



AKCINĖ BENDROVĖ

GUBERNIJA, AB
Financial statements for the year
ended 31 December 2015

31-03-2016

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COMPANY DETAILS

Gubernija, AB

Telephone: +370 41 591900
Telefax: +370 41 591911
Company code: 144715765
Registered at: Dvaro str.179, LT-76176 Siauliai, Lithuania

Board

Romualdas Dunauskas, Chairman of the Board

Lina Dunauskaite
Augustinas Radavicius
Sigitas Vilciauskas
Muradas Bakanas

Management

Vijoleta Dunauskiene, General Manager

Auditor

Grant Thornton Baltic, UAB

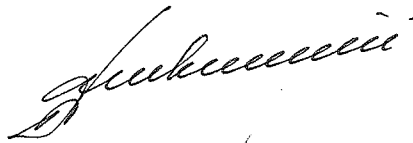
Banks

SEB bankas, AB
Swedbank, AB
Siaulių bankas, AB

CONFIRMATION OF RESPONSIBLE PERSONS

Following part 1 of article 21 of the the Law on Securities Market of the Republic of Lithuania and Rules on Preparation and Submission of Periodic and Additional Information of the Lithuanian Securities Commission, we, the General Manager of the Gubernija, AB Vijoleta Dunauskiene and the Finance Director of the Gubernija, AB Vyintas Buivys, hereby confirm that, to the best of our knowledge the audited annual Financial Statements for the year 2015 prepared in accordance with International Financial Reporting Standards (IFRS) as adopted to be used in the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss and cash flow of Gubernija, AB, and that annual report presents a true and fair review of the business development and activities, the Company's status including the description of the key risks and uncertainties.

General Manager



Vijoleta Dunauskiene

Finance director



Vyintas Buivys

Siauliai,
31-03-2016



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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF AB GUBERNIJA

Report on the financial statements

We have audited the accompanying set of financial statements of AB GUBERNIJA (hereinafter – the Company) which comprise the statement of financial position as at 31 December 2015, and the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information (hereinafter – the financial statements).

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the legal acts of the Republic of Lithuania regulating the financial accounting and preparation of the financial statements, and with International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion the financial statements present fairly, in all material respects, the financial position of AB GUBERNIJA as at 31 December 2015, and its financial performance and its cash flows for the year then ended in accordance with the legal acts of the Republic of Lithuania regulating the financial accounting and preparation of the financial statements, and with International Financial Reporting Standards as adopted by the European Union.

Emphasis of Matter

We draw an attention to information presented in the financial statements as at 31 December 2015 as of that date the Company's current liabilities exceeded its current assets by EUR 1,013.2 thousand. Our opinion is not qualified in respect of this matter.

Grant Thornton Baltic UAB



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Report on Other Legal and Regulatory Requirements

We have read the accompanying annual report of AB GUBERNIJA for the year 2015 and have not identified any material inconsistencies between the financial information included in it and the financial statements of AB GUBERNIJA for the year ended at 31 December 2015.

Laimė Jablonskienė
Auditor, member of the Board
Auditor's certificate No. 000091

4 April 2016
Klaipėda

Grant Thornton Baltic UAB
Audit company's certificate No.001445

Grant Thornton Baltic UAB

Vilnius | A. Goštauto str. 40B | 03163 Vilnius | Lithuania | T +370 52 127 856 | F +370 52 685 831 | E info@lt.gt.com
Kaunas | Savanorių pr. 241-25 | 50185 Kaunas | Lithuania | T+370 37 422 500 | F +370 37 406 665 | E kaunas@lt.gt.com
Klaipėda | Talkos av. 52c / Agluonos str. 1-1403 | 91184 Klaipėda | Lithuania | T +370 46 411 248 | F +370 46 313 698 | E klaipeda@lt.gt.com

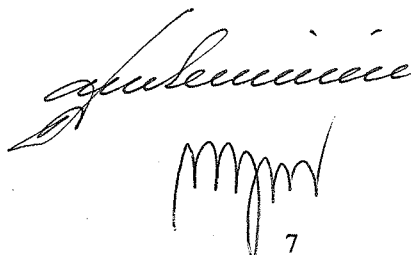
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STATEMENT OF FINANCIAL POSITION

ASSETS	NOTES	31.12.2015	31.12.2014
LONG TERM ASSETS	1.2	7 708	8 095
INTANGIBLE ASSETS	1	15	2
TANGIBLE ASSETS	2	7 659	8 089
Land			
Buildings		4 919	5 088
Other tangible assets		2 740	3 000
DEFERRED TAX ASSETS	3	4	4
INVESTMENTS PROPERTY	9	30	
CURRENT ASSETS		1 728	2 094
INVENTORIES AND NOT COMPLETED WORKS	4	886	995
Inventories		794	899
Prepayments		92	96
Not completed works			
CURRENT RECEIVABLES	5	747	989
CASH AND CASH EQUIVALENTS	6	95	110
TOTAL ASSETS		9 436	10 189
EQUITY AND LIABILITIES	NOTES	31.12.2015	31.12.2014
EQUITY	7	1 926	2 160
SHARE CAPITAL		3 065	4 671
REVALUATION RESERVE		2 918	3 020
OTHER RESERVES		0	0
RETAINED EARNINGS (LOSS)		(4 057)	(5 532)
GRANTS AND SUBSIDIES		0	1
LIABILITIES		7 510	8 028
NON CURRENT LIABILITIES		4 769	5 187
Financial liabilities	8	4 277	4 677
Obligations of the deferred tax	9	492	510
CURRENT LIABILITIES		2 741	2 841
Financial liabilities	8	997	970
Trade payables	10	1 066	1 015
Received prepayments	10	22	18
Taxes, salaries and social security	10	330	344
Other current obligations	10	326	495
TOTAL EQUITY AND LIABILITIES		9 436	10 189

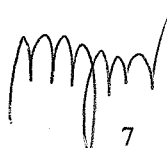
The accompanying notes are an integral part of the Company's financial statements.
 The Company's financial statements approved and signed on 31 March 2016.

General Manager



Vijoleta Dunauskiene

Finance Director



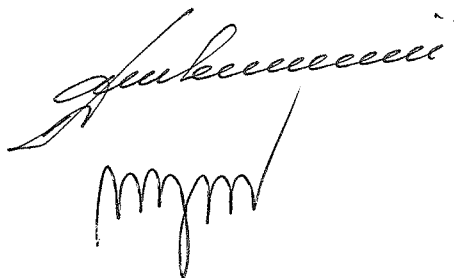
Vyintas Buivys

STATEMENT OF COMPREHENSIVE INCOME

Items	NOTES	2015	2014
INCOMES FROM SALES	11	8 526	11 397
OTHER ACTIVITY INCOMES FROM SALES	12	11	8
EXPENSES		(8 586)	(11 542)
Increase of production and work in progress		(76)	(13)
Materials	4	(3 029)	(4 337)
Related to employees		(1 768)	(1 910)
Amortization and depreciation	1.2	(511)	(730)
Impairment of receivables		(10)	(2)
Excise		(1 501)	(2 349)
Other	13	(1 691)	(2 202)
FINANCIAL AND INVESTING ACTIVITIES	14	(239)	(264)
Income		0	4
Expenses		(239)	(269)
CURRENT YEAR PROFIT (LOSS) BEFORE TAXES		(288)	(401)
PROFIT TAX		48	38
PROFIT (LOSS) FROM CONTINUING OPERATIONS		(240)	(363)
OTHER COMPREHENSIVE INCOMES			
<i>Items that will not be reclassified to profit or loss</i>			
Profit/loss from changes of Revaluation reserves	7	102	215
ALL COMPREHENSIVE INCOMES LESS PROFIT TAX		138	148
Profit (loss) for the one share (EUR)		-0.015	-0.023

The accompanying notes are an integral part of the Company's financial statements.
 The Company's financial statements approved and signed on 31 March 2016.

General Manager



Vijoleta Dunauskiene

Finance Director


Vygintas Buivys

CASH FLOW STATEMENT

	NOTES	2015	2014
Operating activities:			
Profit(loss)		(240)	(363)
Corrections due to:			
Depreciation, amortization and devaluation	1.2	511	730
Alienation of long-term tangible and intangible assets		(6)	(3)
The value of investments (Increase) / decrease			1
Expenditure of interests	14	213	231
Charges	14	20	32
Decrease (increase) in inventory	4	105	96
Decrease (increase) in advances received	4	4	21
Decrease (increase) in trade receivables	5	247	290
Decrease (increase) in other amounts receivable	5	(5)	1
Increase (decrease) in short-term debts to suppliers and prepayments	10	56	(119)
Increase (decrease) of the deferred profit tax liabilities	9	(18)	(36)
Increase (decrease) of the deferred profit tax assets	9	(30)	
Increase (decrease) in liabilities related to labor relations	10	(14)	(23)
Increase (decrease) in other amounts payable and liabilities	10	(169)	(305)
Elimination of non-cash items		5	(2)
Net cash flows from the main activities		678	550
Cash flows from investing activities:			
Acquisition of non-current assets (excluding investments)	2	(82)	(118)
Transfer of non-current assets (excluding investments)		6	3
Net cash flows from investing activities		(76)	(114)
Cash flows from financing activities:			
Loans received	8	212	613
Leasing financing received	8	0	19
Loans repaid	8	(594)	(790)
Interest paid		(214)	(239)
Payments of lease (finance lease) liabilities		(21)	(32)
Grants and subsidies			1
Net cash flows from financing activities		(617)	(428)
Net increase (decrease) in cash flows		(15)	8
Cash and cash equivalents at the beginning of period		110	102
Cash and cash equivalents at the end of period		95	110

The accompanying notes are an integral part of the Company's financial statements.
 The Company's financial statements approved and signed on 31 March 2016.

General Manager

 Vijoleta Dunauskienė

Finance Director

 Vyngintas Buivys

STATEMENT OF CHANGES IN EQUITY

	Notes	Share Capital	Revaluation Reserve	Retained Earnings (loss)	Total
1. Balance at 31.12.2013		4 672	3 226	(5 384)	2 514
2. Decrease in revaluation reserve due to depreciation or write-off of revalued assets	2		(215)	215	
3. Revaluation of the tangible fixed asset	2		9		9
4. Profit (loss)	7			(363)	(363)
5. Balance at 31.12.2014		4 672	3 020	(5 532)	2 160
6. Decrease in revaluation reserve due to depreciation or write-off of revalued assets	2		(102)	102	
7. Profit / loss was due to the share price rounding after Euro Adoption	7	6			6
8. Reduction of the authorized capital	7	(1 613)		1 613	
9. Profit (loss)	7			(240)	(240)
10. Balance at 31.12.2015		3 065	2 918	(4 057)	1 926

The accompanying notes are an integral part of the Company's financial statements.
 The Company's financial statements approved and signed on 31 March 2016.

General Manager



Vijoleta Dunauskiene

Finance Director



Vygintas Buivys

THE DECLARATORY LETTER

GENERAL INFORMATION

Gubernija AB (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 center".

The main activity of the Company is production and sales of beer, beer drinks and kvass in the local market, abroad, and specialty shops. The Company has 4 branded stories in Lithuania, Office and wholesale warehouse (Kalvariju str. 204 B, Vilnius).

Traditional technologies are used in production of the beer and kvass in the company Gubernija AB, a natural method of fermentation is applied, non malt substances are not used.

Main shareholders at December 31, 2015:

Shareholder	The part of available authorized capital, %	Available part of votes, %
Vitas Tomkus	28.58	28.58
Romualdas Dunauskas	26.11	26.11
Javelin Finance,	10.87	10.87
Larisa Afanaseva	10.44	0
Respublikos spaustuve UAB	9.95	9.95
Takhir Shabaev	5.28	0
Sigitas Vilciauskas	0	15.72

On 31th December of the last 2014 year there were 179 employees, and on 31th December of the reporting year 2015 there were 166 employees.

The financial statements are announced on the webpage of the Company www.gubernija.lt.

SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

The shareholders have the power to reject the financial statements prepared by the management and the right to request that new financial statements be issued.

Management does not prepare consolidated statements, as there are no subsidiaries.

THE DECLARATORY LETTER (continued)

SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of preparation

The financial statements are presented in Euro being the functional currency of the Company, and are prepared on the historical cost basis, except for land and buildings which are stated at revalued amount.

The preparation of financial statements in conformity with IFRS, as adopted by the EU, requires management to make estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments and estimates made by management in the application of IFRSs adopted in the EU that have significant effect on the financial statements are discussed on page 24.

Effect of application of new standards and their amendments as well as new interpretations on the Financial Statements.

The applied accounting principles set out below have been applied consistently to all periods presented in these financial statements except for the new / revised standards and interpretations the Company has implemented which are effective as for financial periods beginning on or after 1 January 2015:

- IAS 16 Property, plant and equipment. Clarifying the interrelationship with IFRS 3. Provides guidance on how the carrying amount of that asset is adjusted to the revalued amount when an item of property, plant and equipment is revalued. At the date of the revaluation the asset should be treated in one of the indicated ways; a) the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount; b) the accumulated depreciation is calculated as the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses. The amendment did not impact the Company's financial statements.
- IAS 24 Related Party Disclosure. Clarifying the interrelationship with IFRS 3. The amendment supplements the terms are used in this standard and the information shall be disclosed. Requires the disclosure of the amounts recognized by the reporting entity as a service fee to a separate management entity for the provision of the key management personnel services. The amendment did not impact the Company's financial statements.
- IAS 38 Intangible Asset. Clarifying the interrelationship with IFRS 3. Provides guidance on how the carrying amount of that asset is adjusted to the revalued amount when an item of intangible assets is revalued. At the date of the revaluation the asset should be treated in one of the indicated ways as describes above for IAS 16.

THE DECLARATORY LETTER (continued)

SIGNIFICANT ACCOUNTING POLICIES (continued)

Effect of application of new standards and their amendments as well as new interpretations on the Financial Statements (continued)

- IAS 39 Financial Instruments: Recognition and Measurement entitled Novation of Derivatives and Continuation of Hedge Accounting. Clarifying the interrelationship with IFRS 3. The objective of the amendments is to provide relief in situations where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations. This amendment is not relevant to the Company.
- IFRS 3 Business Combinations. This improvement clarifies that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself. IFRS 3 did not have any impact on the financial statements, because the Company does not have business combinations.
- IFRS 13 Fair value Measurement. This improvement clarifies that the scope of the portfolio exception defined in paragraph 52 of IFRS 13 includes all contracts accounted for within the scope of IAS 39 Financial Instruments: Recognition and Measurement or IFRS 9 Financial Instruments, regardless of whether they meet the definition of financial assets or financial liabilities as defined in IAS 32 Financial Instruments: Presentation. The standard did not have any effect on the Company's financial statements.
- IAS 40 Investment property. This improvement clarifies that determining whether a specific transaction meets the definition of both a business combination as defined in IFRS 3 Business Combinations and investment property as defined in IAS 40 Investment Property requires the separate application of both standards independently of each other. The standard did not have any effect on the Company's financial statements and results.
- IFRIC Interpretation 21 Levies. This interpretation addresses the accounting for levies imposed by governments. Liability to pay a levy is recognized in the financial statements when the activity that triggers the payment of the levy occurs. The Amendments to the standard did not have any impact on the financial statements.

