Production machines and constructions are hypothecated.

**NOTE 3: THE FINANCIAL ASSETS**

AB "Gubernija" is the partner of VŠĮ "Žalasis taškas". 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

There are doubts if the future taxable profit will be sufficient to get use due to the experienced loss, therefore the assets of the profit tax is signed out in the first quarter.

The title of the article	The financial year 2007	The last financial year 2006
The remainder of the deferred profit tax assets on January 1	619 871	619 871
Income (expenses) in the profit (loss) report	(356 930)	
The remainder: on December 31, 2007	262 941	619 871

The assets of the deferred profit taxes are 262, 9 thousand Lt.

#### NOTE 6: INDEBTEDNESS OF THE CUSTOMERS

Indebtedness of the customers	The financial year 2007 I-XII months	The last financial year 2006-12-31
Indebtedness of the customers	5 789 290	7 661 228
Devaluation till the recoverable value	-3 350	-6 008
IN TOTAL:	5 785 940	7 655 220

#### NOTE 8: MONEY AND MONEY EQUIVALENTS

Indicators	The financial year 2007 I-XII months	The last financial year 2006-12-31
Money in a bank	229 157	302 895
Money in the till	16 692	41 465
Money equivalents	34 028	44 201
IN TOTAL	279 877	388 561

#### NOTE 9: 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		
IN TOTAL:	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 share of the Company is 1 Lt. All shares are completely paid. AB "Gubernija" did not buy its own shares during the reporting cycle.



Ordinary nominal shares of AB “Gubernija” are on the list of the current market of AB “Vilniaus vertybinių popierių birža” (“Vilnius bourse”), (listed in on September 13, 2004).

#### NOTE 10: THE RESERVE OF REASSESSMENT

In the end of the year 2004, the Company reassessed buildings, constructions, and production machines. A remainder of the formed reserve of the reassessment for December 31, 2007 makes 2, 86 million Lt.

Depreciating the part of the reassessed assets, the reassessment reserve and the deferred profit tax are being reduced, and the profit of the reporting year, which is not acknowledged appears in the profit (loss) reports.

An unacknowledged profit due to the depreciation of the reassessed part of the tangible assets is 463, 4 thousand Lt.

#### NOTE 13: PAYABLE SUMS AND OBLIGATIONS OF THE COMPANY

On April 26, 2007, a creditor of AB “Gubernija” changed. UAB “Respublikos investicija” took over the requirement rights occurring from the crediting contract of December 28, 2004 made with AB SEB Vilnius bank and AB Bank “Hansabankas”. Order and terms of the implementation of the “Crediting contract obligations” have not changed to AB “Gubernija”.

#### NOTE 14-15: SHORT-TERM OBLIGATIONS

Indexes	Debts or their parts, payable		
	During one financial year	In a year, but not later than in a five years	In five years
Financial debts.	3 810 815	14 791 510	
Other payable sums and short-term obligation	2 833 039		
Trade debts	5 403 983	-	
Received prepayments	1 837 809	-	
Obligation related with work terms	1 619 089	-	
<b>Payable taxes</b>	<b>4 379 750</b>		
The excise duty	475 728		
Water and environment pollution	6 160		
The real property tax	10 757		
VAT	470 258		
Other payable sums	3 416 847		
Referred taxes		946 948	-
<b>IN TOTAL:</b>	<b>19 884 485</b>	<b>15 738 458</b>	

#### NOTE 16-17: INFORMATION ABOUT BUSINESS SEGMENTS

Income from sales in the year 2007 in comparison with the same period of the year 2006 decreased in 3, 6 percent or 1, 91 million Lt.

Sales of beer in comparison with the same period of the year 2006 decreased in 12 % or 439 thousand deciliters. In the year 2007, sales of beer and kvass to the foreign countries are 4, 3 million Lt. In comparison with the same period of the last year, sales to the foreign countries decreased in 23 percent.

AB "Gubernija" increases production of the soft drinks. In comparison with the same period of the last year, sales of kvass increased in 30, 8 percent.

