STUMBRAS AB

FINANCIAL STATEMENTS, ANNUAL AND INDEPENDENT AUDITOR'S REPORTS

FOR THE YEAR ENDED 31 DECEMBER 2006

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INDEPENDENT AUDITORS REPORT

To the Shareholders of Stumbras AB

Report on the Financial Statements

We have audited the accompanying financial statements of Stumbras AB (the "Company") set out in pages 5 – 33 which comprise the balance sheet as of 31 December 2006 and the income statement, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted for use in EU. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. Except as discussed below, 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 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.

Basis for Qualified Opinion

The Company's financial statements for the year ended 31 December 2004 were not audited or reviewed in accordance with International Standards on Auditing. The amounts presented in the balance sheet as at 31 December 2004 enter into the determination of the results of operation and cash flows for the year ended 31 December 2005. Our Auditor's Report dated 30 March 2006 on the financial statements for the year ended 31 December 2005 was modified by not expressing an opinion as to whether the financial statements gave a true and fair view of the comparative figures included in the financial statements for the year ended 31 December 2005 and the results of the Company's operations and cash flows for the year then ended.

Qualified Opinion

In our opinion, except for the possible effects on the comparative figures of the income and the cash flow statements and statement of changes in equity of the matter described in the Basis for Qualified Opinion paragraph, the financial statements give a true and fair view of the financial position of Stumbras AB as of 31 December 2006, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted for use in EU.

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Report on other legal and regulatory requirements

Furthermore, we have read the Annual Report for the year ended 31 December 2006 set out on pages 34 – 39 and have not noted any material inconsistencies between the financial information included in it and the audited financial statements for the year ended 31 December 2006. It is important to note that the Annual Report does not include the full disclosure form concerning the compliance with the Governance Code for the companies listed on the regulated market.

On behalf of PricewaterhouseCoopers UAB

Christopher C. Butler
Partner

Ona Armalienė
Auditor's Certificate No.000008

Vilnius, Republic of Lithuania
26 March 2007

(all tabular amounts are in LTL'000 unless otherwise stated)

Balance sheet

	Note	As at 31 December	
ASSETS		**2006**	**2005**
Non-current assets			
Property, plant and equipment	7	25,149	23,508
Intangible assets	8	563	459
Deferred income tax assets	9	-	73
Available-for-sale financial assets		15	15
Non-current receivables and deferred charges	10	42	1,485
		25,769	25,540
Current assets			
Inventories	11	13,242	18,322
Trade and other receivables and prepayments	12	46,553	63,978
Prepaid current income tax		-	527
Cash and cash equivalents	13	39,157	12,674
		98,952	95,501
Non-current assets classified as held for sale	24	162	6,231
		99,114	101,732
Total assets		124,883	127,272
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Ordinary shares	14	40,000	39,685
Reserves	15	4,990	-
Retained earnings		20,692	23,655
Total equity		65,682	63,340
LIABILITIES			
Non-current liabilities			
Borrowings	17	-	21,923
Deferred income tax liabilities	9	56	-
		56	21,923
Current liabilities			
Trade and other payables	16	33,749	35,626
Borrowings	17	21,923	4,231
Current income tax liabilities		3,473	-
Deferred income	18	-	1,593
Provisions for other liabilities and charges	19	-	559
		59,145	42,009
Total liabilities		59,201	63,932
Total equity and liabilities		124,883	127,272

The General Director and the Finance Director approved the financial statements on pages 5 to 33 on 26 March 2007

Česlovas Matulevičius
General Director

Voldemaras Kallo
Finance Director

The notes on pages 9 to 33 are an integral part of these financial statements.

(all tabular amounts are in LTL'000 unless otherwise stated)

Income statement

	Note	Year ended 31 December 2006	Year ended 31 December 2005
Continuing operations:			
Sales	6	101,943,	82,770
Cost of sales	20	(52,123)	(39,834)
Gross profit		49,820	42,936
Other gains (losses)-net		(35)	18
Selling and marketing costs	20	(9,751)	(8,091)
Administrative expenses	20	(17,040)	(13,977)
Other income	21	1,839	4,121
Other expenses	20	(885)	(1,707)
Operating profit		23,948	23,300
Finance income	22	190	97
Finance costs	22	(984)	(942)
Profit before income tax		23,154	22,455
Income tax expense	23	(4,631)	(1,318)
Profit for the year from continuing operations		18,523	21,137
Discontinued operations:			
Profit/(Loss) for the year from discontinued operations	24	1,363	(1,332)
Profit for the year		19,886	19,805
Basic and diluted Earnings per share for profit from continuing operations attributable to the equity holders of the Company during the year (expressed in LTL per share)	25	0.47	0.54
Basic and diluted earnings per share for profit/ (loss) from discontinued operations attributable to the equity holders of the Company during the year (expressed in LTL per share)	25	0.03	(0.03)

The notes on pages 9 to 33 are an integral part of these financial statements.