Adoption of new and/or amended IAS, IFRSs and IFRIC interpretations.

Several new and revised International Financial Reporting Standards and their interpretations have been issued, which will be mandatory for financial reporting periods starting from 1 January 2016 and subsequent years. The Company has decided not to adopt these new standards and interpretations early.

Estimates of the possible effect of the new and revised standards applied for the first time, as presented by the Company's Management, are stated below:

- Amendments to IAS 1 Presentation of financial statements: Disclosure Initiative (effective for financial years beginning on or after 1 January 2016, once endorsed by the EU). The amendments aim at clarifying IAS 1 to address perceived impediments to preparers exercising their judgment in

THE DECLARATORY LETTER (continued)

SIGNIFICANT ACCOUNTING POLICIES (continued)

Adoption of new and/or amended IAS, IFRSs and IFRIC interpretations (continued)

presenting their financial reports. The Company has not yet evaluated the impact of the implementation of this standard.

- Amendments to IAS 19 Employee Benefits (effective for financial years beginning on or after 1 February 2015. The amendments address accounting for the employee contributions to a defined benefit plan. Since the Company's employees do not made such contributions, implementation of this amendments IAS 19 will not have any impact on the financial statements.

- Amendments to IAS 27 Equity method in separate financial statements (effective for financial years beginning on or after 1 January 2016, once endorsed by the EU). The amendments reinstate the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements. The Company assumes that amendments to IAS 27 will not have an impact on the financial statements.

- IFRS 9 Financial Instruments (effective for financial years beginning on or after 1 January 2018, once endorsed by the EU). IFRS 9 will replace IAS 39 and will have effect on the classification and measurement framework for financial assets, impairment of financial assets and hedge accounting. The Company has not yet evaluated the impact of the implementation of this standard.

- Amendments to IFRS 10, IFRS 12 and IAS 28 - Investment Entities: Applying the consolidation exception (effective for financial years beginning on or after 1 January 2016, once endorsed by the EU). The amendments address issues that have arisen in the context of applying the consolidation exception for investment entities. The new standard will not affect the financial statements as the Company does not meet the requirements for investment entities.

- Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (approval was postponed indefinitely). The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business and partial gain or loss is recognized when a transaction involves assets that do not constitute a business. The Company does not think that amendments to these standards will have significant impact on the financial statements.

- Amendment to IFRS 11 Joint arrangements: Accounting for Acquisitions of Interests in Joint Operations (effective for financial years beginning on or after 1 January 2016, once endorsed by the EU). IFRS 11 addresses the accounting for interests in joint ventures and joint operations. The amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business in accordance with IFRS and specifies the appropriate accounting treatment for such acquisitions. The Company assumes that amendment will not have a significant impact on the financial statements, because it is not a party of any joint agreements.

- IFRS 14 Regulatory Deferral Accounts (effective for financial years beginning on or after 1 January 2016, once endorsed by the EU). IFRS 14 provides first - time adopters of IFRS with relief from

THE DECLARATORY LETTER (continued)

SIGNIFICANT ACCOUNTING POLICIES (continued)

Adoption of new and/or amended IAS, IFRSs and IFRIC interpretations (continued)

derecognizing rate - regulated assets and liabilities. However, to enhance comparability with entities that already apply IFRS and do not recognize such amounts, the standard requires that the effect of rate regulation must be presented separately from other items. An entity that already presents IFRS financial statements is not eligible to apply the standard. The implementation of this amendment will have no impact on the financial statements of the Company, as the Company is not first - time adopter of IFRS.

- IFRS 15 Revenue from Contracts with Customers (effective for financial years beginning on or after 1 January 2018, once endorsed by the EU). IFRS 15 establishes a five -step model that will apply to revenue earned from a contract with a customer, regardless of the type of revenue transaction or the industry. Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgments and estimates. The Company has not yet evaluated the impact of the implementation of this standard.

- IFRS 16 Leases (effective for financial years beginning on or after 1 January 2019, once endorsed by the EU). IFRS 16 replaces IAS 17 and specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessor accounting is substantially unchanged. The Company has not yet evaluated the impact of the implementation of this standard.

Improvements to IFRSs

- In December 2013 IASB issued the Annual Improvements to IFRSs 2010 – 2012 Cycle (effective for financial years beginning on or after 1 February 2015):

IFRS 2 Share - based Payment;
IFRS 3 Business Combinations;
IFRS 8 Operating Segments;
IFRS 13 Fair value Measurement;
IAS 16 Property, Plant and Equipment;
IAS 24 Related Party Disclosures;
IAS 38 Intangible Assets.

- In September 2014 IASB issued the Annual Improvements to IFRSs 2012 –2014 Cycle (effective for financial years beginning on or after 1 January 2016, once endorsed by the EU):

IFRS 5 Non-current Assets Held for Sale and Discontinued Operation;
IFRS 7 Financial Instruments: Disclosures;
IAS 19 Employee Benefits;
IAS 34 Interim Financial Reporting.

The adoption of these amendments may result in changes to accounting policies or disclosures but will not have any impact on the financial position or performance of the Company. The Company

THE DECLARATORY LETTER (continued)

SIGNIFICANT ACCOUNTING POLICIES (continued)

Improvements to IFRSs (continued)

plans to adopt the above mentioned standards and interpretations on their effectiveness date provided they are endorsed by the EU.

Derivative financial instruments

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of the derivative, and the combined instrument is not measured at fair value through profit and loss.

Derivatives are recognized initially at fair value: attributable transaction costs are recognized in the statement of comprehensive income when incurred. Subsequently to initial recognition, derivatives are measured at fair value, and changes therein are accounted in profit and loss.

Foreign currency transactions

Transactions in foreign currencies are translated to Euro at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Euro at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognized in profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Euro at foreign exchange rates ruling at the dates the fair value was determined.

Intangible assets

Intangible assets acquired by the Company with a definite useful life are stated at cost less accumulated amortization and impairment losses.

Subsequent expenditure

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

Amortization

Amortization is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortized from the date they are available for use. The estimated useful lives are 1 to 3 years.

Property, plant and equipment

Owned assets

Property, plant and equipment (except for land and buildings) are stated at cost less accumulated depreciation and impairment losses. Land and buildings are stated at a revalued amount less accumulated depreciation and impairment losses.

THE DECLARATORY LETTER (continued)

SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

The cost of an item of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Borrowing costs that are directly attributable to the acquisition, construction or production of an item of property, plant and equipment where substantial period of time is necessary to get ready the asset for its intended use, are capitalized as part of cost of the asset.

The revaluation reserve is reduced annually in proportion to the depreciation of the revaluation increase, by a transfer from revaluation reserve to retained earnings as the asset is depreciated with the balance being transferred upon ultimate disposal.

Cost of self-constructed property, plant and equipment includes costs related to materials and direct labor costs as well as related indirect costs.

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

Useful lives, residual amounts and depreciation methods are reviewed at each reporting date.

Leased assets

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Assets used by way of finance lease are recognized as assets of the company and are stated at the lower of their fair value in the beginning of the lease and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

Subsequent expenditure

Costs incurred when replacing a component part of an item of property, plant and equipment are capitalized only upon write-off of the carrying amount of the component and if it is probable that the future economic benefits embodied with the item will flow to the Company and the cost of the component part can be measured reliably. All other costs are recognized in profit or loss as an expense as incurred.

Depreciation

Depreciation (except for land which is not depreciated) is charged to profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives are as follows:

- buildings 25 - 90 years
- cultural heritage buildings until 200 years
- tanks 10 - 50 years

THE DECLARATORY LETTER (continued)

SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

- machinery and equipment 7 - 25 years
- vehicles other property, plant and equipment 3 - 10 years

Financial instruments

Financial assets are classified as either financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables, or available-for-sale financial assets, as appropriate. All purchases and sales of financial assets are recognized on the trade date. When financial assets are recognized initially, they are measured at fair value, plus, in the case of financial instruments not at fair value through profit or loss, directly attributable transaction costs.

Investments in equity securities

Investments in equity securities are classified as available-for-sale and at initial recognition are stated at fair value plus the related direct costs. Subsequently the investments are revalued to fair value carrying the gain or loss on their revaluation through other comprehensive income to equity. Impairment losses, if any, are included in profit or loss if the fair value decline is considered to be prolonged or significant. When the investments are sold, the accrued gain or loss previously recognized under equity, is recognized in the statement of comprehensive income. If the fair value cannot be determined reliably, the investments in equity securities are stated at cost less impairment losses.

The fair value of financial instruments available for sale is their quoted price at the reporting date.

Financial instruments classified as available for sale are recognized / expensed by the Company on the date it commits to purchase / sell the instruments.

Other financial instruments

Trade receivables of the Company are not traded in an active market. They are included in current assets except for maturities greater than 12 months and are classified as loans and receivables. Trade receivables and other receivables are initially recognized at fair value plus transaction costs that are directly attributable to the acquisition or origination of the financial asset. Subsequently, loans and receivables are measured at amortized cost using the effective interest rate method, less impairment, if any. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial assets or liability (or, where appropriate, a shorter period) to carrying amount of the financial asset and liability. Short-term receivables are not discounted.

Borrowings are initially recognized at fair value. Subsequent to initial recognition, liabilities are stated at amortized cost on an effective interest method basis. Trade payables are initially recognized at fair value and are subsequently measured at amortized cost. Short-term liabilities are not discounted.

THE DECLARATORY LETTER (continued)

SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories are stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The cost of inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

Cash and cash equivalents

Cash includes cash on hand and cash in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

For purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call in banks, other short-term highly liquid investments.

Impairment

Impairment of non-financial assets

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

Intangible assets that are not yet available for use, the recoverable amount is estimated at each reporting date.

An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of comprehensive income.

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the securities are impaired. When a decline in the fair value of an available-for-sale financial asset has been recognized through other comprehensive income to equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognized in equity is recognized in profit or loss even though the financial asset has not been derecognized. The amount of the cumulative loss that is recognized in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognized in profit or loss.

Calculation of recoverable amount

The recoverable amount of the Company's loans and receivables carried at amortized cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e., the effective interest rate computed at initial recognition of these financial assets).

THE DECLARATORY LETTER (continued)

SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment (continued)

The recoverable amount of non-financial assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of impairment

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

An impairment loss in respect of an investment in an equity instrument classified as available-for-sale is not reversed through the statement of comprehensive income.

Impairment of goodwill is not reversed. Impairment loss in respect of other assets is reversed only if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Acquisition of treasury shares

When share capital recognized as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognized as a change in equity. Repurchased shares are classified as treasury shares and presented as a deduction from total equity.

Dividends

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

Withholding taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend.

Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits, which can be reliably estimated, will be required to settle the obligation. The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation the provision is reversed. The provision is used only for expenditures for which the provision was originally recognized. When the effect of the time value of money is material, the amount of the provision is the present value of the expenditure expected to be required to settle the obligation. If the discounting method is applied, the increase of provisions with time is recognized as financial expenses.

THE DECLARATORY LETTER (continued)

SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits

Short-term employee benefits are recognized as a current expense in the period when employees render the services. These include salaries and wages, social security contributions, bonuses, payable holidays and other benefits. There are no long-term employee benefits. All pension obligations are borne by the State.

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. Each employee of the Company, leaving the work beyond retirement age, according to the laws of the Republic of Lithuania has to receive payment of 2 to 6 months salary. The company recognizes the employee benefit obligation in the statement of financial status and reflects the present value of the payments on the balance sheet date.

Revenue

Goods sold and services rendered

Revenue from the sale of goods is recognized in profit or loss when the significant risks and rewards of ownership have been transferred to the buyer. The revenue recognized is net of discounts provided. Revenue from services rendered is recognized in profit or loss in proportion to the stage of completion of the transaction at the reporting date. Rental income is recognized in profit or loss on a straight-line basis over the term of the lease.

No revenue is recognized if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods exists or where substantial risks and rewards cannot be considered as transferred to the buyer.

Government grants

A government grant is recognized in the statement of financial position when there is reasonable assurance that it will be received and that the Company will comply with the conditions attaching to it. Government grants intended to compensate the Company for expenses incurred are recognized as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Government grants that compensate the Company for the cost of an asset are recognized in the statement of comprehensive income as other operating income on a systematic basis over the useful life of the asset.

Costs

Operating lease payments

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease.

THE DECLARATORY LETTER (continued)

SIGNIFICANT ACCOUNTING POLICIES (continued)

Costs (continued)

Financial lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Other operating income and charges

Other operating income and charges comprise gains and losses from sale of property, plant and equipment, and other items, which are not directly related to the primary activities of the Company.

Finance income and finance costs

Finance costs comprise interest payable on borrowings calculated using the effective interest rate method and foreign exchange losses. The interest expense component of finance lease payments is recognized in profit or loss using the effective interest rate method.

Finance income comprises interest receivable on funds invested, dividend income and foreign exchange gains. Interest income is recognized in profit or loss as it accrues, using the effective interest method. Dividend income is recognized in profit or loss on the date the entity's right to receive payments is established.

Segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Income tax

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

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

Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

THE DECLARATORY LETTER (continued)

SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Basic and diluted earnings per share

Basic earnings per share is calculated by dividing net profit attributable to ordinary equity holders by the weighted average number of ordinary shares. As there are no instruments that dilute equity, the basic and diluted earnings per share do not differ.

Financial risk management

In its activities the Company is exposed to various financial risks: market risk (including currency risk, interest rate risk, fair value and price risks), credit risk and liquidity risk. General risk management policy establishment and supervision is the responsibility of the Board of directors. Risk management policy was set up in order to identify and analyze risks facing the Company, and determine risk acceptance limits. Risk management policy and processes are reviewed regularly considering changes in the markets and activities of the Company. The Company, applying learning and management standards and procedures, aims to establish constructive control environment where all employees clearly realize their functions and responsibilities. The Company's management pays the greatest attention to unpredictability of financial markets and aims to decrease its eventual impact on the Company's financial performance. From time to time the Company can use a derivative financial instrument in order to hedge certain risks.

a) Market risk

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

b) Currency risk

Currency risk relates to sales and receivables, purchases and payables, borrowings and borrowing costs denominated in currencies other than Euro. There are no other material monetary items denominated in currencies other than Euro.

c) Credit risk

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

The Company has established procedures ensuring that sales are made to customers having a proper credit history without exceeding the limit of credit risk set by management. The company has a significant concentration of credit risk on the basis of individual of customers.