Sales of the main production in the natural and value expression

Production	2007			2006			2005		
	Thousand dals	Thousand Lt	Percent	Thousand dals	Thousand Lt	Percent	Thousand dals	Thousand Lt	Percent
Beer:	2433,5	42119,7	82,6	2873	47939	87,9	3127	51571	92,3
in bottles	2276,2	38623,6	75,8	2681	47116	80,9	2887,2	46551	83,3
other	157,3	3496,1	6,8	192	3823	7,1	249,2	5020	9,0
Bread kvass	233,03	5534,9	10,8	198	4017	7,4	144,7	2747	4,9
Other kvass	226,0	2162,9	4,2	212	1864	3,5	176,6	1545	2,8
Ciders	118,5	1148,6	2,4	30	713	1,2			
In total:	3011,03	50966,10	100	3313	54533	100	3448,7	55863	100

NOTE 18-19: INFORMATION ABOUT BUSINESS SEGMENTS

Lt

Indicators Lt.	Segments ( types of the production goods, and activities)								All companies	
	Beer		Soft drinks		Ciders		Others			
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Income	39 960 697	44 321 366	7 697 962	5 462 186	1 703 555	712 580	1 118 478	1 899 669	50 480 692	52 395 801
Cost price	33 869 154	33 857 267	4 278 278	3 858 578	1 296 990	670 945	139 321	1 525 512	39 583 743	39 912 302
Gross profit	6 091 543	10 464 099	3 419 864	1 603 608	406 565	41 635	979157	374 157	10 896 949	12 483 499

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, the stock, and the structural changes of the production.

NOTE 20: FINANCIAL AND INVESTMENT ACTIVITIES

The Company had expenses of the financial activities for 1, 85 million Lt during the year 2007. Paid interest to the banks for the credits makes the major part of them.

Items	Financial year 2007-12-31	Last financial year
a) Income from financial and investment activities/Total	5 358	13 805
Income from the bank interest	3 473	13 064
Bank commission/differences of the currency rates	1 885	741
b) Expenditure on financial and investment activities	1 859 296	1 526 137
Bank commission/differences of the currency rates	179 718	32 608
Fines, penalties, and other financial expenditure	324 467	231 219
c) The result of the financial and investment activities (a-b)	(1 853 938)	(1 512 332)

#### NOTE 21: NET PROFIT (LOSS)

In the year 2007, AB "Gubernija" worked into a loss and experienced a loss of 6, 1 million Lt. The profit before the interest, depreciation, and amortization (EBITDA)-1, 8 million Lt.

The unacknowledged profit of the reporting year is 463, 4 thousand Lt. The balance loss of the reporting cycle is (5, 67 million Lt).

The unacknowledged profit due to the depreciation of the part of the reassessed assets is shown in the report of the capital changes: the unacknowledged profit of the reporting year is 463, 4 thousand Lt

#### Project of the profit appropriation

Items	Amount ( Lt)
Profit brought forward from the previous year	(10 798 865)
Current year profit (loss)	(6 138 738)
Profit(loss),excluded from income statement	463 448
Profit(loss) to be appropriated at the end of financial year	(16 474 155)
Shareholders contributions to cover losses	
Transfers from reserves	
Profit to be appropriated	
Appropriation of profit::	
-to legal reserves:	
-to other reserves:	
-dividends	
-other appropriation	
Profit (loss) to be carried forward at the end of the current year	(16 474 155)

## OTHER SIGNIFICANT INFORMATION

There is a completed case about acknowledging the decisions of the general shareholders' meeting as invalid in the circuit court of Šiauliai. On January 14, 2008 new statutes of AB "Gubernija" were registered and the authorized capital was increased- 24 814 720 Lt.

On January 11, 2008 the warehouse of the wholesale in Klaipėda was liquidated.

The tax inspection

The Tax inspectorate can inspect how the Company pays taxes and count additional taxes and fines at any time.

On 14 April 2008 independent auditors report about the financial accounting for the year 2007 was signed.