(all tabular amounts are in LTL'000 unless otherwise stated)

Statement of changes in equity

	Note	Ordinary shares	Reserves	Retained earnings	Total equity
Balance at 1 January 2005		130,676	11,864	19,219	161,759
Profit for the year		-	-	19,805	19,805
Total recognised income for 2005		130,676	11,864	39,024	181,564
Issue of share capital	14	28,065	-	-	28,065
Transferred to legal reserve	15	-	1,204	(1,204)	-
Dividend relating to 2004		-	-	(13,890)	(13,890)
Transfer of net assets at the moment of reorganisation	24	(119,056)	(13,068)	(275)	(132,399)
Balance at 31 December 2005		39,685	-	23,655	63,340
Balance at 1 January 2006		39,685	-	23,655	63,340
Profit for the year		-	-	19,886	19,886
Total recognised income for 2006		39,685	-	43,541	83,226
Issue of share capital	14	315	-	-	315
Transferred to reserves	15	-	4,990	(4,990)	-
Dividend relating to 2005	26	-	-	(17,859)	(17,859)
Balance at 31 December 2006		40,000	4,990	20,692	65,682

The notes on pages 9 to 33 are an integral part of these financial statements.

(all tabular amounts are in LTL'000 unless otherwise stated)

Cash flow statement

	Note	Year ended 31 December 2006	2005
Cash flows from operating activities			
Cash generated from operations	27	19,374	16,125
Interest received		3,465	330
Interest paid		(984)	(942)
Income tax paid		(822)	(1,169)
Net cash generated from operating activities		21,033	14,344
Cash flows from investing activities			
Purchases of property, plant and equipment	7	(6,436)	(13,038)
Proceeds from sale of property, plant and equipment	27	503	9,544
Purchases of intangible assets	8	(248)	(439)
Loans granted to related parties		(15,000)	(38,000)
Loan repayments received from related parties		48,399	20,667
Loan repayments received from employees		-	11
Net cash used in/generated from investing activities		27,218	(21,255)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares		315	5
Proceeds from borrowings		-	30,000
Repayments of borrowings		(4,231)	(3,846)
Dividends paid to the Company's shareholders		(17,852)	(13,879)
Net cash used in financing activities		(21,768)	12,280
Net (decrease)/increase in cash, cash equivalents		26,483	5,369
Cash and cash equivalents at beginning of period	13	12,674	7,305
Cash and cash equivalents at end of period	13	39,157	12,674

The notes on pages 9 to 33 are an integral part of these financial statements.

(all tabular amounts are in LTL'000 unless otherwise stated)

Notes to the financial statements

1. General information

Stumbras AB (the Company) was registered as a Lithuanian Public Company under the laws of the Republic of Lithuania on 17 December 1990. Company's code 132082782. The shares of the Company are listed on the Current List of the National Stock Exchange.The shareholders of the Company are:

	31 December 2006	31 December 2005
Mineraliniai vandenys UAB	98.35 per cent	99.40 per cent
Other	1.65 per cent	0.60 per cent

The ultimate parent of the Company is Koncernas MG Baltic incorporated in Lithuania. Mr. Darius Juozas Mockus is the 100% owner of Koncernas MG Baltic.

The Company is incorporated and domiciled in Kaunas. The address of its registered office is as follows:

K.Būgos 7
LT-44355 Kaunas,
Lithuania

The Company is involved in production and trade of strong alcohol drinks.

The number of employees as at 31 December 2006 amounted to 299 (31 December 2005: 341).

As at 31 December 2004 the Company had production plants in the following Lithuanian cities: Kaunas, Antanavas, Balbieriškis and Šilutė. In December 2005 the Company demerged its operations by continuing production of strong alcohol beverages as Stumbras AB in Kaunas and establishing new company Biofuture AB for the production of non-denatured ethyl alcohol of agricultural origin and denatured ethyl alcohol in Šilutė. The demerger was achieved by means of dividend in specie of the shares in the entity that is disposed of to the Company's existing shareholders. All Company's shares with 4 LTL nominal value each were exchanged to the same quantity of Biofuture AB shares with 3 LTL nominal value each. Company's shareholders also retained the same quantity of Company's shares with 1 LTL nominal value each.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

These financial statements of Stumbras AB have been prepared in accordance with International Financial Reporting Standards as adopted by the EU.

(all tabular amounts are in LTL'000 unless otherwise stated)

2.1 Basis of preparation (continued)

These financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

(a) Standards, amendments and interpretations adopted in 2006
Amendments to IAS 39 Financial Instruments: Recognition and Measurement, and IFRS 4 Insurance Contracts - Financial Guarantee Contracts are mandatory for Company's accounting periods beginning on or after 1 January 2006. These amendments are intended to ensure that issuers of financial guarantee contracts include the resulting liabilities in their balance sheet. As the estimated fair value of financial guarantee contracts issued by the Company was not material as at 1 January 2006 and 31 December 2006, adoption of this standard did not have any material impact on the Company's accounts.

(b) Standards, amendments to standards and interpretations effective in 2006 but not relevant
The following standards, amendments and interpretations are mandatory for accounting periods beginning on or after 1 January 2006 but are not relevant to the Company's operations:

- IAS 19 (Amendment), Actuarial gains and losses, group plans and disclosures;
- IAS 21 (Amendment), Net Investment in a Foreign Operation;
- IAS 39 (Amendment), Cash Flow Hedge Accounting of Forecast Intragroup Transactions;
- IAS 39 (Amendment), The Fair Value Option;
- IFRS 6, Exploration for and Evaluation of Mineral Resources;
- IFRS 1 (Amendment), First-time Adoption of International Financial Reporting Standards and IFRS 6 (Amendment), Exploration for and Evaluation of Mineral Resources;
- IFRIC 6, Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment;
- IFRIC 4, Determining whether an Arrangement contains a Lease; and
- IFRIC 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds.