THE DECLARATORY LETTER (continued)

SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial risk management (continued)

d) Liquidity risk

A conservative management of liquidity risk enables the company to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of committed credit facilities.

e) Interest rate risk

The Company's borrowings are subject to fixed interest rates or variable interest rates, related to EURIBOR.

Capital management

The Board's policy is to keep the shareholders' equity over borrowings at the level to maintain the confidence of investors, creditors and the market and to fund business development opportunities in the future. The Board keeps track on the ratios of capital return and makes suggestions regarding proposed dividends.

The Board also seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the security afforded by a sound capital position.

The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2015 and 31 December 2014.

According to the Companies Law of the Republic of Lithuania, the Company's equity shall be not less than 50 % of its share capital.

Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant accounting estimates and assumptions

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

Impairment of property, plant and equipment

The carrying amounts of property, plant and equipment are reviewed at each reporting date in order to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. With a purpose of impairment testing, the assets which, in the

THE DECLARATORY LETTER (continued)

SIGNIFICANT ACCOUNTING POLICIES (continued)

Critical accounting estimates and judgments (continued)

Impairment of property, plant and equipment (continued)

process of continuous use, generate cash and mainly are independent of generating cash inflows of other assets or asset groups (cash generating units) are classified to the smallest group.

The recoverable amount of property, plant and equipment is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Fair value of land and buildings

The fair values of land and buildings are assessed at each reporting date in order to determine whether there are any significant differences between fair values and carrying amounts in the financial statements. Fair values are assessed by reference to valuation reports or market assumptions reports received from external valuers.

Impairment of receivables

The Company reviews its receivables individually to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recognized, the Company makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from an individual debtor, e.g. adverse change in the payment status of the debtor, etc.

Useful lives of intangible assets and property, plant and equipment

Useful lives of the assets are reviewed at least annually. They are adjusted, if necessary, considering technological changes, expected future use of the asset and its present condition.

Judgments

The Company recognizes deferred tax assets based on the judgment of management that realization of the related tax benefits through future taxable profits is probable. Management's judgments are based on internal budgets and forecasts.

THE DECLARATORY LETTER (continued)

NOTES TO THE FINANCIAL STATEMENTS

Note No 01 - The status of the long term intangible assets

Items	Patents, licenses and etc.	Software	Other intangible assets	Total
Residual value at 31.12.2013			5	5
a) Long term intangible assets in acquisition value				
at 31.12.2013	95	32	26	153
Acquisition of assets				
Disposals				
at 31.12.2014	95	32	26	153
b) Depreciation				
at 31.12.2013	95	32	22	148
- current year depreciation			2	2
at 31.12.2014	95	32	24	151
c) Residual value at 31.12.2014			2	2
a) Long term intangible assets in acquisition value				
at 31.12.2014	95	32	26	153
Acquisition of assets			16	16
b) Disposals				
at 31.12.2015	95	32	42	169
Depreciation				
at 31.12.2014	95	32	24	151
- current year depreciation			3	3
at 31.12.2015	95	32	27	154
c) Residual value at 31.12.2015			15	15

Amortization of intangible assets is included in depreciation and amortization expenses.

The cost of acquisition of intangible long-term assets which are fully depreciated but are still in use, on 31 December 2015 was EUR 115 thousand (in 2014 it was EUR 132 thousand).

THE DECLARATORY LETTER (continued)

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note No 02 - The status of the tangible assets

Items	Buildings and constructions	Machinery and equipments	Tanks	Vehicle	Comes fixed assets	Other tangible assets	Total
Residual value at 31.12.2013	5 309	1 546	1 599	121		113	8 688
a) Acquisition costs							
at 31.12.2013	4 316	8 038	2 071	880		2 091	17 397
- acquisition of assets		1		32	66	19	118
- cessions and disused assets (-)		(37)		(38)		(58)	(132)
- Transfers from one heading to another	44	6		4	(66)	12	
at 31.12.2014	4 360	8 009	2 071	878		2 064	17 383
b) Revaluation							
at 31-12-2013	4 316		865				5 180
- value increase (decrease) + / (-)	11						
at 31.12.2014	4 327		865				5 191
c) Depreciation							
at 31.12.2013	3 323	6 492	1 337	759		1 978	13 889
- current year depreciation	86	232	63	42		51	475
- depreciation of revalued assets	189		64				253
- acquired by third parties and write off assets depreciation (-)		(37)		(38)		(57)	(132)
at 31.12.2014	3 598	6 688	1 463	764		1 972	14 485
e) Residual value at 31.12.2014 (a) + (b) - (c)							
	5 088	1 320	1 473	115		92	8 089
a) Acquisition costs							
at 31.12.2014	4 360	8 009	2 071	878		2 064	17 383
- acquisition of assets				12	55	14	80
- cessions and disused assets (-)		(29)		(44)		(63)	(136)
- Transfers from one heading to another		18			(55)	37	
at 31.12.2015	4 360	7 998	2 071	846		2 051	17 327

THE DECLARATORY LETTER (continued)

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note No 02 - The status of the tangible assets (continued)

Items	Buildings and constructions	Machinery and equipments	Tanks	Vehicle	Comes fixed assets	Other tangible assets	Total
b) Revaluation							
at 31.12.2014	4 327		865				5 191
- value increase (decrease) + / (-)							
at 31.12.2015	4 327		865				5 191
c) Depreciation							
at 31.12.2014	3 598	6 688	1 463	764		1 972	14 485
- current year depreciation	70	208	20	40		50	388
- depreciation of revalued assets	99		21				120
- acquired by third parties and write off assets depreciation (-)		(29)		(43)		(63)	(135)
at 31.12.2015	3 767	6 867	1 505	761		1 958	14 859
e) Residual value at 31.12.2015							
(a) + (b) - (c)	4 919	1 130	1 431	86		93	7 659

Revaluation of long-term tangible assets

On 08-10-2004 with presence of independent appraiser, evaluation was carried out for the buildings, structures and other fixed assets. General value of revaluated tangible assets was EUR 10 999 thousand. Evaluation methods were chosen according to the assessment case and nature of the assets: comparative value, use income value and replacement value. Accounting recorded increase in the long-term tangible assets value by EUR 1 687 thousand, revaluation reserve of EUR 1 435 thousand was formed and deferred tax of EUR 253 thousand. In 2008 in order to account equipment the revaluation method was changed into the cost method, at the same time rejecting the equipment acquisition cost, revaluation reserve and deferred tax.

On 01-07-2008 with presence of independent appraiser, assessment of the buildings and structures was carried out. General value of revaluated tangible assets was EUR 5 843 thousand. Assessment methods used: comparative value and use income value. Building value increased by EUR 2 764 thousand, value of structures reduced by EUR 106 thousand. Due to the increase in value of buildings accounts registered increase in reserve by EUR 2 350 thousand and deferred tax liability EUR 415 thousand. Due to reduced value of structures revaluation reserve was reduced by EUR 24 thousand and deferred tax liabilities by EUR 4 thousand. Also due to reduced value of structures loss has been incurred amounting EUR 78 thousand.

On 30-12-2011 with presence of independent appraiser, assessment of the buildings and structures was carried out. General value of revaluated tangible assets was EUR 5 161 thousand. Assessment methods used: comparative value, replacement value and use income value. Due to the revaluation, value of buildings and structures increased by EUR 485 thousand. Accordingly, the revaluation reserve was formed EUR 412 thousand and deferred tax liabilities EUR 73 thousand.

THE DECLARATORY LETTER (continued)

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note No 02 - The status of the tangible assets (continued)

Revaluation of long-term tangible assets (continued)

In 2012, the company's management, taking into account that the company used containers made of stainless steel, the prices of which in the market change frequently and are slowly wearing, decided to pick out a separate category of long-term tangible assets: Containers and to account them at revaluated value.

On 27-12-2012 with presence of independent appraiser, revaluation of long-term tangible assets used in the company being containers was performed. To estimate the value the cost method was used. Revaluated assets value is EUR 1 726 thousand. Balance value of the assets, if they were not revaluated, would have been EUR 1 000 thousand. As a result of revaluation, the revaluation reserve was formed as EUR 735 thousand and deferred tax EUR 130 thousand.

On 27-06-2013 with presence of independent appraiser, revaluation of long-term tangible assets used in the company being some Buildings was performed. To estimate the value the cost method was used. Revaluated assets value is EUR 735 thousand. Balance value of the assets, if they were not revaluated, would have been EUR 390 thousand. As a result of revaluation, the revaluation reserve was formed as EUR 133 thousand and deferred tax EUR 23 thousand.

On 27-12-2013 with presence of independent appraiser, revaluation of long-term tangible assets used in the company being some Buildings was performed. To estimate the value the cost method was used. Revaluated assets value is EUR 539 thousand. Balance value of the assets, if they were not revaluated, would have been EUR 231 thousand. As a result of revaluation, the revaluation reserve was formed as EUR 262 thousand and deferred tax EUR 46 thousand.

On 22-12-2014 with presence of independent appraiser, revaluation of long-term tangible assets used in the company being some Buildings was performed. To estimate the value the cost method was used. Revaluated assets value is EUR 174 thousand. Balance value of the assets, if they were not revaluated, would have been EUR 163 thousand. As a result of revaluation, the revaluation reserve was formed as EUR 9 thousand and deferred tax EUR 2 thousand.

If the company had accounted its building, structure and container assets groups using the acquisition cost method, their balance value on 31 December 2015 would be EUR 4 122 thousand (on 31-12-2014 – EUR 4 403 thousand).

Evaluation of long-term tangible assets reduction signs

The Company has determined that during the reporting period:

- There are no signs that the market value of assets used did not decrease more than depreciation over the same period;
- No significant changes with an adverse effect on the company occurred;
- Market interest rates have fallen;
- No outdated or damaged property in the company during inventory was observed;

THE DECLARATORY LETTER (continued)

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note No 02 - The status of the tangible assets (continued)

Evaluation of long-term tangible assets reduction signs (continued)

- The company did not experience major changes that would adversely affect any existing or future assets use scope and method: there has been no unscheduled downtime of assets, there are no plans to discontinue or restructure operations, there are no plans to dispose of assets before it was expected, nor there was change of useful life of assets from indefinite to finite;
- Internal reports show no evidence that the economic performance from asset use is or will be worse than it was expected.

Given these circumstances, the company's management decided that there were no asset value reduction signs in the reported year.

Long-term tangible asset's useful life assessment

- Buildings 25 - 90 years
- Cultural heritage buildings –until 200 years (from 2015 financial years)
- Tanks 10 - 50 years (before years 2015 it was up to 25 years)
- Machinery and equipment 7 - 25 years
- Vehicles and other equipment 3 - 10 years

Assets acquired through leasing

The company through leasing acquired commercial vehicles for a total acquisition cost of EUR 67 thousand. Outstanding value on 31-12-2015 is EUR 20 thousand.

Long-term assets pledges

The Company has pledged long term assets for EUR 7 204 thousand in balance value:

Depreciation

4 350 units of tangible fixed assets with ended depreciation time and acquisition cost of EUR 5 017 thousand are used in the company's activities.

Note No 03 - Financial assets

	<u>31-12-2015</u>	<u>31-12-2014</u>
Investment into daughter and associated enterprises	4	4

THE DECLARATORY LETTER (continued)

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note No 03 - Financial assets (continued)

Investments on 31-12-2015:

Company	Amount (EUR)	The percentage of the company's capital
Žaliasis taškas VŠĮ	4 344	1.35

Investments in accounting of the Company shall be accounted for at net cost because securities of companies are not quoted and losses in respect of value would not have a significant impact on financial statement of the Company

Note No 04 – Stocks and Prepayments

Stocks are gained by the acquisition cost price. The Company buys resources only for its own use. The stock is written of applying the FIFO method of price valuation.

	<u>31-12-2015</u>	<u>31-12-2014</u>
Raw materials	558	580
Production in progress	108	161
Produced goods	125	148
Goods for reselling	3	11
Prepayments	92	96
Contracts in progress		
Total	<u>886</u>	<u>995</u>

The main raw materials are malt, containers, packaging materials and other materials used in production.

	<u>2015</u>	<u>2014</u>
Inventories expenses	3 029	4 337

In 2015 net realizable value of stock was evaluated. In 2015 accounting inventory recorded stock value reduction by EUR 169 957 thousand.

Advance payments: payments to suppliers for raw materials. These are the foreign malt and cans packaging suppliers (EUR 50 thousand), the deposit for STI for exportation of excisable goods (EUR 36 thousand), and other prepayments to suppliers (EUR 6 thousand).

The Company has pledged all stocks.

THE DECLARATORY LETTER (continued)

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note No 05 - Receivable sums in one year

	<u>31-12-2015</u>	<u>31-12-2014</u>
Customer receivables	742	989
Other amounts receivables	5	
Total	<u>747</u>	<u>989</u>

The evaluation of the chances of recovery of the company's receivable debts overdue for more than 90 days, in 31-12-2015 bad debts are devaluated by EUR 26 thousand.

Delinquency	Not overdue	up to 30 days	from 30 to 60 days	from 60 to 90 days	over 90	Total
Trade receivables (net cost)	692	33	4	0	39	768
Depreciation	0	0	0	0	(26)	(26)
Trade receivables (upon assessment of depreciation)	692	33	4	0	13	742

Note No 06 – Cash

	<u>31-12-2015</u>	<u>31-12-2014</u>
Bank accounts	6	22
Cash on hand		
Cash on the way	5	4
Deposited funds	84	83
Total	<u>95</u>	<u>110</u>

Deposited funds – cash on bank account, which are meant validate paying the excise duty for the production which is taken from the warehouse.

Note No 07 – The private capital

The authorized capital of the Company on 31th December, 2015 is EUR 3 064 627. It is divided into 16 129 614 ordinary nominal shares, the value of every share is EUR 0.19. The difference of the Share Capital due to the share price rounding after Euro Adoption – EUR 6 129 in accordance with the Law of the Republic of Lithuania 2014-10-10 Nr.XII-1223 requirements included into the costs of the financial year.

In order to reduce the losses recorded in the company's balance sheet, the decision of Company's Shareholders' Meeting held on 2015-04-28, the Company's authorized capital is reduced by amount of EUR 1 612 961.40 (authorized capital is reduced down to EUR 3 064 626.66) by reducing the par value of the Company's shares from EUR 0.29 to EUR 0.19. All shares are completely paid-up. The equity of the Company on 31th December, 2015 was EUR 1 925 448 – 62.83 % of the authorized capital.

The reserve of revaluation consists of the difference in reassessed value of the buildings, constructions and tanks. Depreciating the part of the reassessed assets, the reassessment reserve is being reduced

THE DECLARATORY LETTER (continued)

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note No 07 – The private capital (continued)

and the unacknowledged profit of the reporting year is registered, and the used deferred profit tax appears in the in the report of the gross receipts. The unacknowledged profit 2015 of the reporting cycle due to the depreciation of the reassessed part of the assets is EUR 101 943.

The Company does not have a compulsory reserve formed following the law since 31th December, 2015.

During reporting financial year 2015 the Company incurred losses EUR 240 470.