The General Manager  
at interim

A handwritten signature in blue ink, appearing to read 'Povilas Stumbrys', is written over a faint, illegible stamp.

Povilas Stumbrys

The form of the disclosure about following the Governance code for the companies, stocks of which are traded in the regulated market

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
<p><b>Principle I: Basic Provisions</b></p> <p><b>The overriding objective of a company should be to operate in common interests of all the shareholders by permanent optimizing the value of the shareholders' property.</b></p>		
<p>1.1. A company should adopt and make public the company's development strategy and objectives by clearly declaring how the company intends to meet the interests of its shareholders and optimize shareholder value.</p>	<p>Yes</p>	<p>The Company 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".</p>
<p>1.2. All management bodies of a company should act in furtherance of the declared strategic objectives in view of the need to optimize shareholder value.</p>	<p>Yes</p>	<p>By the decision of the board of the Company the development plan for soft drinks and managing actions for export were affirmed. <b>The actions of the board are directed to assure funding opportunities.</b></p>
<p>1.3. A company's supervisory and management bodies should act in close co-operation in order to attain maximum benefit for the company and its shareholders.</p>	<p>Yes</p>	<p>The chairman of the board and the General manager are in a close cooperation; 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.</p>
<p>1.4. A company's supervisory and management bodies should ensure that the rights and interests of persons other than the company's shareholders (e.g. employees, creditors, suppliers, clients, local community), participating in or connected with the company's operation, are duly respected.</p>	<p>Yes</p>	<p>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.</p>
<p><b>Principle II: The governance framework of the Company</b></p> <p><b>The corporate governance framework should ensure the strategic guidance of the company, the effective oversight of the company's management bodies, an appropriate balance, and distribution of functions among the company's bodies, protection of the shareholders' interests.</b></p>		

2.1. Besides obligatory bodies provided for in the Law on Companies of the Republic of Lithuania – a general shareholders’ meeting and the chief executive officer, it is recommended that a company should set up both a collegial supervisory body and a collegial management body. The setting up of collegial bodies for supervision and management facilitates clear separation of management and supervisory functions in the company, accountability and control on the part of the chief executive officer, which, in its turn, facilitate a more efficient and transparent management process.	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.
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 elected by the general shareholders’ meeting should be set up and should act in the manner defined in Principles III and IV. If a company decides not to set up a collegial supervisory body but rather a collegial management body, i.e. the board, Principles III and IV should be applied to the board as long as that does not contradict the essence and purpose of this body. <sup>1</sup>	No	
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 a small group of individuals can dominate in the decision-making on the part of these bodies. <sup>2</sup>	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.

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

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

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 board members is 4 (four) years.
2.7. A 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 decides 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. The former company's chief executive officer should not be immediately nominated as the chairman of the collegial body elected by the general shareholders' meeting. When a company chooses to depart from these recommendations, it should furnish information on the measures it has taken to ensure impartiality of the supervision.	No	The chairman of the board of the Company and the General manager is not the same person.
<p><b>Principle III: The order of the formation of a collegial body to be elected by a general shareholders' meeting</b></p> <p><b>The order of the formation a collegial body elected by a general shareholders' meeting should ensure representation of minority shareholders, accountability of this body to the shareholders and objective monitoring of the company's operation and its management bodies.<sup>3</sup></b></p>		
3.1. The mechanism of the formation of a collegial body 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.	Yes	While a general shareholders' meeting is offered candidates to the board, information about every candidate is provided.