(c) Standards, amendments to standards and interpretations that have been issued but are not effective for 2006 and have not been early adopted

- IFRS 7, Financial Instruments: Disclosures, and the complementary Amendment to IAS 1, Presentation of Financial Statements – Capital Disclosures (effective from 1 January 2007). Management is currently assessing the impact of IFRS 7 on the Company's operations;
- IFRS 8, Operating segments (effective from 1 January 2009). Management have not yet started its assessment of the impact of IFRS 8 on the Company's operations;
- IFRIC 8, Scope of IFRS 2 (effective for annual periods beginning on or after 1 May 2006). The Company will apply IFRIC 8 from 1 January 2007, but it is not expected to have any impact on the Company's accounts;
- IFRIC 10, Interim Financial Reporting and Impairment (effective for annual periods beginning on or after 1 November 2006). The Company will apply IFRIC 10 from 1 January 2007, but it is not expected to have any impact on the Company's accounts.
- IFRIC 7, Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies (effective from 1 March 2006). IFRIC 7 is not relevant to the Company's operations;
- IFRIC 9, Reassessment of Embedded Derivatives, Management believes that this interpretation is not relevant for the Company's operations;
- IFRIC 11, 'IFRS 2 - Company and treasury share transactions',. Management do not expect the interpretation to be relevant for the Company;
- IFRIC 12, 'Service Concession Arrangements',. Management do not expect the interpretation to be relevant for the Company.

IFRIC 10, 11, 12 and IFRS 8 have not been yet endorsed by EU.

(all tabular amounts are in LTL'000 unless otherwise stated)

2.2 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments.

2.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The financial statements are presented in litas (LTL), which is the Company's functional and presentation currency.

From 2 February 2002 the exchange rate of the Litas has been pegged to the euro at a rate of LTL 3.4528 = EUR 1.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rate of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

2.4 Property, plant and equipment

Property, plant and equipment is stated at cost less subsequent depreciation and impairment. Land is shown at cost less impairment. Cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation on assets is calculated using the straight-line method to allocate the cost of each asset to its residual value over its estimated useful life, as follows:

– Buildings	15 - 20 years
– Plant and machinery	5 - 10 years
– Vehicles	6 - 10 years
– Other property, plant and equipment	3 - 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, annually at each year end.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.6).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

2.5 Intangible assets

(a) Patents and licences

Patents and licences are recognised at cost. They have a finite useful life and are carried at cost less accumulated amortisation less impairment. Amortisation is calculated using the straight-line method to allocate the cost of patents and licences over their estimated useful lives (3 years).

(b) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (3 years).

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred.

2.6 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment and whenever events or changes in circumstance indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstance indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.7 Financial assets

The Company classifies its financial assets in the following categories: loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired and whether the investment is quoted in an active market. Management determines the classification of its financial assets at initial recognition.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and with no intention of trading. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets and are included in non-current receivables and deferred charges in the balance sheet. Loans and receivables are included as trade and other receivables and prepayments in the balance sheet (see Note 2.9).

(b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment or investment matures within 12 months of the balance sheet date in which case they are included in current assets.

2.7 Financial assets (continued)

Regular purchases and sales of investments are recognised on trade-date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Available for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences are recognised in profit or loss, and other changes in carrying amount are recognised in equity. Changes in the fair value of monetary securities classified as available-for-sale and non-monetary securities classified as available-for-sale are recognised in equity.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as 'gains and losses from investment securities'. Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement. Dividends on available-for-sale equity instruments are recognised in the income statement when the Company's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little s possible on entity-specific inputs.

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. 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 as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, with the amount of the reversal recognised in income statement. Impairment testing of trade receivables is described in Note 2.9.

2.8 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.9 Trade receivables

Trade receivables are recognised initially at fair value of the amount receivable and subsequently measured at amortised cost using the effective interest method. Amortised cost is the amount at which the receivable was recognised at initial recognition minus principal repayments, plus accrued interest, and minus any write-down for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement within "administrative expenses".

2.10 Non-current assets classified as held for sale

Non-current assets are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through a continuing use. The Company measures non-current assets classified as held for sale at the lower of the carrying amount and fair value less costs to sell.

2.11 Cash and cash equivalents

For the purposes of the cash flow statement cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2.12 Share capital

Ordinary shares are classified as equity.

2.13 Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.14 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the amount at initial recognition and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.15 Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

(all tabular amounts are in LTL'000 unless otherwise stated)

2.16 Employee benefits

(a) Social security contributions

The Company pays social security contributions to the state Social Security Fund (the Fund) on behalf of its employees based on the defined contribution plan in accordance with the local legal requirements. A defined contribution plan is a plan under which the Company pays fixed contributions into the Fund and will have no legal or constructive obligations to pay further contributions if the Fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior period. The social security contributions are recognised as an expense on an accrual basis and are included within staff costs.