Note No 08 – Loans and borrowings

	Note	31-12-2015	31-12-2014
Financial leasing for SWED bank leasing	a)	3	14
Financial leasing for Šiaulių bank leasing	b)	17	14
Laumžirgiai, UAB loan	c)	939	928
Respublikos investicija, UAB loan	d)	3 601	3 824
Accumulated taxes arrears	e)	579	719
Interest payable for the loans	f)	35	28
Other loans	g)	100	119
Total obligations		5 274	5 646
Minus: short-term part		(997)	(970)
Total long-term part		4 277	4 677

- a) Finance lease (leasing) from Swedbank Leasing, UAB. Final instalment payment date: 29-02-2016;
- b) Finance lease (leasing) from Siauliu bank leasing, UAB. Final instalment payment date: 28-08-2020;
- c) On 25-10-2011 Laumžirgiai, UAB took over the claim from O. Shabaeva towards the entire debt accruing according to order of 10-02-2010 of Siauliai District Court and order of the Court of Appeal of Lithuania of 24-01-2011. The loan has to be repaid till 10-06-2023 according to the signed repayment schedule;
- d) On 25-04-2007 by agreement Ukio Bankas transferred the claim right to loan of Respublikos investicija, UAB. On 2013 November 12 signed debt payment arrangement agreement setting forth the obligation to size LTL 14 503 025.21 (EUR 4 200 366), and approved of the debt repayment schedule by December 30-09-2022.
- e) The tax arrears under the 09-09-2015 and 01-12-2015 contracts. Returns provided by 15-09-2017).
- f) Interest payable according to loan agreement of Laumžirgiai, UAB and Respublikos investicija, UAB.
- g) Short term loans for the raw material purchasing.

THE DECLARATORY LETTER (continued)

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note No 08 – Loans and borrowings (continued)

In 2015 signed two tax credits 202 thousand. EURO amount, stating the payment of arrears to 2017-09-15. The resulting 10 thousand. EUR short-term from shareholders of financing for working capital and 14 thousand. EUR leasing commercial vehicle Citroen Berlingo financing.

During the financial year it was returned loans for the sum of EUR 594 thousand.

All loans and other financial debts are denominated in Euro on 31 December 2015. Tax interest on loans is set by the Ministry of Finance of the Republic of Lithuania on a quarterly basis. Financial leasing interest rates are variable and are established in accordance with a 6-month plus a fixed margin. Loan interest of Laumžirgiai, UAB and Respublikos investicija, UAB has been set at 4 per cent.

The company has pledged for the loan its long-term assets with balance value on 31-12-2015 being EUR 7 204 thousand (in 2014 EUR 7 642 thousand), all stocks, 19 trademarks, cash in banks SEB and SWEDBANKAS, land lease law.

Loans according to the approved schedule will be paid as follows:

	<u>31-12-2015</u>	<u>31-12-2014</u>
After 1 year	4 277	4 677
Within 1 year	997	970
Present value of liabilities	<u>5 274</u>	<u>5 646</u>

Note No. 09 - Deferred tax liabilities

Deferred tax assets and liabilities, calculated at a 15 per cent rate are attributed to long-term liabilities:

	<u>31-12-2015</u>	<u>31-12-2014</u>
Deferred tax assets	30	0
Deferred tax liabilities	492	510

Changes in temporary differences during the year can be represented as follows:

	<u>31-12-2015</u>	<u>31-12-2014</u>
Impairment of inventory	170	164
Doubtful debt increase	26	18
Deferred tax assets	30	0

THE DECLARATORY LETTER (continued)

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note No 10 – Current liabilities

	<u>31-12-2015</u>	<u>31-12-2014</u>
Trade loans	1 066	1 015
Prepayments received	22	18
Liabilities related with labour relations	330	344
Other current liabilities	326	495
Total	<u>1 744</u>	<u>1 872</u>

Note No 11 - Business segment

The company has only one operating segment, being the production of beer and kvass.

	<u>2015</u>	<u>2014</u>
Lithuanian market	6 735	9 595
Export	1 791	1 802
Total	<u>8 526</u>	<u>11 398</u>

All company owned long-term tangible assets are located in the territory of the Republic of Lithuania.

Sale distribution of the Company by geographical regions is described in the Table below.

	<u>2015</u>	<u>2014</u>
Lthuania	79.04%	84.18 %
Europe Union	9.69 %	8.96 %
East Europe	0.51 %	1.10 %
Africa states	9.46 %	4.90 %
USA, Canada	1.30 %	0.86 %

Clients in case of whom sales constituted up over 10% of the total scope of sales are provided in the Table below.

	<u>2015</u>	<u>2014</u>
MAXIMA LT, UAB	12.79 %	9.60 %
RIVONA UAB	10.24 %	12.31 %

Note No 12 - Other activities

	<u>2015</u>	<u>2014</u>
Earnings from compensation for damage	1	1
Profit from transfer of fixed assets	6	3
Income from lease	3	3
Other operating income	1	1
	<u>11</u>	<u>8</u>

THE DECLARATORY LETTER (continued)

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note No 13 - Other expenses

	2015	2014
Cost of sales	837	944
Energetics	546	796
Maintenance and operating costs incurred for fixed assets	58	60
Cost of premises lease	35	38
Cost of economic activities	41	51
Other costs	174	313
	1 691	2 202

Note No 14 - Results from financial and investment activities

	2015	2014
a) Incomes from financial and investment activities	0	4
- other incomes	0	0
- the positive influence of the currency Exchange rate	0	4
b) Expenses of the financial and investment activities	239	269
- expenses on interest	213	231
- the negative influence of the EURO adopting	6	6
- expenses on fines	20	32

Note No 15 - Contracts with associated parties

Associated company	Relation	Loan balance 31-12-2015	Interests 2015
Laumžirgiai UAB loan	shareholders	939	38
Respublikos investicija UAB loan	shareholders	3 601	150
Other loans	shareholders	100	0

Note No 16 – Financial risk management

Credit Risk

Credit risk refers to risk that the Company will incur losses in case the client or other party fails in implementing assumed liabilities and which is usually associated with accounts receivable.

Trade and Other Accounts Receivable

The Company controls credit risk by setting credit conditions and market analysis procedures. The credit term applicable to sales is from 15 to 60 days. Casual clients and export buyers from risky markets must pay in advance.

The Company has established depreciation which reflects assessment of losses incurred by it due to loans and accounts receivable. This depreciation includes cost which is assessed individually and related to individually significant trade and other accounts receivable as well as generally assessed depreciation cost.

THE DECLARATORY LETTER (continued)

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note No 16– Financial risk management (continued)

Credit Risk (continued)

Trade and Other Accounts Receivable (continued)

Depreciation of trade payables overdue for over 90 days as on the day of financial statements:

	31-12-2015		31-12-2014	
	Total amount	Depreciation	Total amount	Depreciation
Not overdue and up to 90 days overdue trade payables	729	0	986	0
Debts overdue for over 90 days	39	26	21	18
Total	768	26	1 007	18

In 2015 approximately 42 % of the Company's products are bought by the major shopping centres in Lithuania, 21 % of the products is exported and approximately 37 % of the products are bought by small wholesalers and retailers.

Trade payables of the Company are not covered by insurance, however, effective management of credit limits and payment terms enable to minimise this risk.

Surety

The Company has not issued any sureties.

Liquidity Risk

The Company's policy is to maintain a sufficient flow of money and money equivalents so that it would be able to cover the operating expenses, including servicing of financial obligations. This policy does not cover management of effects of extraordinary circumstances, such as natural disasters, which cannot be predicted under normal circumstances. The Company continuously negotiates with banks and other financiers for financing of the Company's activities.

Terms for contractual financial liabilities, including interest payments, are provided below:

	Carrying amount	Contractual cash flows	6 months or less	6-12 months	More than 1 year
31-12-2015					
Loans and borrowings	5 274	5 426	578	499	4 349
Trade payables	1 066	1 066	1 066		
Total	6 340	6 492	1 644	499	4 349
31-12-2014					
Loans and borrowings	5 646	5 617	563	620	4 434
Trade payables	1 015	1 015	1 015		
Total	6 661	6 632	1 578	620	4 434

THE DECLARATORY LETTER (continued)

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note No 16 – Financial risk management (continued)

Liquidity Risk (continued)

Interest payments for loans and financial debts are calculated for the period of one year.

In this way liquidity risk of the Company was reduced significantly. However, even then liquidity risk remains high due to lack of working capital. On 31 December 2015 it was LTL 1 013 thousand (On 31 December 2014 - LTL 747 thousand). The company's management in order to reduce the negative impact of this indicator, is looking for ways to reduce production costs and increase their profitability, with the STI in 2016 is planned to sign another tax loan agreements over EUR 200 thousand sum, efforts are being made to reduce existing loan repayment schedules intensity.

Market Risk

Currency Risk

Financial currency of the Company is Euro. The Company is exposed to currency risk when purchasing or borrowing as well as when selling and managing accounts receivable in cases when they are denominated in a currency other than Euro.

Tax interest on loans is set by the Ministry of Finance of the Republic of Lithuania on a quarterly basis. Financial leasing interest rates are variable and are established in accordance with a 6-month EURIBOR plus a fixed margin. Loan interest of Laumžirgiai, UAB and Respublikos investicija, UAB has been set at 4 percent. Debt instruments with a variable interest rate are insignificant in comparison to all the financial liabilities, therefore, the Company was not using any financial instruments as on 31 December 2015 in order to protect itself from cash flow risk associated with debt instruments with variable interest rate or price risk associated with debt instruments with fixed interest rate.

Operational Risk

Operational risk is associated with direct or indirect losses arising from a variety of reasons determined by business procedures of the Company, personnel, technologies, infrastructure and external factors (except for credit, market, and liquidity risks). These factors are legal and mandatory requirements as well as universally accepted standards of company functioning. Operational risks arise from all activities of the Company.

The management of the Company is in charge for establishment and introduction of operational risk control system. This responsibility is based on the following operational risk management standards:

- The Company has a system for approval of the transactions carried out at the Company when primary documents supporting the transaction must pass several approval and control stages before entering them into accounting management system. In this way implementation control of an economic transaction can be ensured in all stages.
- products licensed and restricted under legislations of the Republic of Lithuania. In case of changes in legislations in this field, the changes have a direct impact on activities of the Company, sale of products, they influence performance of the Company. Failure to adjust to new requirements established by legislations or decisions governing production and trade of alcoholic beverages (in respect of quality, labelling, containers) in a timely manner can limit production temporarily, and this can affect activities of the Company and influence business

THE DECLARATORY LETTER (continued)

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note No 16 – Financial risk management (continued)

Operational Risk (continued)

perspectives, cause unexpected expenses necessary for implementation of certain liabilities or payment of fines.

- The management of the Company continuously observes and assesses risks associated with activities and applies preventive measures enabling control of these risks.
- The Company has adopted internal rules of procedure, compliance thereof is checked periodically.

Alcohol products sold in Lithuania are subject to excise tax. Changes in excise tax rates would have a direct impact on the price of the products being sold by the Company and can have negative effects on the demand of the products in the local market. In order to reduce the risk of state regulation, the management of the Company seeks to increase the weight of non-alcoholic beverages which are not subject to excise tax in the overall volume of the products being sold.

Financial Instruments: the Fair Value and Risk Management

The Company does not take any measures for management of the risks associated with changes in the fair value of these instruments. All the other financial assets and liabilities of the Company are not measured at the fair value, and amortized net cost of financial liabilities in terms of book value is approximate to the fair value thereof.

Capital Management

The policy of the management of the Company is to maintain as big part of owner's equity as possible, in comparison to borrowed funds, and capital return in order to maintain trust of investors, creditors, and the market and to maintain future development of the activities.

Capital management policy of the Company has not changed during the accounting year.

Note No 17 - Subsequent events

No subsequent events have occurred after the end of the financial year which could have material influence on the financial statements as at 31 December 2015.

BUSINESS CONTINUITY

The financial accountability for 31 December, 2015 is prepared on the base of the business continuity.

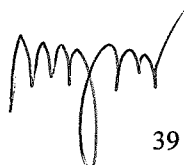
The accompanying notes are an integral part of the Company's financial statements.
The Company's financial statements approved and signed on 31 March 2016.

General Manager



Vijoleta Dunauskiene

Finance Director



Vygintas Buivys

ANNUAL REPORT FOR THE YEAR 2015

1. GENERAL INFORMATION ABOUT THE ISSUER

1.1 Accounting Period for which the present Report has been Prepared.

The present Report has been prepared for the financial year 2015.

1.2. Key Data on the Issuer

Name	AB "Gubernija"
Legal status	Stock Company
Registration date	The Company was registered on May 5, 1993
Company code	144715765
VAT payer's code	LT 447157610
Authorized capital	3 064 626.66 EUR, comprising 16 129 614 ordinary shares at par value of 0.19 LTL each.
Address	Dvaro str. 179, LT-76176 Šiauliai, Lithuania
Telephone	(+370 41) 591900
Fax	(+370 41) 591911
E-mail address	info@gubernija.lt
Internet website	www.gubernija.lt

1.3. Type of the Issuer's main activities

The Company's main activity is production of beer, beer drinks and kvass.

1.4. Agreements with intermediaries of public trading in securities

The company has signed an agreement with the financial brokerage company AB "Šiaulių bankas"

1.5. Securities admitted to the trading lists of the stock exchanges

1.5.1. Ordinary shares of Gubernija AB were admitted to the additional trading list of NASDAQ Vilnius Stock Exchange.

Type of shares – ordinary registered shares;

Number of shares – 14 160 946;

Total nominal value – 2 690 579.74 EUR;

VP ISIN code – LT0000114357;

1.5.2. At the 31 th December 2015 AB Gubernija had no one own shares.

2. THE INFORMATION PROVIDED FOR IN ARTICLE 25 OF THE LAW ON FINANCIAL STATEMENTS OF ENTITIES OF THE REPUBLIC OF LITHUANIA

2.1. The objective review of the Company's state, activity performance and development; the description of the main risk types and uncertainties encountered by the enterprise

Economical situation

The joint-stock company "Gubernija is the oldest and the fourth largest beer producer in Lithuania and the second kvass producer (Nielsen data), sells its production in Lithuania and exports to the United States, Russia, Africa, the European Union countries. The products are made of high quality by using traditional production techniques: a natural maturing method of beer production is carried out by the classical technique, stabilizers and other synthetics are not used. In the structure of the company manufactured products in 2015 beer accounts for about 69 per cent., Kvass and kvass drinks about 29 percent. (In 2014 were 78 percent. beer and 20 percent. kvass). In addition, the company, using the existing logistics and licenses to sell alcoholic beverages in 2014 began to market other producers' alcoholic drink: wine, cider, vodka. In 2014 these products have been sold for almost EUR 230 thousand, which accounted for about 2% of gross sales. A similar percentage remains in 2015.