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

<p>3.2. Names and surnames of the candidates to become members of a collegial body, information about their education, qualification, professional background, positions taken and potential conflicts of interest should be disclosed early enough before the general shareholders' meeting so that the shareholders would have sufficient time to make an informed voting decision. All factors affecting the candidate's independence, the sample list of which is set out in Recommendation 3.7, should also be disclosed. The collegial body should also be informed on any subsequent changes in the provided information. The collegial body should, on the 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. When a person wants to 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 disclose the information on its composition and particular competences of individual members, which are relevant to their service on the collegial body in its annual report.</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, opinions 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, opinions, 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, a corporate organization, and activities. The collegial body should conduct an annual review to identify fields where its members need to update their skills and knowledge.</p>		



<p>3.6. In order to ensure that all material conflicts of interest related with a member of the collegial body are resolved properly, the collegial body should comprise a sufficient<sup>4</sup> number of independent<sup>5</sup> members.</p>	Yes	There is a sufficient number of independent members in the board of the Company.
<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 a member of the collegial body is likely to become dependent are impossible to list, moreover, relationships and circumstances associated with the determination of independence may vary amongst companies, the best practices of solving this problem are yet to evolve in the course of time, assessment of independence of a member of the collegial body should be based on the contents of the relationship and circumstances rather than their form. The key criteria for identifying whether a member of the collegial body can be considered to be independent are the following:</p> <ol style="list-style-type: none"> <li>1) He/she is not an executive director or a member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) of the company or any associated company and has not been such during the last five years;</li> <li>2) He/she is not an employee of the company or some any company and has not been such during the last three years, except for cases when a member of the collegial body does not belong to the senior management and was elected to the collegial body as a representative of the employees;</li> <li>3) He/she is not receiving or has been not receiving significant additional remuneration from the company or an associated company other than remuneration for the office in the collegial body. Such additional remuneration includes participation in share options or some other performance based on pay systems; it does not include compensation payments for the previous office in the company (provided that such</li> </ol>		

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

<sup>5</sup> It is notable that in some companies all members of the collegial body, due to a very small number of minority shareholders, may be elected by the votes of the majority shareholder or a few major shareholders. However, 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>payment is no way related with a later position) as per pension plans (inclusive of deferred compensations);</p> <p>4) He/she is not a controlling shareholder or a representative of a 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, a shareholder, a director or a superior employee of the subject having such relationship. A subject is considered to have business relations when it is a major supplier or a service provider (inclusive of financial, legal, counseling and consulting services), a 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, a partner or an 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 a member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) is a non-executive director or a member of the supervisory board, he/she may not also have any other material relationships with executive directors of the company that arise from their participation in activities of other companies or bodies;</p> <p>8) He/she has not been in the position of a member of the collegial body for over than 12 years;</p> <p>9) He/she is not a close relative to an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) or to any person listed in above items 1 to 8. A 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</p>		
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laid down in this Code, he cannot be considered independent due to special personal or company-related circumstances.		
3.9. Necessary information on conclusions the collegial body has come to in its determination of whether a particular member of the body should be considered to be independent should be disclosed. When a person is nominated to become a member of the collegial body, the company should disclose whether it considers the person to be independent. When a particular member of the collegial body does not meet one or more criteria of independence set out in this Code, the company should disclose its reasons for nevertheless considering the member to be independent. In addition, the company should annually disclose which members of the collegial body are considered as independent.		
3.10. When one or more criteria of independence set out in this Code have 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.		
3.11. In order to remunerate members of a collegial body for their work and participation in the meetings of the collegial body, they may be remunerated from the company's funds. <sup>6</sup> The general shareholders' meeting should approve the amount of such remuneration.	No	Not applicable because it is not remunerated from the company's funds.
<p><b>Principle IV: The duties and liabilities of a collegial body elected by the general shareholders' meeting</b></p> <p><b>The corporate governance framework should ensure proper and effective functioning of the collegial body elected by the general shareholders' meeting, and the powers granted to the collegial body should ensure effective monitoring<sup>7</sup> of the company's management bodies and protection of interests of all the company's shareholders.</b></p>		

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

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

<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, monitor and control the company's management performance.<sup>8</sup></p>	Yes	The annual financial integrity / accountability and the project of the profit share are discussed and confirmed by the board.
<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 the public welfare. Independent members of the collegial body should: a) maintain independence of their analysis, decision-making and actions under all circumstances (b) do not seek and accept any unjustified privileges that might compromise their independence, and (c) clearly express their objections if suppose that the decision of the collegial body is against the interests of the company. When a collegial body have passed decisions the independent member has serious doubts about, the member should make adequate conclusions. If an independent member resigns from his office, he should explain the reasons in a letter addressed to the collegial body or the audit committee and, if necessary, a 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 half<sup>9</sup> of the meetings of the collegial body throughout the financial year of the company, shareholders of the company should be notified.</p>		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 informed properly 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 of communication with the shareholders is provided in the regulation of the activities of the Company.