(b) Termination benefits

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. The Company recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

2.17 Provisions

Provisions for legal claims are recognised when: the Company has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.18 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services, net of value-added tax, excise tax, rebates and discounts. Revenue is recognised as follows:

(a) Sales of goods

Sales of goods are recognised when an entity has delivered products to the customer, the customer has accepted the products and collectibility of the related receivables is reasonably assured.

(b) Sales of services

Sales of services are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

(c) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income.

2.19 Leases

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made or received under operating leases are charged/credited to the income statement on a straight-line basis over the period of the lease.

2.20 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

2.21 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all attached conditions. Non-monetary government grants are recognised at their nominal amount.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

3. Financial risk management

3.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

(a) Market risk

(i) Foreign exchange risk

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollars. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities. However, foreign exchange risk is not considered to be significant as only a few purchase and sales agreements are carried out in US dollars.

(ii) Price risk

The Company is not exposed to commodity price risk or equity securities price risk.

(b) Credit risk

The Company has no significant concentrations of credit risk. It has policies in place to ensure on a continuous basis that wholesale sales of products are made to customers with an appropriate credit history.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. The Company aims to maintain flexibility in funding by keeping committed credit lines available.

3.1 Financial risk factors (continued)

(d) Cash flow and fair value interest rate risk

The Company's income and operating cash flows are substantially independent of changes in market interest rates. Loans provided to related parties expose the Company to fair value interest rate risk. The Company's cash flow and fair value interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk.

3.2 Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Company is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The nominal value less impairment provision of trade receivables and the nominal value of accounts payable is assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

4. Critical accounting estimates and judgements

Estimates and judgements 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.

4.1 Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal 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.

Tax audits

The tax authorities have carried out a full-scope tax audit at the Company until September 2003. The tax authorities may at any time inspect the books and records within 5 years subsequent to the reported tax year, and may impose additional tax assessments and penalties. The Company's management is not aware of any circumstances which may give rise to a potential material liability in this respect.

Depreciation of property, plant and equipment

The management estimates depreciation period for buildings at the time they are acquired or constructed and reviews on annual basis for appropriateness. The useful lives of the assets are based on historical experiences with similar assets as well as anticipation of future events which may impact their life, such as changes in technology, company's business or location.

4.2 Critical judgements in applying the Company's accounting policies

Accounting for the discontinued operations

In December 2005 the Company separated its operations by continuing production of strong alcohol beverages as Stumbras AB in Kaunas and establishing new company Biofuture AB for the production of non-denatured ethyl alcohol of agricultural origin and denatured ethyl alcohol in Šilutė. The demerger was achieved by means of dividend in specie of the shares in the entity that is disposed of to the Company's existing shareholders. No gains or losses have been recognised on the disposal because it is a transaction with the Company's shareholders. After the demerger results of production plants in Antanavas, Balbieriškis and Šilutė were presented as discontinued operations based on the assumption that a demerger may be treated in the same way as abandonment for presentation purposes under IFRS 5. Dividend in specie is charged to equity and shown in the financial statements at the amount of net assets attributable to the demerged subsidiary at the date of the demerger.

In the current year until final registration and enforcement of necessary documentation allowing the newly established company Biofuture AB to operate non-denatured and denatured ethyl alcohol production and sales, these activities were performed by Stumbras AB. Income and expenses related to these activities were disclosed as results from discontinued operations.

5. Comparatives

Where necessary, comparative figures have been reclassified to conform with changes in presentation in the current year. The effect of reclassifications is as follows:

LTL thousands	2005
Increase in	
Income tax expense	88
Decrease in	
Expenses related to discontinued operations	88

LTL per share	
Increase in	
Basic and diluted earnings per share for profit from discontinued operations attributable to the equity holders of the Company during the year	0.01

6. Segment information

(a) Primary reporting format – business segments

The Company is operating in one business segment i.e. production and sales of alcohol drinks, another reportable segment – production and sales of etanol is related to the discontinued operations.

(all tabular amounts are in LTL'000 unless otherwise stated)

6. Segment information (continued)

(b) Secondary reporting format – geographical segments

The home-country of the Company is Lithuania.

Sales	2006	2005
Lithuania	94,701	78,228
Latvia	2,996	2,668
Poland	1,561	581
France	-	439
Israel	418	258
USA	322	134
Denmark	132	-
Spain	119	38
Greece	108	98
Estonia	907	65
Great Britain and Northern Ireland	179	47
Singapore	87	-
El Salvador	86	-
United Arab Emirates	84	-
Portugal	80	-
Other countries	163	214
Total	101,943	82,770

Sales are allocated based on the country in which the customers are located.

All Company's assets are located in Lithuania and all capital expenditure related to Lithuania.