Over the last two years the excise tax rose by 26.42% (from 2.46 to 3.11 per 1% of the actual alcoholic strength by volume per hectolitre). Meanwhile, in 2015 the market price of beer shelf (before excise tax) on average decreased by 2% compared with 2014. Recently Lithuanian beer market is supported by aggressive price competition.

The Company's 2015 year beer sales in our knowledge amounted to about 4 per cent of the market in Lithuania, kvass and kvass drink sales of about 23 percent. (2014 year beer sales by 6 percent, kvass - 20 per cent.). Export sales in 2014 amounted to 17 per cent, in 2015 - 21 percent and has a tendency to grow.

2015 product sales revenue compared to the same period last year decreased by EUR 2 871 thousand or 25.19 percent. During the reporting period, it incurred a net loss of EUR 240 thousand. that is, profitability (loss ratio) remained at the same level as compared with the 2014 corresponding period. During this period was incurred loss EUR 240 thousand. (2014 – EUR 363 thousand.). This means that Gubernija, reducing sales prices, was forced to lose ground in the market.

In order to maintain the position of maintaining the current profitability Gubernija must look for ways to reduce the cost of production so that profitable to sell the product in the Lithuanian market at competitive prices.

Gubernija management currently sees two investments, which could help save the position in the Lithuanian beer market:

- Invest in new designs of bottles of beer and kvass acquisition and new labeling equipment;
- Energy-intensive, low-performing equipment replacement (bottle washing and disinfecting machine replacement).

Both directions of investment in 2015-2016 would require additional funds, but would allow a reduction of the production cost of about 5%, and the opportunity to increase sales by 15-20% in 2017 while maintaining the same product profitability.

2. THE INFORMATION PROVIDED FOR IN ARTICLE 25 OF THE LAW ON FINANCIAL STATEMENTS OF ENTITIES OF THE REPUBLIC OF LITHUANIA (continued)

2.1. The objective review of the Company's state, activity performance and development; the description of the main risk types and uncertainties encountered by the enterprise (continued)

Technical- technological factors

The Company produces beer of 60 commercial titles, 1 beer drink having the commercial title, 9 types of kvass with the commercial titles, and 7 types of soft drinks having the commercial titles. The production is produced according to the legal acts- requirements of technical regulations: the Technical Regulation for Beer characterization, production and sales approved by the Minister of Agriculture Ministry of the Republic of Lithuania on January 28, 2005, the law No 3D-45 (Žin., 2005, No 16 – 507) and the Technical Regulation for Soft drinks and kvass characterization, production and sales approved by the Minister of Agriculture Ministry of The Republic of Lithuania on January 12, 2009, the law No 3D-13 (Žin., 2009, No 7 – 252), and the standard of the enterprise Beer drinks IST 144715765 – 07:2004. The Company following the regulations of the law participates in preparation of the technical regulations, prepares and rectifies itself the standards for the enterprise with the accredited institution.

Food safety control is performed according to the installed plan for the food security system which consists of the system plan HACCP (Hazard Analysis and Critical Control Points) - (food safety is under control during the technology process) and the mandatory programme (Conditions for food production are under control). Such control of food security is set in the legal acts and mandatory.

The Company did not deployment any standards for environment protection, quality, and management control.

The Company is not able to reduce expenses due to the technical-technological development because the quality of the produced goods depends on that. It is necessary to follow quality standards for the production of food and drinks, and the requirements of the hygiene norms.

Description of main types of risk and indeterminac faced by the company and management thereof

Company specializes in production and selling of beer, drinks of beer, production and selling of kvass. Main factors which give the risk of company business are possible price movements in the markets of products; also possible political, juridical, social and technological changes immediately or indirectly concerned with AB „Gubernija” continue proceeding, which might make a negative influence on company's money flows and results of activity.

2. THE INFORMATION PROVIDED FOR IN ARTICLE 25 OF THE LAW ON FINANCIAL STATEMENTS OF ENTITIES OF THE REPUBLIC OF LITHUANIA (continued)

2.2. Analysis of financial and non-financial activity results, information related to environment and personnel issues

Key figures, LTL thousand	31 12 2015	31 12 2014
Turnover	8 537	11 405
Profit before taxes, interests and depreciation (EBITDA)	436	560
Profit (loss)	(240)	(401)
Investment in property, plant and equipment	96	118
Number of employees	166	179

Main quality management and environmental principles:

The production of AB "Gubernija" is performed following the licence No 82 TIPIK issued by Šiauliai Regional Environmental Department by The ministry of Environment to the Republic of Lithuania. Main sources of industrial pollutants are the boiler-house of the steam production (contaminants- carbonic and nitrogen oxides) and the dust forming during the discharging of malt. The amounts of the pollutants are pro rata: carbonic and nitrogen oxides – 15.74 t/a year, dust (solid particles) – 0.50 t/ a year. While producing the production there is a by-product which is utilized or sold as the norage for the cattle. Due to the need to wash the containers and to disinfect them at the end of the production, there are overnorms of the effluent pollution. To perform its activities the Company has the programmes for collecting the tare, collects and uses it, and takes for salvage the one not suitable to use. Due to the mobile and stationery pollution sources a tax was paid. The activities of the Company due to damage for the nature mentioned above from the owned sources of pollution were not stopped in the twelve months of year 2015. The prevention of the laboratory findings related to the pollution of the product and the environment in the territory is performed every day which allows protecting nature, the local population, and customers. The possibility to restrain or stop the activities of the Company is minimal, unless the accident in the freezing compressor happens during which ammonia spills. The means for liquidation of the accident is ready.

The company's top management annually reviews and approves food safety, quality and environmental protection policies.

2.3. References and additional explanatory notes regarding the data presented in the annual financial statements

Information presented in the interim financial statements and notes to the financial statements are sufficient, detailed and requires no additional explanation.

2.4. The number of the shares acquired by the entity and the entity's own shares as well as nominal value thereof and a part of the authorized capital made up by these shares

At the 31 th December 2015 the Company has purchased no one own share.

2.5. The number of the own shares acquired and transferred during the reporting period, where they are acquired or transferred against payment

During the reporting period, the Company's own shares has nod acquired and has not transferred.

2. THE INFORMATION PROVIDED FOR IN ARTICLE 25 OF THE LAW ON FINANCIAL STATEMENTS OF ENTITIES OF THE REPUBLIC OF LITHUANIA (continued)

2.6. Information about branches and representative offices

The Company has 4 its branded stores in major cities of Lithuania: Siauliai and Klaipeda. The Company has also got the representative office and the warehouse of the wholesale at Kalvarijų str. 204 B, Vilnius.

2.7. Significant events occurred after the end of the financial year

No significant events have occurred after the end of the financial year.

2.8. Plans of the Company's activity and forecasts

AB Gubernija has set the following goals for 2016:

- Expected sales close to EUR 8.5 million;
- Expected EBITDA profitability around 7.5 %;
- Expected net profit margin around -1.6 %.

2.9. Information about research and development activity

The Company continuously makes investments and searches for new ways how to ensure a constant and better efficiency growth of its activity.

2.10. The goals of financial risk management, hedging instruments used for expected transactions on which hedging accounting is applied, and the scope of price risk, credit risk, liquidity risk and cash flows risk

The Company did not use any financial instruments which are important for valuation of the Company's assets, liabilities, financial position and performance results.

2.11. Description of investment

During the reporting period the company made investments in:

- Machinery and equipment renewal (EUR 18 thousand);
- Acquisition of vehicles (EUR 14 thousand);
- Commercial software update (EUR 50 thousand);
- Other long term assets (EUR 14 thousand).

3. OTHER INFORMATION ABOUT THE ISSUER

3.1. Structure of the Issuer's authorized capital

The authorized capital registered with the Companies Register Center amounts to EUR 3 064 626.66. The authorized capital is divided into 16 129 614 ordinary shares (nominal value 0.19 EUR). All ordinary registered shares of AB Gubernija are fully paid. Stock transfer restrictions do not apply.

3. OTHER INFORMATION ABOUT THE ISSUER (continued)

3.2. Restrictions applicable upon the transfer of securities

Following the Credit Agreement No. 0640-40-4060817-20 of 28 December 2004, 76.68 percent or 12 368 131 shares were put in pledge in favor of the creditor in a Mortgage institution.

All the company's shares with voting rights are of equal nominal value and each share in general meeting of shareholders has one vote.

3.3. Shareholders

On the December 15 of 2014 total number of company's shareholders was 310. Shareholders that got ownership to hold more than 5% of authorized capital and votes of stock company, „Gubernija” are as follows:

Shareholder	Number of shares, units	Share of the capital %	Share of votes with related persons %
VITAS TOMKUS	4.609.703	28.58	38.53
UAB „RESPUBLIKOS“ SPAUSTUVĖ, A. SMETONOS G. 2, VILNIUS, I.K. 124250999	1.604.981	9.95	38.53
LARISA AFANASEVA	1.683.572	10.44	0.00
TAKHIR SHABAEV	851.604	5.28	0.00
ROMUALDAS DUNAUSKAS,	4.210.959	26.11	39.97
JAVELIN FINANCE, SIUTE 4, 41 LOWER BAGGOT STREET, DUBLIN, AIRIJA, I.K. 221234	1.752.712	10.87	39.97
SIGITAS VILČIAUSKAS	0	0.00	15.72

3.4. Shareholders having special control rights, and description of such rights;

There are no shareholders having special control rights in the Company.

3.5. All restrictions imposed upon the voting rights

There are no shareholders with restrictions imposed upon the voting rights.

3.6. All the agreements concluded among the shareholders of which the issuer was aware and due to which the securities transfer and (or) voting rights may be restricted

Shareholders Larissa Afanasjeva and Takhir Shabaev has transferred by mandate its voting rights to Sigitas Vilčiauskas.

3.7. Employees

	31 12 2015	31 12 2014
Average number of Employees	172	186
With University education	37	36
With College education	51	54
With secondary education	79	88
With not completed secondary education	5	6

3. OTHER INFORMATION ABOUT THE ISSUER (continued)

3.7. Employees (continued)

	31 12 2015	31 12 2014
Average Salary, LTL		
Management	2 623	2 617
Specialists	765	748
Workers	578	590

3.8. Change of the issuer's Articles of Association

Articles of Association of AB Gubernija can be changed in accordance with the laws of the Republic of Lithuania.

3.9. Management bodies of the Issuer

The managing bodies of the company are as follows: General shareholders' meeting, the Management Board and the General Manager. The Supervisory Council is not formed in the Company.

The Company Board is the collegial management body, representing shareholders of the Company during the period between meetings and making decisions on the most important issues of the economic activity of the Company. The Work Order of the Board is defined by the Work Regulation, confirmed by the Board. The Board is composed from 5 (five) members. The Board members are elected by for the period not longer than four years. The Board activity is supervised by the Chairman, which is elected from the Board members by the Board.

The competence of and procedure of announcement of the shareholders' meeting as well the competence, election, recall and other issues related to the Board and the General director are regulated by the Companies Law of the Republic of Lithuania.

3.10. Members of the collegial bodies, the management of the Company

The Management Board

Name, Surname	Position Issuer	Number of owned shares	The part of the owned authorized capital, %	Start of the tenure	End of the tenure
	Chairman of the Board				
Romualdas Dunauskas	Chairman of the Board	4 210 959	26.11	25.04.2013	24.04.2017
Lina Dunauskaite	Member of the Board	0	0	25.04.2013	24.04.2017
Augustinas Radavicius	Member of the Board	0	0	25.04.2013	24.04.2017
Sigitas Vilciauskas	Member of the Board	0	0	25.04.2013	24.04.2017
Muradas Bakanas	Member of the Board	0	0	25.04.2013	24.04.2017

Board members are not paid bonuses or other remuneration.

3. OTHER INFORMATION ABOUT THE ISSUER (continued)

3.10. Members of the collegial bodies, the management of the Company (continued)

Administration

Name, Surname	Position	Number of owned shares	The part of the owned authorized capital, %	Salary (LTL)
Vijoleta Dunauskiene	General Manager	482 708	2.99	41 705
Vygintas Buivys	Chief accountant-finance director	0	0	23 255

The Audit Committee

Name, Surname	Position	Number of owned shares	The part of the owned authorized capital, %	Start of the tenure	End of the tenure
Mantas Sindriunas	External auditor (UAB „Erpas“)	0	0	25.04.2014	24.04.2018
Rolandas Lideikis	The Economist	0	0	25.04.2014	24.04.2018
Audronė Neimantaite	Debt collection lawyer	0	0	25.04.2014	24.04.2018

Audit committee members for their work in the audit committee are paid no remuneration.

3.11. All material agreements to which the issuer is a party and which would come into effect, be amended or terminated in case of change in the issuer's control, also their impact except the cases where the disclosure of the nature of the agreements would cause significant damage to the issuer

There are no such agreements.

3.12. All agreements of the issuer and the members of its management bodies, or the employee agreements providing for a compensation in case of the resignation or in case they are dismissed without a due reason or their employment is terminated in view of the change of the control of the issuer

The Issuer has not entered into agreements with the members of its collegial management bodies and employees prescribing payment of allowances in case of resignation or dismissal without grounded reason or termination of work due to change in control over the Issuer.

3. OTHER INFORMATION ABOUT THE ISSUER (continued)

3.13. Harmful transactions made during the reporting period, on behalf of issuer

During the reporting period, there were no harmful transactions made on behalf of the company (which do not meet the company's objectives, the existing ordinary market conditions, interest breach of the shareholders or other persons, groups etc.), which had or will likely have a negative impact on the company's operation and (or) its performance results.

3.14. Information on the major related parties' transactions

There were no transactions made under a conflict of interests between the company managers, controlling shareholders or other related parties' obligations towards the company and their private interests and (or) other duties.

4. DATA ON THE PUBLICLY DISCLOSED INFORMATION

All the publicly disclosed information is available at www.gubernija.lt

Summary of Company's published information in 2015:

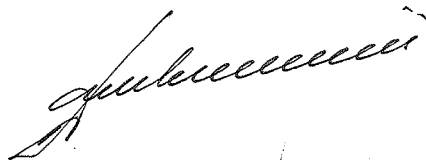
Pranešimo data	Trumpas pranešimo apibūdinimas
27-02-2015	GUBERNIJA, AB interim information for twelve months of 2014
01-04-2015	Notice of the Ordinary General Shareholders Meeting of Gubernija AB
28-04-2015	Decisions of the Ordinary General Meeting of Shareholders of Gubernija AB
28-04-2015	Gubernija AB annual information for the year 2014
28-05-2015	Gubernija, AB unaudited activity result for the first quarter of 2015
28-05-2015	Incorporation of new wording of Gubernija AB Articles of Association
27-08-2015	Gubernija, AB unaudited activity result for the first half of 2015
27-11-2015	Gubernija, AB unaudited activity result for the nine months of the year 2015
01-12-2015	Notice of the Extraordinary General Shareholders Meeting of Gubernija AB regarding Election of audit company for performing audit of the Company's financial statements.
22-12-2015	Decision of the Extraordinary General Shareholders Meeting of Gubernija AB regarding Election of audit company for performing audit of the Company's financial statements

5. OTHER INFORMATION

There is no other information that should be disclosed in the annual financial statement under the legal acts governing the activities of companies or other legal acts or the Articles of Association of the Company.