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

<sup>9</sup> It is notable that companies can make this requirement more stringent and provide that shareholders should be informed about failure to participate at the meetings of the collegial body if, for instance, a member of the collegial body participated at less than 2/3 or 3/4 of the meetings. Such measures, which ensure active participation in the meetings of the collegial body, are encouraged and will constitute as an example of the 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 bodies<sup>10</sup>. Members of the collegial body should act and pass decisions without an outside influence from the persons who have elected it. Companies should ensure that the collegial body and its committees are provided with sufficient administrative, and financial resources to discharge their duties, including the right to obtain, in particular from employees of the company, all the necessary information or to seek independent and 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 the 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 a 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. If the collegial body of the company comprises a 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</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.

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

<p>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 the 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 a small number of members of the collegial body, they could exceptionally be composed of two members. The 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 the 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 the authority delegated to them and inform the collegial body on their activities and performance on the regular basis. The authority of every committee stipulating the role and rights, and duties of the committee should be made public at least once a year (as a 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, a number of meetings and attendance over the year, and their main activities. The 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. The chairman of each 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"> <li>• Identify and recommend for the approval of the collegial body candidates to fill board vacancies. The nomination committee should evaluate the balance of skills, knowledge and experience on the management body, prepare a description of the roles and capabilities required to assume a particular office, and assess the time commitment expected. The nomination committee can also consider candidates to members of the collegial body delegated by the shareholders of the company;</li> <li>• Assess on the regular basis the structure, size, composition, and performance of the supervisory and management bodies, and make recommendations to the collegial body regarding the means of achieving necessary changes;</li> <li>• Assess on the regular basis the skills, knowledge, and experience of individual directors and report on this to the collegial body;</li> <li>• Properly consider issues related to succession planning;</li> <li>• Review the policy of the management bodies for selection</li> </ul>		

<p>and appointment of senior management.</p> <p>4.12.2. The 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, the 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> <ol style="list-style-type: none"> <li>1. Make proposals, for the approval of the collegial body, on the remuneration policy for members of management bodies and executive directors. Such policy should address all forms of compensation, including the fixed remuneration, performance-based remuneration schemes, pension arrangements, and termination payments. Proposals considering performance-based remuneration schemes should be accompanied with recommendations on the related objectives and evaluation criteria, with a view to properly aligning the pay of executive director and members of the management bodies with the long-term interests of the shareholders and the objectives set by the collegial body;</li> <li>2. Make proposals to the collegial body on the individual remuneration for executive directors and member of management bodies in order their remunerations are consistent with company's remuneration policy and the evaluation of the performance of these persons concerned. In doing so, the committee should be properly informed on the total compensation obtained by executive directors and members of the management bodies from the affiliated companies;</li> <li>3. Make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies;</li> <li>4. Assist the collegial body in overseeing how the company complies with applicable provisions regarding the remuneration-related information disclosure (in particular the remuneration policy applied and individual remuneration of directors);</li> <li>5. Make general recommendations to the executive directors and members of the management bodies on the level and structure of remuneration for senior management (as defined by the collegial body) with regard to the respective information provided by the executive directors and members of the management bodies.</li> </ol>		