Analysis of sales by category	2006	2005
Sales of goods	101,534	82,093
Revenue from resale of goods	921	313
Revenue from services	488	364
	101,943	82,770

(all tabular amounts are in LTL'000 unless otherwise stated)

7. Property, plant and equipment

	Land and buildings	Plant and machinery	Vehicles	Other property, plant and equipment	Construction in progress	Total
At 1 January 2005						
Cost	31,851	45,078	2,490	8,265	3,743	91,427
Accumulated depreciation	(15,093)	(21,839)	(1,608)	(4,509)	-	(43,049)
Net book amount	16,758	23,239	882	3,756	3,743	48,378
Year ended 31 December 2005						
Opening net book amount	16,758	23,239	882	3,756	3,743	48,378
Additions	468	785	6	214	11,565	13,038
Disposals	(9,448)	(13,480)	(167)	(2,924)	(2,372)	(28,391)
Reclassifications	1,882	8,905	-	1,185	11,972	-
Reclassifications to non-current assets classified as held for sale	(552)	(4,425)	(45)	(200)	(908)	(6,130)
Reclassifications from current assets	-	-	-	1,868	52	1,920
Depreciation charge	(391)	(4,007)	(163)	(746)	-	(5,307)
Closing net book amount	8,717	11,017	513	3,153	108	23,508
At 31 December 2005						
Cost	11,644	28,362	1,781	5,757	108	47,652
Accumulated depreciation	(2,927)	(17,345)	(1,268)	(2,604)	-	(24,144)
Net book amount	8,717	11,017	513	3,153	108	23,508
Year ended 31 December 2006						
Opening net book amount	8,717	11,017	513	3,153	108	23,508
Additions	-	1,862	1	389	4,184	6,436
Disposals	-	-	-	(524)	-	(524)
Reclassifications	176	2,848	4	22	(3,050)	-
Reclassifications to non-current assets classified as held for sale	3	(96)	1	(7)	-	(99)
Depreciation charge	(201)	(2,931)	(128)	(912)	-	(4,172)
Closing net book amount	8,695	12,700	391	2,121	1,242	25,149
At 31 December 2006						
Cost	12,835	32,027	1,713	4,990	1,242	52,807
Accumulated depreciation and impairment	(4,140)	(19,327)	(1,322)	(2,869)	-	(27,658)
Net book amount	8,695	12,700	391	2,121	1,242	25,149

Depreciation and amortisation expense has been allocated as follows:

	2006	2005
Cost of goods sold	2,623	3,425
Sale and marketing expenses	574	-
Administrative expenses	1,119	1,981
	4,316	5,406

(all tabular amounts are in LTL'000 unless otherwise stated)

7. Property, plant and equipment (continued)

As at 31 December 2006 property, plant and equipment for the net book value LTL 17,040 thousand (2005: LTL 17,964 thousand and land rent rights for the value of LTL 4 thousand) were provided as collateral for bank borrowings (Note 17).

No borrowing costs were capitalised during the years ended 31 December 2006 and 31 December 2005.

Lease rental income amounting to LTL 4 thousand (2005: LTL 310 thousand) relating to the lease of property, plant and equipment are included in the income statement.

8. Intangible assets

	Patents and licences	Software	Total
At 1 January 2005			
Cost	432	199	631
Accumulated amortisation	(271)	(149)	(420)
Net book amount	161	50	211
Year ended 31 December 2005			
Opening net book amount	161	50	211
Additions	269	170	439
Disposals	(39)	-	(39)
Reclassifications to non-current assets classified as held for sale	-	(52)	(52)
Amortisation charge	(64)	(36)	(100)
Closing net book amount	327	132	459
At 31 December 2005			
Cost	572	316	888
Accumulated amortisation	(245)	(184)	(429)
Net book amount	327	132	459
Year ended 31 December 2006			
Opening net book amount	327	132	459
Additions	50	198	248
Disposals	-	-	-
Amortisation charge	(127)	(17)	(144)
Closing net book amount	250	313	563
At 31 December 2006			
Cost	622	515	1,137
Accumulated amortisation	(372)	(202)	(574)
Net book amount	250	313	563

The Company does not have internally generated intangible assets.

(all tabular amounts are in LTL'000 unless otherwise stated)

9. Deferred income tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

	2006	2005
Deferred tax assets:		
– to be recovered after more than 12 months	(344)	(392)
– to be recovered within 12 months	(90)	(190)
	(434)	(582)
Deferred tax liabilities:		
– to be recovered after more than 12 months	472	490
– to be recovered within 12 months	18	19
	490	509
Net deferred tax liability/(asset)	56	(73)

The gross movement on the deferred income tax account is as follows:

	2006	2005
Beginning of the year	(73)	-
Income statement charge/(credit) (Note 23)	129	(73)
End of the year	56	(73)

The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdictions, is as follows:

Deferred tax assets	Differences in carrying value of fixed assets for which impairment was recognised	Written-off bad debts	Accrued social insurance expenses on vacation reserve	Other	Total
At 31 December 2004	-	-	-	-	-
Credited to income statement	(335)	(195)	(45)	(7)	(582)
At 31 December 2005	(335)	(195)	(45)	(7)	(582)
Credited to income statement	10	131	4	3	148
At 31 December 2006	(325)	(64)	(41)	(4)	(434)

Deferred tax liabilities	Differences in carrying value of revalued fixed assets	Total
At 31 December 2004	-	-
Charged to income statement	509	509
At 31 December 2005	509	509
Charged to income statement	(19)	(19)
At 31 December 2006	490	490

(all tabular amounts are in LTL'000 unless otherwise stated)

10. Non-current receivables and deferred charges

	2006	2005
Non-current receivables	-	1,455
Deferred charges	42	30
	42	1,485

The fair values of non-current receivables and deferred charges approximate their carrying values.