Company's annual report approved and signed on 31 March 2016.

General Manager



Vijoleta Dunauskiene

Finance Director



Vyintas Buivys

GUBERNIJA AB report about the compliance with the Corporate Governance Code for the Companies Listed on NASDAQ Vilnius in 2015

The public company “GUBERNIJA”, following Article 21 paragraph 3 of the Law on Securities of the Republic of Lithuania and item 24.5 of the Listing Rules of AB Nasdaq Vilnius, discloses its compliance with the Corporate Governance Code for the Companies Listed on Nasdaq Vilnius, 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>Principle I: Basic Provisions</p> <p>The overriding objective of a company should be to operate in common interests of all the shareholders by optimizing over time shareholder value.</p>		
1.1. A company should adopt and make public the company’s development strategy and objectives by clearly declaring how the company intends to meet the interests of its shareholders and optimize shareholder value.	Yes	The Company presents forecasts announcing significant events through the the information system of Nasdaq Vilnius Stock Exchange, however due to competition in the market, the Company cannot publicly disclose certain strategies in advance.
1.2. All management bodies of a company should act in furtherance of the declared strategic objectives in view of the need to optimize shareholder value.	Yes	All management bodies of the company act in furtherance of the declared strategic objectives.
1.3. A company’s supervisory and management bodies should act in close co-operation in order to attain maximum benefit for the company and its shareholders.	Yes	The company has set up the Management Board which acts for the interests of the company’s shareholders, is responsible for the strategic management of the company, supervises the activity of the chief executive officer of the company, organizes meetings of the Management Board and cooperates with the management bodies of the company.
1.4. A company’s supervisory and management bodies should ensure that the rights and interests of persons other than the company’s shareholders (e.g. employees, creditors, suppliers, clients, local community), participating in or connected with the company’s operation, are duly respected.	Yes	The company acts in compliance with the provisions that are set in this clause.

Principle II: The corporate governance framework

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

<p>2.1. Besides obligatory bodies provided for in the Law on Companies of the Republic of Lithuania – a general shareholders' meeting and the chief executive officer, it is recommended that a company should set up both a collegial supervisory body and a collegial management body. The setting up of collegial bodies for supervision and management facilitates clear separation of management and supervisory functions in the company, accountability and control on the part of the chief executive officer, which, in its turn, facilitate a more efficient and transparent management process.</p>	<p>Yes</p>	<p>The governing bodies of the Company are the Board of Directors and the General Manager. A Supervisory Board is not formed at the Company. In the opinion of the shareholders of the Company, this is a sufficient and effective means for the supervision of the functions performed by the General Manager. The division of competencies and responsibilities among the governing bodies of the Company is set forth by the Company Bylaws, the regulations of the governing bodies of the Company and in the General Manager's employment contract and in the Law on Companies of the Republic of Lithuania (hereinafter referred to as the 'Law on Companies'.</p>
<p>2.2. A collegial management body is responsible for the strategic management of the company and performs other key functions of corporate governance. A collegial supervisory body is responsible for the effective supervision of the company's management bodies.</p>	<p>Yes</p>	<p>The Board is the collegial management body.</p>
<p>2.3. Where a company chooses to form only one collegial body, it is recommended that it should be a supervisory body, i.e. the supervisory board. In such a case, the supervisory board is responsible for the effective monitoring of the functions performed by the company's chief executive officer.</p>	<p>Not applicable</p>	<p>The Board is the collegial management body.</p>
<p>2.4. The collegial supervisory body to be elected by the general shareholders' meeting should be set up and should act in the manner defined in Principles III and IV. Where a company should decide not to set up a collegial supervisory body but rather a collegial management body, i.e. the board, Principles III and IV should apply to the board as long as that does not contradict the essence and purpose of this body.¹</p>	<p>Yes</p>	<p>As collegial supervisory body is not formed at the Company the Principle III and IV statements, are applied to the Board as long as it does not contradict to the essence and purpose of such body.</p>

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

2.5. Company's management and supervisory bodies should comprise such number of board (executive directors) and supervisory (non-executive directors) board members that no individual or small group of individuals can dominate decision-making on the part of these bodies. ²	Yes	The Board consists of 5 members who represent interests of shareholders. This number of members is sufficient and ensures that no individual or small group of individuals dominates decision-making of the Board.
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	In accordance with the Articles of Association, the members of the Management Board are appointed for the period of four years without limiting the number of their terms of Office.
2.7. Chairman of the collegial body elected by the general shareholders' meeting may be a person whose current or past office constitutes no obstacle to conduct independent and impartial supervision. Where a company should decide not to set up a supervisory board but rather the board, it is recommended that the chairman of the board and chief executive officer of the company should be a different person. Former company's chief executive officer should not be immediately nominated as the chairman of the collegial body elected by the general shareholders' meeting. When a company chooses to depart from these recommendations, it should furnish information on the measures it has taken to ensure impartiality of the supervision.	Yes	The Chairman of the Board of the Company and the head of the Company – General Manager are different persons. The Chairman of the Board of the Company is not related to the daily activities of the Company.
<p>Principle III: The order of the formation of a collegial body to be elected by a general shareholders' meeting</p> <p>The order of the formation a collegial body to be elected by a general shareholders' meeting should ensure representation of minority shareholders, accountability of this body to the shareholders and objective monitoring of the company's operation and its management bodies.³</p>		
3.1. The mechanism of the formation of a collegial body to be elected by a general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure objective and fair monitoring of the company's management bodies as well as representation of minority shareholders.	Yes	While a general shareholders' meeting is offered candidates to the board, information about every candidate is provided.

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

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

<p>3.2. Names and surnames of the candidates to become members of a collegial body, information about their education, qualification, professional background, positions taken and potential conflicts of interest should be disclosed early enough before the general shareholders' meeting so that the shareholders would have sufficient time to make an informed voting decision. All factors affecting the candidate's independence, the sample list of which is set out in Recommendation 3.7, should be also disclosed. The collegial body should also be informed on any subsequent changes in the provided information. The collegial body should, on yearly basis, collect data provided in this item on its members and disclose this in the company's annual report.</p>	<p>Yes</p>	<p>The candidates to members to the Board are named to the shareholders in before the General shareholders meeting together with the decision projects of the meeting.</p>
<p>3.3. Should a person be nominated for members of a collegial body, such nomination should be followed by the disclosure of information on candidate's particular competences relevant to his/her service on the collegial body. In order shareholders and investors are able to ascertain whether member's competence is further relevant, the collegial body should, in its annual report, disclose the information on its composition and particular competences of individual members which are relevant to their service on the collegial body.</p>	<p>Yes</p>	<p>Information about members of collegial body is presented in the annual report of the company and in periodic information. Before election of members of the collegial body, information about them is presented together with the meeting's documentation as per legislation.</p>
<p>3.4 In order to maintain a proper balance in terms of the current qualifications possessed by its members, the desired composition of the collegial body shall be determined with regard to the company's structure and activities, and have this periodically evaluated. The collegial body should ensure that it is composed of members who, as a whole, have the required diversity of knowledge, judgment and experience to complete their tasks properly. The members of the audit committee, collectively, should have a recent knowledge and relevant experience in the fields of finance, accounting and/or audit for the stock exchange listed companies. At least one of the members of the remuneration committee should have knowledge of and experience in the field of remuneration policy.</p>	<p>Yes</p>	<p>The composition of the Board of the Company and the number of members meets the scopes of activities of the Company and the size of the existing structure. The members of the Board of the Company and the members of the Audit Committee of the Company have sufficient knowledge and experience for proper execution of duties.</p>
<p>3.5. All new members of the collegial body should be offered a tailored program focused on introducing a member with his/her duties, corporate organization and activities. The collegial body should conduct an annual review to identify fields where its members need to update their skills and knowledge.</p>	<p>Yes</p>	<p>Persons, newly elected to the board members be acquainted with the situation in the company and specifics of management.</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 sufficient⁴ number of independent⁵ members.</p>	<p>No</p>	<p>The company does not follow the Recommendation 3.6 of the Governance Code as the company neither has defined the independence criteria of a member of the Management Board nor has discussed the content of “sufficiency” concept of independent members.</p>
<p>3.7. A member of the collegial body should be considered to be independent only if he is free of any business, family or other relationship with the company, its controlling shareholder or the management of either, that creates a conflict of interest such as to impair his judgment. Since all cases when member of the collegial body is likely to become dependant are impossible to list, moreover, relationships and circumstances associated with the determination of independence may vary amongst companies and the best practices of solving this problem are yet to evolve in the course of time, assessment of independence of a member of the collegial body should be based on the contents of the relationship and circumstances rather than their form. The key criteria for identifying whether a member of the collegial body can be considered to be independent are the following:</p> <ol style="list-style-type: none"> 1) He/she is not an executive director or member of the board (if a collegial body elected by the general shareholders’ meeting is the supervisory board) of the company or any associated company and has not been such during the last five years; 2) He/she is not an employee of the company or some any company and has not been such during the last three years, except for cases when a member of the collegial body does not belong to the senior management and was elected to the collegial body as a representative of the employees; 3) He/she is not receiving or has been not receiving significant additional remuneration from the company or associated company other than remuneration for the office in the collegial body. Such additional remuneration includes participation in share options or some other performance based pay systems; it does not include compensation payments for the previous office in the company (provided that such payment is no way related with later position) as per pension plans (inclusive of deferred compensations); 	<p>No</p>	<p>The company has not defined the independence criteria of a member of the Management Board.</p>

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

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

<p>4) He/she is not a controlling shareholder or representative of such shareholder (control as defined in the Council Directive 83/349/EEC Article 1 Part 1);</p> <p>5) He/she does not have and did not have any material business relations with the company or associated company within the past year directly or as a partner, shareholder, director or superior employee of the subject having such relationship. A subject is considered to have business relations when it is a major supplier or service provider (inclusive of financial, legal, counseling and consulting services), major client or organization receiving significant payments from the company or its group;</p> <p>6) He/she is not and has not been, during the last three years, partner or employee of the current or former external audit company of the company or associated company;</p> <p>7) He/she is not an executive director or member of the board in some other company where executive director of the company or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) is non-executive director or member of the supervisory board, he/she may not also have any other material relationships with executive directors of the company that arise from their participation in activities of other companies or bodies;</p> <p>8) He/she has not been in the position of a member of the collegial body for over than 12 years;</p> <p>9) He/she is not a close relative to an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) or to any person listed in above items 1 to 8. Close relative is considered to be a spouse (common-law spouse), children and parents.</p> <p>3.8. The determination of what constitutes independence is fundamentally an issue for the collegial body itself to determine. The collegial body may decide that, despite a particular member meets all the criteria of independence laid down in this Code, he cannot be considered independent due to special personal or company-related circumstances.</p>	<p>No</p>	<p>The company has not defined the independence criteria of a member of the Management Board.</p>
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<p>3.9. Necessary information on conclusions the collegial body has come to in its determination of whether a particular member of the body should be considered to be independent should be disclosed. When a person is nominated to become a member of the collegial body, the company should disclose whether it considers the person to be independent. When a particular member of the collegial body does not meet one or more criteria of independence set out in this Code, the company should disclose its reasons for nevertheless considering the member to be independent. In addition, the company should annually disclose which members of the collegial body it considers to be independent.</p>	<p>No</p>	<p>The company has not implemented the practice of evaluation and disclosure of independence criteria of a member of the Management Board.</p> <p>The company has not implemented the practice of evaluation and disclosure of independence criteria of a member of the Management Board.</p>
<p>3.10. When one or more criteria of independence set out in this Code has not been met throughout the year, the company should disclose its reasons for considering a particular member of the collegial body to be independent. To ensure accuracy of the information disclosed in relation with the independence of the members of the collegial body, the company should require independent members to have their independence periodically re-confirmed.</p>	<p>No</p>	<p>The company has not implemented the practice of evaluation and disclosure of independence criteria of a member of the Management Board.</p>
<p>3.11. In order to remunerate members of a collegial body for their work and participation in the meetings of the collegial body, they may be remunerated from the company's funds.⁶ The general shareholders' meeting should approve the amount of such remuneration.</p>	<p>Not applicable</p>	<p>Not applicable because it is not remunerated from the company's funds.</p>
<p>Principle IV: The duties and liabilities of a collegial body elected by the general shareholders' meeting</p> <p>The corporate governance framework should ensure proper and effective functioning of the collegial body elected by the general shareholders' meeting, and the powers granted to the collegial body should ensure effective monitoring⁷ of the company's management bodies and protection of interests of all the company's shareholders.</p>		
<p>4.1. The collegial body elected by the general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure integrity and transparency of the company's financial statements and the control system. The collegial body should issue recommendations to the company's management bodies and monitor and control the company's management performance.⁸</p>	<p>Yes</p>	<p>The Management Board ensures the integrity and transparency of the company's financial accounting and control systems, analyze and assess the Company's annual financial statements of the project and the profit (loss) distribution and submits them to the general shareholders' meeting.</p>

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

⁷ See Footnote 3.