<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> <ol style="list-style-type: none"> <li>1. Consider general policy regarding the granting of the above mentioned schemes, in particular stock options, and make any related proposals to the collegial body;</li> <li>2. Examine the related information that is given in the company's annual report and documents intended for the use during the shareholders meeting;</li> <li>3. Make proposals to the collegial body regarding the choice between granting options to subscribe shares or granting options to purchase shares, specifying the reasons for its choice as well as the consequences that this choice has.</li> </ol> <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> <ol style="list-style-type: none"> <li>1. Observe the integrity of the financial information provided by the company, in particular by reviewing the relevance and consistency of the accounting methods used by the company and its group (including the criteria for the consolidation of the accounts of companies in the group);</li> <li>2. At least once a year review the systems of internal control and risk management to ensure that the key risks (inclusive of the risks in relation with compliance with existing laws and regulations) are properly identified, managed and reflected in the information provided;</li> <li>3. 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. If there is no internal audit authority in the company, the need for one should be reviewed at least annually;</li> <li>4. Make recommendations to the collegial body related with selection, appointment, reappointment and removal of the external auditor (to be done by the general shareholders' meeting) and with the terms and conditions of his engagement. The committee should investigate situations that lead to a resignation of the audit company or auditor and make recommendations on required actions in such situations;</li> <li>5. 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</li> </ol>		
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<p>the committee, and (c) permissible without referral to the committee;</p> <p>6. Review efficiency of the external audit process and 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, the chief executive officer of the company, the 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 the report disclosing all relationships between the independent auditor and the company, and its group. The committee should be timely furnished with information on all issues arising from the audit.</p> <p>4.14.6. The audit committee should examine whether the company follows 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 the</p>		
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<p>proportionate and independent investigation of these issues, and for appropriate follow-up action.</p> <p>4.14.7. The audit committee should report on its activities to the collegial body at least once in every six months, at the time the yearly and half-yearly statements are approved.</p>		
<p>4.15. Every year the collegial body should conduct the evaluation of its activities. The assessment should include evaluation of the collegial body's structure, work organization and an 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><b>Principle V: The working procedure of the company's collegial bodies</b></p> <p><b>The working procedure of supervisory and management bodies established in the company should ensure efficient operation of these bodies and decision-making and encourage active co-operation between the company's bodies.</b></p>		
<p>5.1. The company's supervisory and management bodies (hereinafter in this Principle the concept 'collegial bodies' covers both the collegial bodies of supervision and the collegial bodies of management) should be chaired by the 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 convening meeting 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 to carry out the meetings of the company's collegial bodies according to the schedule approved in advance at certain intervals of time. Each company is free to decide how often to convene meetings of the collegial bodies, but it is recommended that these meetings should be convened at such intervals, which would guarantee an interrupted resolution of the essential corporate governance issues. Meetings of the company's supervisory board should be convened at least once in a quarter, and the company's board should meet at least once a month<sup>11</sup>.</p>	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 a useful 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 an immediate resolution.</p>		The agenda of the meeting is submitted to the members of the board one week before.
<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><b>Principle VI: The equitable treatment of shareholders and shareholder rights</b></p> <p><b>The corporate governance framework should ensure the equitable treatment of all shareholders, including minority and foreign shareholders. The corporate governance framework should protect the rights of the shareholders.</b></p>		
<p>6.1. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all their holders.</p>	Yes	<i>Ordinary nominal shares that make the authorized capital of the Company grant equal rights to the owners of the shares.</i>

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

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	The 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. <sup>12</sup> All shareholders should be furnished with equal opportunity to familiarize with and participate in the decision-making process when significant corporate issues, including approval of transactions referred to above, are discussed.	No	Transactions that are important to the Company including approval of transactions referred to is approved by the board.
6.4. Procedures of convening and conducting a general shareholders' meeting should ensure equal opportunities for the shareholders to participate effectively 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 is being provided.
6.5. It is recommended that documents on the course of the general shareholders' meeting, including draft resolutions of the meeting, should be placed on the publicly accessible website of the company in advance <sup>13</sup> . It is recommended that the minutes of the general shareholders' meeting after signing them and/or adopted resolutions should be also placed on the publicly accessible website of the company. Seeking to ensure the right of foreigners to familiarize with the information, whenever feasible, documents referred to in this recommendation should be published in English and/or other foreign languages. Documents referred to in this recommendation may be published on the publicly accessible website of the company to the extent that publishing of these documents is not detrimental to the company or the company's commercial secrets are not revealed.	Yes	Documents on the course of the general shareholders' meeting, including draft resolutions of the meeting are announced in the website of the Company in advance.