As at 31 December 2005 non-current receivables included receivable from Hestika UAB for the building sold by the Company in 2005. Interest rate on the above amount receivable for the first two years is set at 4 per cent and for the remaining period at 6 per cent. This receivable was repaid in 2006.

11. Inventories

	2006	2005
Raw materials	8,837	16,108
Work in progress	527	456
Finished goods	3,878	1,758
	13,242	18,322

At 31 December 2006 inventories of LTL 20,000 thousand (2005: same) is provided as collateral for borrowings (Note 17).

The cost of inventories recognised as expense amounted to LTL 903 thousand (2005: LTL 50 thousand).

12. Trade, other receivables and prepayments

	2006	2005
Trade receivables	28,486	21,478
Less provision for impairment of receivables	(1,250)	(1,288)
Trade receivables – net	27,236	20,190
Receivables from related parties (Note 29)	17,444	6,583
Loans to related parties (Note 29)	-	36,232
Prepayments	1,200	936
Prepaid and recoverable taxes	666	19
Other receivables	7	18
	46,553	63,978

The fair values of trade, other receivables and prepayments approximate their carrying values.

Provision for receivables impairment during 2006 amounted to LTL 50 thousand, reversal of provision amounted to LTL 88 thousand. The creation and release of provision for impaired receivables have been included in administrative expenses in the income statement (Note 20), this amount includes also LTL 57 thousand recovered debts which were already written-off.

The carrying amounts of the Company's trade, other receivables and prepayments are denominated in the following currencies:

	2006	2005
Lithuanian litas	40,371	61,477
EUR	5,745	2,315
US dollar	437	186
	46,553	63,978

(all tabular amounts are in LTL'000 unless otherwise stated)

13. Cash and cash equivalents

	2006	2005
Cash at bank	9,157	12,657
Short-term bank deposits	30,000	-
Cash in hand	-	17
	39,157	12,674

Cash at bank and future inflows to bank accounts amounting to LTL 60,000 thousand (2005: LTL 60,000 thousand) is provided as collateral for banks' borrowings (see Note 17). Effective interest rate for bank deposits amounted to 2.05%.

14. Share capital

As at 31 December 2006, the Company's authorised share capital comprised 40,000,000 ordinary registered shares with a par value of LTL 1 per share (2005: 39,685,354 shares with a par value of LTL 1 per share). All issued shares are fully paid. During 2006 the Company's share capital was increased by LTL 315 thousand by issuing 314,646 ordinary registered shares with a par value of LTL 1 per share having employees status i.e. these shares were sold to the Company's employees and they can only be transferred to other Company's employees during the following 12 months period.

During 2005 the share capital was increased by LTL 28,065 thousand by shareholders contributions. Due to the Company's reorganisation in December 2005 share capital decreased by LTL 119,056 thousand. All Company's shares with 4 LTL nominal value each were exchanged to the same number of Biofuture AB and Stumbras AB shares with 3 LTL and 1 LTL nominal value each respectively.

	Number of shares	Nominal value per share	Total share capital
Balance as at 1 January 2005	32,669,085	4	130,676,340
Increase of share capital	7,016,269	4	28,065,076
Decrease of share capital due to reorganisation	-	(3)	(119,056,062)
Balance as at 31 December 2005	39,685,354	1	39,685,354
Increase of share capital	314,646	1	314,646
Balance as at 31 December 2006	40,000,000	1	40,000,000

15. Reserves

A legal reserve is a compulsory reserve under Lithuanian legislation. Annual transfers of 5 per cent of net profit for the reporting period calculated in accordance with the Lithuanian regulatory legislation on accounting are required until the reserve reaches 10 per cent of the authorised share capital. The legal reserve shall not be used for the payment of dividends and it may be used to cover future losses only. As at 31 December 2006 the legal reserve was LTL 990 thousand. As at 31 December 2005 the legal reserve was nil as the whole reserve was transferred to Biofuture AB as a result of reorganisation.

In 2006 the Company also established LTL 4,000 thousand reserve for the acquisition of treasury shares.

16. Trade and other payables

	2006	2005
Trade payables	11,512	9,243
Amounts due to related parties (Note 29)	749	412
Advances received	7	218
Payroll related liabilities	1,944	1,764
Taxes payable (other than income tax)	19,511	16,675
Liabilities related to reorganisation	-	7,278
Other current liabilities	26	36
	33,749	35,626

(all tabular amounts are in LTL'000 unless otherwise stated)

17. Borrowings

	2006	2005
Non-current		
Bank borrowings	-	21,923
	-	21,923
Current		
Bank borrowings	21,923	4,231
Total borrowings	21,923	26,154

The whole amount of bank borrowings relate to a syndicated loan from two banks at a floating interest rate 3 months EURO LIBOR + 1.3 per cent margin. This loan is to be repaid by 1 October 2007.

Bank borrowings are secured by the property, plant and equipment (Note 7), inventories (Note 11) and cash at banks including future inflows into accounts (Note 13).

Interest rate of borrowings is based on market interest rate, therefore carrying amount of borrowings approximates to its fair value.