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

<p>4.2. Members of the collegial body should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders with due regard to the interests of employees and public welfare. Independent members of the collegial body should (a) under all circumstances maintain independence of their analysis, decision-making and actions (b) do not seek and accept any unjustified privileges that might compromise their independence, and (c) clearly express their objections should a member consider that decision of the collegial body is against the interests of the company. Should a collegial body have passed decisions independent member has serious doubts about, the member should make adequate conclusions. Should an independent member resign from his office, he should explain the reasons in a letter addressed to the collegial body or audit committee and, if necessary, respective company-not-pertaining body (institution).</p>	<p>Yes</p>	<p>The Board members perform on their good will on behalf of the company follow the company's interests trying to maintain independency in decision making.</p>
<p>4.3. Each member should devote sufficient time and attention to perform his duties as a member of the collegial body. Each member of the collegial body should limit other professional obligations of his (in particular any directorships held in other companies) in such a manner they do not interfere with proper performance of duties of a member of the collegial body. In the event a member of the collegial body should be present in less than a half⁹ of the meetings of the collegial body throughout the financial year of the company, shareholders of the company should be notified.</p>	<p>Yes</p>	<p>Members of the collegial body properly fulfill their functions: take active part in sittings and dedicated sufficient time, as a collegial member for execution of duties. All sittings of the collegial body had quorum.</p>
<p>4.4. Where decisions of a collegial body may have a different effect on the company's shareholders, the collegial body should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed on the company's affairs, strategies, risk management and resolution of conflicts of interest. The company should have a clearly established role of members of the collegial body when communicating with and committing to shareholders.</p>	<p>Yes</p>	<p>The Board of the Company seeks, in its work, to conduct in good faith and impartially with all shareholders of the Company.</p>

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

<p>4.5. It is recommended that transactions (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions), concluded between the company and its shareholders, members of the supervisory or managing bodies or other natural or legal persons that exert or may exert influence on the company's management should be subject to approval of the collegial body. The decision concerning approval of such transactions should be deemed adopted only provided the majority of the independent members of the collegial body voted for such a decision.</p>	<p>Yes</p>	<p>Decisions about significant contracts are made by the board.</p>
<p>4.6. The collegial body should be independent in passing decisions that are significant for the company's operations and strategy. Taken separately, the collegial body should be independent of the company's management bodies ¹⁰. Members of the collegial body should act and pass decisions without an outside influence from the persons who have elected it. Companies should ensure that the collegial body and its committees are provided with sufficient administrative and financial resources to discharge their duties, including the right to obtain, in particular from employees of the company, all the necessary information or to seek independent legal, accounting or any other advice on issues pertaining to the competence of the collegial body and its committees. When using the services of a consultant with a view to obtaining information on market standards for remuneration systems, the remuneration committee should ensure that the consultant concerned does not at the same time advise the human resources department, executive directors or collegial management organs of the company concerned.</p>	<p>Yes</p>	<p>In all cases the Management Board makes decisions only on the interest of the company. The Management Board of the company is provided entire resources that are necessary to exercise their functions. Under the necessity, the employees of the company take part in the meetings of the Management Board and provide all necessary information that is relevant to the issues under discussion.</p>

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

<p>4.7. Activities of the collegial body should be organized in a manner that independent members of the collegial body could have major influence in relevant areas where chances of occurrence of conflicts of interest are very high. Such areas to be considered as highly relevant are issues of nomination of company's directors, determination of directors' remuneration and control and assessment of company's audit. Therefore when the mentioned issues are attributable to the competence of the collegial body, it is recommended that the collegial body should establish nomination, remuneration, and audit committees ¹¹. Companies should ensure that the functions attributable to the nomination, remuneration, and audit committees are carried out. However they may decide to merge these functions and set up less than three committees. In such case a company should explain in detail reasons behind the selection of alternative approach and how the selected approach complies with the objectives set forth for the three different committees. Should the collegial body of the company comprise small number of members, the functions assigned to the three committees may be performed by the collegial body itself, provided that it meets composition requirements advocated for the committees and that adequate information is provided in this respect. In such case provisions of this Code relating to the committees of the collegial body (in particular with respect to their role, operation, and transparency) should apply, where relevant, to the collegial body as a whole.</p>	<p>Yes</p>	<p>Only Audit committee established</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 exercise independent judgement and integrity when exercising its functions as well as present the collegial body with recommendations concerning the decisions of the collegial body. Nevertheless the final decision shall be adopted by the collegial body. The recommendation on creation of committees is not intended, in principle, to constrict the competence of the collegial body or to remove the matters considered from the purview of the collegial body itself, which remains fully responsible for the decisions taken in its field of competence.</p>	<p>Yes</p>	<p>The Audit Committee operates in accordance with the Regulations approved by the Board. The Audit Committee in accordance with the need provides the Company's Board with recommendations. The solutions and documents submitted of the Audit Committee are advisory.</p>
<p>4.9. Committees established by the collegial body should normally be composed of at least three members. In companies with small number of members of the collegial body, they could exceptionally be composed of two members. Majority of the members of each committee should be constituted from independent members of the collegial body. In cases when the company chooses not to</p>	<p>Yes</p>	<p>The Audit Committee is composed of 3 members.</p>

¹¹The Law of the Republic of Lithuania on Audit (Official Gazette, 2008, No 82-53233) determines that an Audit Committee shall be formed in each public interest entity (including, but not limited to public companies whose securities are traded in the regulated market of the Republic of Lithuania and/or any other member state).

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

<p>4.12. Nomination Committee.</p> <p>4.12.1. Key functions of the nomination committee should be the following:</p> <ol style="list-style-type: none"> 1) Identify and recommend, for the approval of the collegial body, candidates to fill board vacancies. The nomination committee should evaluate the balance of skills, knowledge and experience on the management body, prepare a description of the roles and capabilities required to assume a particular office, and assess the time commitment expected. Nomination committee can also consider candidates to members of the collegial body delegated by the shareholders of the company; 2) Assess on regular basis the structure, size, composition and performance of the supervisory and management bodies, and make recommendations to the collegial body regarding the means of achieving necessary changes; 3) Assess on regular basis the skills, knowledge and experience of individual directors and report on this to the collegial body; 4) Properly consider issues related to succession planning; 5) Review the policy of the management bodies for selection and appointment of senior management. <p>4.12.2. Nomination committee should consider proposals by other parties, including management and shareholders. When dealing with issues related to executive directors or members of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) and senior management, chief executive officer of the company should be consulted by, and entitled to submit proposals to the nomination committee.</p>	<p>Not applicable</p>	
<p>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"> 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; 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; 3) Ensure that remuneration of individual executive directors or members of management body is proportionate to the remuneration of other executive directors or members of management body and other staff members of the company; 4) Periodically review the remuneration policy for executive directors or members of management body, including the policy regarding share-based remuneration, and its implementation; 	<p>Not applicable</p>	

<p>5) Make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies;</p> <p>6) 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);</p> <p>7) Make general recommendations to the executive directors and members of the management bodies on the level and structure of remuneration for senior management (as defined by the collegial body) with regard to the respective information provided by the executive directors and members of the management bodies.</p> <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> <p>8) Consider general policy regarding the granting of the above mentioned schemes, in particular stock options, and make any related proposals to the collegial body;</p> <p>9) Examine the related information that is given in the company's annual report and documents intended for the use during the shareholders meeting;</p> <p>10) Make proposals to the collegial body regarding the choice between granting options to subscribe shares or granting options to purchase shares, specifying the reasons for its choice as well as the consequences that this choice has.</p> <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> <p>4.13.4. The remuneration committee should report on the exercise of its functions to the shareholders and be present at the annual general meeting for this purpose.</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"> 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); 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; 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. Should there be no internal audit authority in the company, the need for one should be reviewed at least annually; 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; 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 the committee, and (c) permissible without referral to the committee; 6) Review efficiency of the external audit process and responsiveness of management to recommendations made in the external auditor's management letter. <p>4.14.2. All members of the committee should be furnished with complete information on particulars of accounting, financial and other operations of the company. Company's management should inform the audit committee of the methods used to account for significant and unusual transactions where the accounting treatment may be open to different approaches. In such case a special consideration should be given to company's operations in offshore centers and/or activities carried out through special purpose vehicles (organizations) and justification of such operations.</p> <p>4.14.3. The audit committee should decide whether participation of the chairman of the collegial body, chief executive officer of the company, chief financial officer (or superior employees in charge of finances, treasury and accounting), or internal and external auditors in the meetings of the committee is required (if required, when).</p>	<p>Yes</p>	<p>Pursuant to article 52 of the Law on Audit, implementing the provisions of article 41 of the Directive 2006/43/EC, upon the requirement of the Securities Commission, in 26 April, 2010 the Repeated Ordinary General Meeting of Shareholders elected the Audit Committee of three persons.</p> <p>Key functions of the Audit Committee: to monitor the process of drawing up financial statement; to monitor the process of carrying out audit; to monitor how the auditor and the audit firm adhere to the principles of independence and objectivity.</p>
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<p>4.15. Every year the collegial body should conduct the assessment of its activities. The assessment should include evaluation of collegial body's structure, work organization and ability to act as a group, evaluation of each of the collegial body member's and committee's competence and work efficiency and assessment whether the collegial body has achieved its objectives. The collegial body should, at least once a year, make public (as part of the information the company annually discloses on its management structures and practices) respective information on its internal organization and working procedures, and specify what material changes were made as a result of the assessment of the collegial body of its own activities.</p>	No	The company has no practice of assessment of activities of the Management Board and disclosure of information on its activity.

Principle V: The working procedure of the company's collegial bodies

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.

5.1. The company's supervisory and management bodies (hereinafter in this Principle the concept 'collegial bodies' covers both the collegial bodies of supervision and the collegial bodies of management) should be chaired by chairpersons of these bodies. The chairperson of a collegial body is responsible for proper convocation of the collegial body meetings. The chairperson should ensure that information about the meeting being convened and its agenda are communicated to all members of the body. The chairperson of a collegial body should ensure appropriate conducting of the meetings of the collegial body. The chairperson should ensure order and working atmosphere during the meeting.	Yes	This regulation in the Company is realized by the Board.
5.2. It is recommended that meetings of the company's collegial bodies should be carried out according to the schedule approved in advance at certain intervals of time. Each company is free to decide how often to convene meetings of the collegial bodies, but it is recommended that these meetings should be convened at such intervals, which would guarantee an interrupted resolution of the essential corporate governance issues. Meetings of the company's supervisory board should be convened at least once in a quarter, and the company's board should meet at least once a month ¹² .	Yes	The Board sittings are convened at least once per quarter.
5.3. Members of a collegial body should be notified about the meeting being convened in advance in order to allow sufficient time for proper preparation for the issues on the agenda of the meeting and to ensure fruitful discussion and adoption of appropriate decisions. Alongside with the notice about the meeting being convened, all the documents relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body are present or certain issues of great importance to the company require immediate resolution.	Yes	The agenda of the meeting is submitted to the members of the board one week before.

¹² The frequency of meetings of the collegial body provided for in the recommendation must be applied in those cases when both additional collegial bodies are formed at the company, the board and the supervisory board. In the event only one additional collegial body is formed in the company, the frequency of its meetings may be as established for the supervisory board, i.e. at least once in a quarter.

<p>5.4. 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>	<p>Yes</p>	<p>Dates and agendas of the meetings are coordinated.</p>
<p>Principle VI: The equitable treatment of shareholders and shareholder rights</p> <p>The corporate governance framework should ensure the equitable treatment of all shareholders, including minority and foreign shareholders. The corporate governance framework should protect the rights of the shareholders.</p>		
<p>6.1. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all their holders.</p>	<p>Yes</p>	<p>Ordinary nominal shares that make the authorized capital of the Company grant equal rights to the owners of the shares.</p>
<p>6.2. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.</p>	<p>Yes</p>	<p>The Articles of Association, which defines the rights attached to the shares for the investors, are publicly announced on the website of the company.</p>
<p>6.3. Transactions that are important to the company and its shareholders, such as transfer, investment, and pledge of the company's assets or any other type of encumbrance should be subject to approval of the general shareholders' meeting.¹³ All shareholders should be furnished with equal opportunity to familiarize with and participate in the decision-making process when significant corporate issues, including approval of transactions referred to above, are discussed.</p>	<p>No</p>	<p>Transactions that are important to the Company including approval of transactions referred to is approved by the board.</p>
<p>6.4. Procedures of convening and conducting a general shareholders' meeting should ensure equal opportunities for the shareholders to effectively participate at the meetings and should not prejudice the rights and interests of the shareholders. The venue, date, and time of the shareholders' meeting should not hinder wide attendance of the shareholders.</p>	<p>Yes</p>	<p>The Articles of Association provide that all persons, who are shareholders of the company on the day of the General Shareholders' Meeting, shall have the right to attend and vote at the General Shareholders' Meeting or may authorise other persons to vote for them as proxies or may transfer their right to vote to other persons with whom an agreement on the transfer of the voting right has been concluded. Members of the Management Board, chief executive officer of the company and the auditor who prepared the auditor's opinion and audit report may attend and speak at the General Meeting. A shareholder, who has the right to vote and who is familiar</p>

¹³ 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 authorised capital to the competence of the general shareholders' meeting. However, transactions that are important and material for the company's activity should be considered and approved by the general shareholders' meeting. The Law on Companies contains no prohibition to this effect either. Yet, in order not to encumber the company's activity and escape an unreasonably frequent consideration of transactions at the meetings, companies are free to establish their own criteria of material transactions, which are subject to the approval of the meeting. While establishing these criteria of material transactions, companies may follow the criteria set out in items 3, 4, 5 and 6 of paragraph 4 of Article 34 of the Law on Companies or derogate from them in view of the specific nature of their operation and their attempt to ensure uninterrupted, efficient functioning of the company.

		with the agenda, may give written notice to the General Shareholders' Meeting of her/his will "for" or "against" on every single decision. These notices are included into the quorum of the meeting and into the voting results.
6.5. If is possible, in order to ensure shareholders living abroad the right to access to the information, it is recommended that documents on the course of the general shareholders' meeting should be placed on the publicly accessible website of the company not only in Lithuanian language, but in English and /or other foreign languages in advance. 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 Lithuanian, 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	The Company provides information on the convened General Meeting of Shareholders, proposed draft decisions, other documents related to the General Meeting of Shareholders as well as information on decisions approved at the General Meeting of Shareholders to its shareholders in the procedure and terms set in legislation, announcing them publicly and publishing them on the Company's website. All information and the documents for the investors are published in the Lithuanian and English languages through the information system of NASDAQ Vilnius Stock Exchange and on the Company's website.
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 Company's shareholders may exercise their right to participate in the General Meeting of Shareholders both in person and in absentia through a representative, provided that he/she has the due power of attorney or is a party to the agreement on the cession of the voting right made in the procedure prescribed by legislation. The Company also provides its shareholders with the possibility to vote in advance by filling in the general voting ballot paper, as established in the Law on Companies of the Republic of Lithuania.
6.7. With a view to increasing the shareholders' opportunities to participate effectively at shareholders' meetings, the companies are recommended to expand use of modern technologies by allowing the shareholders to participate and vote in general meetings via electronic means of communication. In such cases security of transmitted information and a possibility to identify the identity of the participating and voting person should be guaranteed. Moreover, companies could furnish its shareholders, especially shareholders living abroad, 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.