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

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

6.6. Shareholders should be furnished with the opportunity to vote in the general shareholders' meeting in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.	Yes	The shareholder can participate in the shareholders' meeting in person, by the deputy if the person has proper authorization or whether an assignment contract of voting rights is signed, or can vote by post.
6.7. With a view to increase the shareholders' opportunities to participate effectively at shareholders' meetings, the companies are recommended to expand the use of modern technologies in voting processes by allowing the shareholders to vote in general meetings via terminal equipment of telecommunications. In such cases, the security of telecommunication equipment, text protection and a possibility to identify the signature of the voting person should be guaranteed. Moreover, companies could furnish its shareholders, especially foreigners, with the opportunity to watch shareholder meetings by means of modern technologies.	No	There are no possibilities to apply modern technologies and telecommunication equipment for shareholders to vote in the shareholders' meeting yet.

### **Principle VII: The avoidance of conflicts of interest and their disclosure**

**The corporate governance framework should encourage members of the corporate bodies to avoid conflicts of interest and assure transparent and effective mechanism of disclosure of conflicts of interest regarding members of the corporate bodies.**

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 and 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.		

<p>7.3. Any member of the company's supervisory and management body may conclude a transaction with the company, a member of a corporate body of which he/she is. Such a transaction (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions) must be immediately reported in writing or orally, by recording this in the minutes of the meeting, to other members of the same corporate body or to the corporate body that has elected him/her or to the company's shareholders. Transactions specified in this recommendation are also subject to recommendation 4.5.</p>		
<p>7.4. Any member of the company's supervisory and management body should abstain from voting when decisions concerning transactions or other issues of personal or business interest are voted on.</p>	Yes	Recommendations are being followed.
<p><b>Principle VIII: Company's remuneration policy</b></p> <p><b>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.</b></p>		
<p>8.1. A company should make a public statement of the company's remuneration policy (hereinafter the remuneration statement). This statement should be part of the company's annual accounts. Remuneration statement should also be posted on the company's website.</p>	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> <ol style="list-style-type: none"> <li>1. Explanation of the relative importance of the variable and non-variable components of directors' remuneration;</li> <li>2. Sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration;</li> <li>3. Sufficient information on the linkage between the remuneration and performance;</li> <li>4. The main parameters and rationale for any annual bonus scheme and any other non-cash benefits;</li> <li>5. A description of the main characteristics of supplementary pension or early retirement schemes for directors.</li> </ol>		



<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> <ol style="list-style-type: none"> <li>1. The total amount of remuneration paid or due to the director for services performed during the relevant financial year, inclusive of, where relevant, attendance fees fixed by the annual general shareholders meeting;</li> <li>2. The remuneration and advantages received from any undertaking belonging to the same group;</li> <li>3. The remuneration paid in the form of profit sharing and/or bonus payments and the reasons why such bonus payments and/or profit sharing were granted;</li> <li>4. If permissible by the law, any significant additional remuneration paid to directors for special services outside the scope of the usual functions of a director;</li> <li>5. Compensation receivable or paid to each former executive director or member of the management body as a result of his resignation from the office during the previous financial year;</li> <li>6. Total estimated value of non-cash benefits considered as remuneration, other than the items covered in the above points.</li> </ol> <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> <ol style="list-style-type: none"> <li>1. The number of share options offered or shares granted by the company during the relevant financial year and their</li> </ol>		