The maturity of non-current borrowings is as follows:

	2006	2005
Between 1 and 2 years	-	21,923
Between 2 and 5 years	-	-
Over 5 years	-	-
	-	21,923

The actual interest rate at the balance sheet date was 4.73 % (2005: 3.76%).

The carrying amounts of the Company's borrowings are denominated in the following currencies:

	2006	2005
EUR	21,923	26,154
	21,923	26,154

SEB Vilniaus Bankas AB provided a guarantee to the Company for the amount of LTL 150 thousand as at 31 December 2006, maturing on 31 December 2007. The Company pays annual interest of 1.1 per cent on the guarantee amount. The maximum amount of guarantees that could be issued by the bank is LTL 500 thousand.

18. Deferred income

Deferred income is related to the government grants provided to the Company for the purchases of corn used in the production of bioethanol and starch.

Government grants recognised in the income statement in 2006 amounted to LTL 737 thousand (2005: 1,281 thousand), remaining part amounting to LTL 856 thousand was transferred to Biofuture AB.

19. Provisions for other liabilities and charges

The whole amount pf provisions for other liabilities and charges as at 31 December 2005 is established for expected expenses related to legal claims, where the Company is involved.

(all tabular amounts are in LTL'000 unless otherwise stated)

20. Expenses by nature

	2006	2005
Classified as cost of sales		
Tare and packaging materials	23,308	17,598
Raw materials	21,087	15,496
Salaries and social insurance	3,104	2,426
Depreciation and amortisation	2,568	2,223
Energy	661	1,342
Auxiliary materials	390	350
Other	1,005	399
	52,123	39,834

	2006	2005
Classified as selling and marketing costs		
Marketing, advertising	6,263	5,672
Logistics	1,425	969
Tare and packaging materials	409	483
Depreciation and amortisation	574	-
Other	1,080	967
	9,751	8,091

	2006	2005
Classified as administrative expenses		
Salaries and social insurance	8,753	7,010
Consultations, audit	1,670	1,157
Depreciation and amortisation	1,101	1,147
Written-off assets	1,068	73
Waste management	1,002	638
Events	658	201
Repairs and maintenance	500	385
Utilities	415	562
Rent expenses	413	186
Work safety, hygiene	230	211
Fuel	280	169
IT expenses	177	150
Business trips	133	91
Communications	113	96
Road tax	-	455
Other taxes	111	407
Charity	104	61
Insurance	94	117
Licences and fees	94	82
Bank charges	54	72
Provisions for liabilities and charges	(264)	559
Bad debts	(95)	(68)
Penalties	220	-
Other expenses	209	216
	17,040	13,977

(all tabular amounts are in LTL'000 unless otherwise stated)

20. Expenses by nature (continued)

	2006	2005
Classified as other expenses		
Cost of sold inventories	682	913
Loss on disposal of property, plant and equipment	200	775
Other	3	19
	885	1,707

21. Other income

	2006	2005
Interest income	599	2,878
Sold inventories	1,023	853
Profit on disposal of property, plant and equipment	-	358
Other	217	32
	1,839	4,121

22. Finance income and finance costs

Finance income comprises interest for the cash held in bank. Finance costs comprise interest expenses on bank borrowings.

23. Income tax expense

	2006	2005
Current tax	4,826	1,308
Adjustments related to previous periods	(4)	(5)
Deferred tax (Note 9)	129	(73)
	4,951	1,230

	2006	2005
Income tax related to continued operations	4,631	1,318
Income tax related to discontinued operations	320	(88)
	4,951	1,230

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profit of the Company as follows:

	2006	2005
Profit before income tax	23,154	22,455
Profit /(loss) from discontinued operations	1,683	(1,420)
Profit before income tax from continuing and discontinued operations	24,837	21,035
Income tax at 19% (2005: 15%)	4,719	3,155
Income not subject to tax	(69)	(3)
Expenses not deductible for tax purposes	345	217
Previously unrecognised expenses deducted from current year profit	-	(2,042)
Charity expenses deductible twice for tax purposes	(40)	(19)
Adjustments related to previous periods	(4)	(5)
Previously unrecognised gain/expenses carried forward	-	(73)
Income tax expense	4,951	1,230

Profit is taxable at a rate of 15 per cent (2005: 15 per cent) set in accordance with Lithuanian regulatory legislation on taxation. According to the newly adopted Lithuanian Provisional Law on Social Tax, social tax at the rate of 4 per cent for 2006 and at a rate of 3 per cent for 2007 should be paid on taxable income earned during 2006 and 2007 respectively.

(all tabular amounts are in LTL'000 unless otherwise stated)

24. Discontinued operations

In December 2005 the Company split its operations and assets and liabilities into those related to production of strong alcohol drinks and production of non-denatured ethyl alcohol and bioetanol. Production of strong alcohol drinks remained at Stumbras AB. Production of non-denatured ethyl alcohol and bioetanol, considered as discontinued operations, together with all related assets and liabilities was transferred to a newly established company Biofuture AB.

In the current year until final registration and enforcement of necessary documentation allowing the newly established company Biofuture AB to operate non-denatured and denatured ethyl alcohol production and sales, these activities were performed by Stumbras AB. Income and expenses related to these activities were disclosed as results from discontinued operations.