<p>Principle VII: The avoidance of conflicts of interest and their disclosure</p> <p>The corporate governance framework should encourage members of the corporate bodies to avoid conflicts of interest and assure transparent and effective mechanism of disclosure of conflicts of interest regarding members of the corporate bodies.</p>		
<p>7.1. Any member of the company’s supervisory and management body should avoid a situation, in which his/her personal interests are in conflict or may be in conflict with the company’s interests. In case such a situation did occur, a member of the company’s supervisory and management body should, within reasonable time, inform other members of the same collegial body or the company’s body that has elected him/her, or to the company’s shareholders about a situation of a conflict of interest, indicate the nature of the conflict and value, where possible.</p>	<p>Yes</p>	<p>The members of the Board avoid situations where their personal interest could conflict with the interest of Company. The members of The Company Board abstain from voting or refuse to vote when the matter is related to the person.</p>
<p>7.2. Any member of the company’s supervisory and management body may not mix the company’s assets, the use of which has not been mutually agreed upon, with his/her personal assets or use them or the information which he/she learns by virtue of his/her position as a member of a corporate body for his/her personal benefit or for the benefit of any third person without a prior agreement of the general shareholders’ meeting or any other corporate body authorized by the meeting.</p>	<p>Yes</p>	<p>The members of the Management Board do not mix the company’s assets with his/her personal assets.</p>
<p>7.3. Any member of the company’s supervisory and management body may conclude a transaction with the company, a member of a corporate body of which he/she is. Such a transaction (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions) must be immediately reported in writing or orally, by recording this in the minutes of the meeting, to other members of the same corporate body or to the corporate body that has elected him/her or to the company’s shareholders. Transactions specified in this recommendation are also subject to recommendation 4.5.</p>	<p>Yes</p>	<p>Any member of the Management Board may conclude a transaction with the company. 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</p>

<p>7.4. Any member of the company's supervisory and management body should abstain from voting when decisions concerning transactions or other issues of personal or business interest are voted on.</p>	<p>Yes</p>	<p>The members of the Management Board abstain from voting when decisions concerning transactions or other issues of personal or business interest are voted on.</p>
<p>Principle VIII: Company's remuneration policy</p> <p>Remuneration policy and procedure for approval, revision and disclosure of directors' remuneration established in the company should prevent potential conflicts of interest and abuse in determining remuneration of directors, in addition it should ensure publicity and transparency both of company's remuneration policy and remuneration of directors.</p>		
<p>8.1. A company should make a public statement of the company's remuneration policy (hereinafter the remuneration statement) which should be clear and easily understandable. This remuneration statement should be published as a part of the company's annual statement as well as posted on the company's website.</p>	<p>Yes</p>	<p>To the opinion of the Company and the Board of the Company, according to the competitive environment and economic conditions of activities in the Lithuanian market and other markets where the Company operates, such information is off-the-record (confidential); currently, to be considered as the trade secret of the Company. Concise information is provided only in the declaratory letter.</p>
<p>8.2. Remuneration statement should mainly focus on directors' remuneration policy for the following year and, if appropriate, the subsequent years. The statement should contain a summary of the implementation of the remuneration policy in the previous financial year. Special attention should be given to any significant changes in company's remuneration policy as compared to the previous financial year.</p>	<p>No</p>	<p>Please refer to comment under Item 8.1.</p>
<p>8.3. Remuneration statement should leastwise include the following information:</p> <ol style="list-style-type: none"> 1) Explanation of the relative importance of the variable and non-variable components of directors' remuneration; • Sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration; 2) An explanation how the choice of performance criteria contributes to the long-term interests of the company; 3) An explanation of the methods, applied in order to determine whether performance criteria have been fulfilled; 4) Sufficient information on deferment periods with regard to variable components of remuneration; 5) Sufficient information on the linkage between the remuneration and performance; 	<p>No</p>	<p>Please refer to comment under Item 8.1.</p>

<p>6) The main parameters and rationale for any annual bonus scheme and any other non-cash benefits;</p> <p>7) Sufficient information on the policy regarding termination payments;</p> <p>8) Sufficient information with regard to vesting periods for share-based remuneration, as referred to in point 8.13 of this Code;</p> <p>9) Sufficient information on the policy regarding retention of shares after vesting, as referred to in point 8.15 of this Code;</p> <p>10) Sufficient information on the composition of peer groups of companies the remuneration policy of which has been examined in relation to the establishment of the remuneration policy of the company concerned;</p> <p>11) A description of the main characteristics of supplementary pension or early retirement schemes for directors;</p> <p>12) Remuneration statement should not include commercially sensitive information.</p>		
<p>8.4. Remuneration statement should also summarize and explain company's policy regarding the terms of the contracts executed with executive directors and members of the management bodies. It should include, inter alia, information on the duration of contracts with executive directors and members of the management bodies, the applicable notice periods and details of provisions for termination payments linked to early termination under contracts for executive directors and members of the management bodies.</p>	No	Please refer to comment under Item 8.1.
<p>8.5. 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 8.5.1 to 8.5.4 for each person who has served as a director of the company at any time during the relevant financial year.</p> <p>8.5.1. The following remuneration and/or emoluments-related information should be disclosed:</p> <p>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;</p> <p>2) The remuneration and advantages received from any undertaking belonging to the same group;</p> <p>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;</p> <p>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;</p> <p>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;</p> <p>6) Total estimated value of non-cash benefits considered as remuneration, other than the items covered in the above points.</p> <p>8.5.2. As regards shares and/or rights to acquire share options and/or all other share-incentive schemes, the following information should be disclosed:</p>	No	Please refer to comment under Item 8.1.

<p>1) The number of share options offered or shares granted by the company during the relevant financial year and their 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>8.5.3. The following supplementary pension schemes-related information should be disclosed:</p> <p>5) 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>6) 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>8.5.4. The statement should also state amounts that the company or any subsidiary company or entity included in the consolidated annual financial report 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>8.6. Where the remuneration policy includes variable components of remuneration, companies should set limits on the variable component(s). The non-variable component of remuneration should be sufficient to allow the company to withhold variable components of remuneration when performance criteria are not met.</p>	Yes	At present, the Company's remuneration procedure provides the payment of variable remuneration component.
<p>8.7. Award of variable components of remuneration should be subject to predetermined and measurable performance criteria.</p>	Yes	
<p>8.8. Where a variable component of remuneration is awarded, a major part of the variable component should be deferred for a minimum period of time. The part of the variable component subject to deferment should be determined in relation to the relative weight of the variable component compared to the non-variable component of remuneration.</p>	No	The variable component of remuneration is not deferred.
<p>8.9. Contractual arrangements with executive or managing directors should include provisions that permit the company to reclaim variable components of remuneration that were awarded on the basis of data which subsequently proved to be manifestly misstated.</p>	No	
<p>8.10. Termination payments should not exceed a fixed amount or fixed number of years of annual remuneration, which should, in general, not be higher than two years of the non-variable component of remuneration or the equivalent thereof.</p>	No	Please refer to comment under Item 8.1.

8.11. Termination payments should not be paid if the termination is due to inadequate performance.	Yes	.
8.12. The information on preparatory and decision-making processes, during which a policy of remuneration of directors is being established, should also be disclosed. Information should include data, if applicable, on authorities and composition of the remuneration committee, names and surnames of external consultants whose services have been used in determination of the remuneration policy as well as the role of shareholders' annual general meeting.	No	Please refer to comment under Item 8.1.
8.13. Shares should not vest for at least three years after their award.	Not Applicable	The Company does not apply any schemes of remuneration in the Company's shares.
8.14. Share options or any other right to acquire shares or to be remunerated on the basis of share price movements should not be exercisable for at least three years after their award. Vesting of shares and the right to exercise share options or any other right to acquire shares or to be remunerated on the basis of share price movements, should be subject to predetermined and measurable performance criteria.	Not applicable	Please refer to comment under Item 8.13.
8.15. After vesting, directors should retain a number of shares, until the end of their mandate, subject to the need to finance any costs related to acquisition of the shares. The number of shares to be retained should be fixed, for example, twice the value of total annual remuneration (the non-variable plus the variable components).	Not applicable	Please refer to comment under Item 8.13.
8.16. Remuneration of non-executive or supervisory directors should not include share options.	Not applicable	Please refer to comment under Item 8.13.
8.17. Shareholders, in particular institutional shareholders, should be encouraged to attend general meetings where appropriate and make considered use of their votes regarding directors' remuneration.	No	In accordance with the Bylaws of the Company, the directors' remuneration amount setting issues are resolved by the Board.
8.18. 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.	No	Please refer to comment under Item 8.17.

<p>8.19. Schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements should be subject to the prior approval of shareholders' annual general meeting by way of a resolution prior to their adoption. The approval of scheme should be related with the scheme itself and not to the grant of such share-based benefits under that scheme to individual directors. All significant changes in scheme provisions should also be subject to shareholders' approval prior to their adoption; the approval decision should be made in shareholders' annual general meeting. In such case shareholders should be notified on all terms of suggested changes and get an explanation on the impact of the suggested changes.</p>	No	At present, the Company does not have such remuneration schemes.
<p>8.20. The following issues should be subject to approval by the shareholders' annual general meeting: 1) Grant of share-based schemes, including share options, to directors; 2) Determination of maximum number of shares and main conditions of share granting; 3) The term within which options can be exercised; 4) The conditions for any subsequent change in the exercise of the options, if permissible by law; 4) All other long-term incentive schemes for which directors are eligible and which are not available to other employees of the company under similar terms. Annual general meeting should also set the deadline within which the body responsible for remuneration of directors may award compensations listed in this article to individual directors.</p>	Not applicable	The said issues were not discussed at the General Meeting of Shareholders, since such discussion is not provided for by the Bylaws of the Company.
<p>8.21. Should national law or company's Articles of Association allow, any discounted option arrangement under which any rights are granted to subscribe to shares at a price lower than the market value of the share prevailing on the day of the price determination, or the average of the market values over a number of days preceding the date when the exercise price is determined, should also be subject to the shareholders' approval.</p>	Not applicable	The said issues were not discussed at the General Meeting of Shareholders, since such discussion is not provided for by the Bylaws of the Company.
<p>8.22. Provisions of Articles 8.19 and 8.20 should not be applicable to schemes allowing for participation under similar conditions to company's employees or employees of any subsidiary company whose employees are eligible to participate in the scheme and which has been approved in the shareholders' annual general meeting.</p>	Not applicable	

<p>8.23. Prior to the annual general meeting that is intended to consider decision stipulated in Article 8.19, the shareholders must be provided an opportunity to familiarize with draft resolution and project-related notice (the documents should be posted on the company’s website). The notice should contain the full text of the share-based remuneration schemes or a description of their key terms, as well as full names of the participants in the schemes. Notice should also specify the relationship of the schemes and the overall remuneration policy of the directors. Draft resolution must have a clear reference to the scheme itself or to the summary of its key terms. Shareholders must also be presented with information on how the company intends to provide for the shares required to meet its obligations under incentive schemes. It should be clearly stated whether the company intends to buy shares in the market, hold the shares in reserve or issue new ones. There should also be a summary on scheme-related expenses the company will suffer due to the anticipated application of the scheme. All information given in this article must be posted on the company’s website.</p>		<p>Please refer to comment under Item 8.19.</p>
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Principle IX: The role of stakeholders in corporate governance

The corporate governance framework should recognize the rights of stakeholders as established by law and encourage active co-operation between companies and stakeholders in creating the company value, jobs and financial sustainability. For the purposes of this Principle, the concept “stakeholders” includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interest in the company concerned.

<p>9.1. The corporate governance framework should assure that the rights of stakeholders that are protected by law are respected.</p>	<p>Yes</p>	<p>The company has established conditions under which each stakeholder may participate in the management of the company and they have access to relevant information.</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>Yes</p>	<p>Stakeholders, who own the shares of the company, have a right to participate in the meetings of the company, to take interest in activities of the company and its results.</p>
<p>9.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.</p>	<p>Yes</p>	<p>Stakeholders, who participate in the corporate governance process, have access to relevant information.</p>

Principle X: Information disclosure and transparency

The corporate governance framework should ensure that timely and accurate disclosure is made on all material information regarding the company, including the financial situation, performance and governance of the company.

<p>10.1. The company should disclose information on:</p> <ol style="list-style-type: none"> 1) The financial and operating results of the company; 2) Company objectives; 3) Persons holding by the right of ownership or in control of a block of shares in the company; 4) Members of the company's supervisory and management bodies, chief executive officer of the company and their remuneration; 5) Material foreseeable risk factors; 6) Transactions between the company and connected persons, as well as transactions concluded outside the course of the company's regular operations; 7) Material issues regarding employees and other stakeholders; 8) Governance structures and strategy. <p>This list should be deemed as a minimum recommendation, while the companies are encouraged not to limit themselves to disclosure of the information specified in this list.</p> <p>10.2. It is recommended to the company, which is the parent of other companies, 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>Yes</p>	<p>The information indicated in the recommendation is published on the Company's website www.gubernija.lt and through the informational system of the NASDAQ Vilnius Stock Exchange.</p>
<p>10.3. It is recommended that information on the professional background, qualifications of the members of supervisory and management bodies, chief executive officer of the company should be disclosed as well as potential conflicts of interest that may have an effect on their decisions when information specified in item 4 of Recommendation 10.1 about the members of the company's supervisory and management bodies is under disclosure. It is also recommended that information about the amount of remuneration received from the company and other income should be disclosed with regard to members of the company's supervisory and management bodies and chief executive officer as per Principle VIII.</p> <p>10.4. It is recommended that information about the links between the company and its stakeholders, including employees, creditors, suppliers, local community, as well as the company's policy with regard to human resources, employee participation schemes in the company's share capital, etc. should be disclosed when information specified in item 7 of Recommendation 10.1 is under disclosure.</p>		
<p>10.5. Information should be disclosed in such a way that neither shareholders nor investors are discriminated with regard to the manner or scope of access to information. Information should be disclosed to all simultaneously. It is recommended that notices about material events should be announced before or after a trading session on the Vilnius Stock Exchange, so that all the company's shareholders and investors should have equal access to the information and make informed investing decisions.</p>	<p>Yes</p>	<p>The Company discloses information through the information disclosure system applied by the NASDAQ Vilnius Stock Exchange, in Lithuanian and English, in this way simultaneously providing all stakeholders. Information that may affect the price of securities issued by Company is treated as confidential therefore it is kept as a secret information and is not disclosed unless it is published through the informational system in the manner prescribed by laws.</p>

<p>10.6. Channels for disseminating information should provide for fair, timely and cost-efficient or in cases provided by the legal acts free of charge access to relevant information by users. It is recommended that information technologies should be employed for wider dissemination of information, for instance, by placing the information on the company's website. It is recommended that information should be published and placed on the company's website not only in Lithuanian, but also in English, and, whenever possible and necessary, in other languages as well.</p>	<p>Yes</p>	<p>The Company ensures the impartial, timely and inexpensive access to the information, by announcing it in Lithuanian and English at its web site as well as through the information system of NASDAQ Vilnius Stock Exchange.</p>
<p>10.7. It is recommended that the company's annual reports and other periodical accounts prepared by the company should be placed on the company's website. It is recommended that the company should announce information about material events and changes in the price of the company's shares on the Stock Exchange on the company's website too.</p>	<p>Yes</p>	<p>The Company follows this recommendation and information has been placed on the Company's website www.gubernija.lt.</p>
<p>Principle XI: The selection of the company's auditor</p>		
<p>The mechanism of the selection of the company's auditor should ensure independence of the firm of auditor's conclusion and opinion.</p>		
<p>11.1. An annual audit of the company's financial reports and interim reports 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>11.2. It is recommended that the company's supervisory board and, where it is not set up, the company's board should propose a candidate firm of auditors to the general shareholders' meeting.</p>	<p>Yes</p>	<p>The 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. This information should be also known to the company's supervisory board and, where it is not formed, the company's board upon their consideration which firm of auditors to propose for the general shareholders' meeting.</p>	<p>Yes</p>	<p>All information about the audit firm is given to the shareholders.</p>