<p>conditions of application;</p> <p>2. 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;</p> <p>3. 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;</p> <p>4. All changes in the terms and conditions of existing share options occurring during the financial year.</p> <p>8.7.3. The following supplementary pension schemes-related information should be disclosed:</p> <p>1. When the pension scheme is a defined-benefit scheme, changes in the directors' accrued benefits under that scheme during the relevant financial year;</p> <p>2. 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> <p>8.7.4. The statement should also state amounts that the company or any subsidiary company or entity included in the consolidated annual financial statements of the company has paid to each person who has served as a director in the company at any time during the relevant financial year in the form of loans, advance payments or guarantees, including the amount outstanding and the interest rate.</p>		
<p>8.8. Schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of the 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> <ol style="list-style-type: none"> <li>1. Grant of share-based schemes, including share options, to directors;</li> <li>2. Determination of a maximum number of shares and main conditions of share granting;</li> <li>3. The term within which options can be exercised;</li> <li>4. The conditions for any subsequent change in the exercise of the options, if permissible by law;</li> <li>5. 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.</li> </ol> <p>Annual general meeting should also set the deadline within which the body responsible for remuneration of directors may award compensations listed in this article to individual directors.</p>		
<p>8.10. If the 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 have been approved in the shareholders' annual general meeting.</p>		
<p>8.12. Prior to the annual general meeting that intends 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, which 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><b>Principle IX: The role of stakeholders in corporate governance</b></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><b>Principle X: Information disclosure and transparency</b></p> <p>The corporate governance framework should ensure that timely and accurate disclosure is made on all material information regarding the company, including the financial situation, performance and governance of the company.</p>		

<p>10.1. The company should disclose information on:</p> <ol style="list-style-type: none"> <li>1. The financial and operating results of the company;</li> <li>2. Company objectives;</li> <li>3. Persons holding by the right of ownership or in control of a block of shares in the company;</li> <li>4. Members of the company's supervisory and management bodies, chief executive officer of the company and their remuneration;</li> <li>5. Material foreseeable risk factors;</li> <li>6. Transactions between the company and connected persons, as well as transactions concluded outside the course of the company's regular operations;</li> <li>7. Material issues regarding employees and other stakeholders;</li> <li>8. Governance structures and strategy.</li> </ol> <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.
<p>10.5. Information should be disclosed in such a way that neither shareholders nor investors are discriminated with regard to the manner or scope of access to information. Information should be disclosed to all simultaneously. It is recommended that notices about material events should be announced before or after a trading session on the Vilnius Stock Exchange, so that all the company's shareholders and investors should have equal access to the information and make informed investing decisions.</p>	Yes	The recommendations are followed.

<p>10.6. Channels for disseminating information should provide for fair, timely and cost-efficient access to relevant information by users. It is recommended that information technologies should be employed for wider dissemination of information, for instance, by placing the information on the company's website. It is recommended that information should be published and placed on the company's website not only in Lithuanian, but also in English, and, whenever possible and necessary, in other languages as well.</p>		
<p>10.7. It is recommended that the company's annual reports and other periodical accounts prepared by the company should be placed on the company's website. It is recommended that the company should announce information about material events and changes in the price of the company's shares on the Stock Exchange on the company's website too.</p>		
<p><b>Principle XI: The selection of the company's auditor</b></p> <p><b>The mechanism of the selection of the company's auditor should ensure independence of the firm of auditor's conclusion and opinion.</b></p>		
<p>11.1. An annual audit of the company's financial statements and report should be conducted by an independent firm of auditors in order to provide an external and objective opinion on the company's financial statements.</p>	<p>Yes</p>	<p>An independent firm of auditors conducts an audit of the Company's financial statements and the annual report.</p>
<p><b>11.2.</b> It is recommended that the company's supervisory board and, where it is not set up, the company's board should propose a candidate firm of auditors to the general shareholders' meeting.</p>	<p>Yes</p>	<p>The competition for conducting of the audit is being announced. The offers are discussed in the board, the decision is made and the candidate audit firm is presented to the general shareholders' meeting.</p>
<p>11.3. It is recommended that the company should disclose to its shareholders the level of fees paid to the firm of auditors for non-audit services rendered to the company. 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 should know this information..</p>	<p>Yes</p>	<p>All information about the audit firm is given to the shareholders.</p>

The deputy of the General Manager



Povilas Stumbrys