An analysis of the result of discontinued operations is as follows:

	2006	2005
Revenue	17,896	19,715
Expenses	(16,213)	(21,135)
Profit/(loss) before tax of discontinued operations	1,683	(1,420)
Income tax	(320)	88
Profit/(loss) after tax of discontinued operations	1,363	(1,332)

	2006	2005
Non-current assets classified as held for sale:		
– Property, plant and equipment	162	6,179
– Other intangible assets	-	52
	162	6,231

As at 31 December 2005 non-current assets classified as held for sale includes mainly property, plant and equipment and intangible assets which are sold in January 2006 to Biofuture AB.

The assets and liabilities transferred to Biofuture AB are as follows:

	Transferred carrying amounts
Property, plant and equipment	19,649
Intangible assets	38
Loans receivable from related parties	105,434
Cash and cash equivalents	7,278
Total assets	**132,399**
Share capital	119,056
Legal reserve	13,068
Retained earnings	275
Total equity and liabilities	**132,399**

(all tabular amounts are in LTL'000 unless otherwise stated)

25. Earnings per share

Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2006	2005
Profit from continuing operations attributable to the equity holders	18,523	21,137
Profit /(loss) from discontinued operations attributable to the equity holders	1,363	(1,332)
Net profit attributable to equity holders of the Company	19,886	19,805
Weighted average number of ordinary shares in issue (thousands)	39,848	39,198
Basic earnings per share (LTL per share)		
From continuing operations	0.47	0.54
From discontinued operations	0.03	(0.03)
Basic earnings per share	0.50	0.51

Diluted

The Company has no dilutive potential ordinary shares and therefore the diluted earnings per share are the same as basic earnings per share.

26. Dividends per share

At the Annual General Shareholders' meeting on 10 April 2006, a dividend in respect of 2005 of LTL 0.45 per share equivalent amounting to a total dividend of LTL 17,859 thousand were declared.

Dividends relating to 2006 of LTL 0.55 per share and for the total amount of LTL 22,000 thousand are expected to be proposed at the Annual General Meeting. These financial statements do not reflect this dividend payable.

27. Cash generated from operations

	2006	2005
Net profit for the period	19,886	19,805
Adjustments for:		
– tax (Note 23)	4,951	1,230
– depreciation (Note 7)	4,172	5,307
– amortisation (Note 8)	144	100
– (profit) on disposal of PPE	21	(801)
– interest income (Note 21)	(789)	(2,975)
– interest expense (Note 22)	984	942
Changes in working capital:		
– non-current receivables and deferred charges	1,443	(1,485)
– inventories and assets held for sale	11,248	(1,532)
– trade and other receivables and prepayments	(18,650)	(9,232)
– trade and other payables, deferred income and provisions	(4,036)	4,766
Cash generated from operations	19,374	16,125

(all tabular amounts are in LTL'000 unless otherwise stated)

27. Cash generated from operations (continued)

In the cash flow statement, proceeds from sale of property, plant and equipment comprise:

	2006	2005
Net book amount (Note 7 and Note 8)	524	28,430
Profit on disposal of non-current assets	(21)	801
Transfer of non-current assets on reorganisation	-	(19,687)
Proceeds from sale of non-current assets	503	9,544

Non-cash transactions
There were no significant non cash transactions in 2006. The principal non cash transactions in 2005 were transfer of the assets to newly established company Biofuture AB and issue of the share capital as shareholders contributions were mainly received in 2004.

28. Contingent liabilities and commitments

(a) Capital commitments
Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	2006	2005
Property, plant and equipment	106	616

(b) Operating lease commitments – where the Company is the lessee
The Company leases various property, plant and equipment under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights. The lease expenditure charged to the income statement during the period is disclosed in Note 20.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2006	2005
No later than 1 year	383	379
Later than 1 year and no later than 5 years	653	731
Later than 5 years	4	-
	1,040	1,110

(c) Guarantees issued
The Company concluded guarantee agreements with Bayerische Hypo-und Vereinsbank AG based on which the bank provided a guarantee to Stumbras Poland Sp.z.o.o for the amount of PLN 2,948 thousand (LTL 2,650 thousand) maturing as at 15 June 2007 and PLN 6,000 thousand (LTL 5,393 thousand) maturing as at 31 January 2007. In addition, the Company issued a bill of exchange for the amount of LTL 10,000 thousand maturing on 31 July 2007 to the above bank, which is a collateral for the guarantee provided.

The Company also concluded guarantee agreement with SEB Vilniaus bankas AB based on which the bank provided a guarantee to Biofuture AB amounting to LTL 5,000 thousand maturing on 2 April 2007 and which term is not longer than 2 April 2008. The Company has also provided the following guarantees to SEB Vilniaus bankas AB for the loans and credit limits submitted to Biofuture AB: LTL 5,000 thousand maturing on 15 July 2010 and LTL 3,000 thousand maturing 15 July 2007.

The Company's management believe that Biofuture AB and Stumbras Poland Sp.z.o.o will meet their obligations to the banks and other creditors.

(all tabular amounts are in LTL'000 unless otherwise stated)

28. Contingent liabilities and commitments (continued)

(d) Tax audits

The tax authorities have carried out a full-scope tax audit at the Company until September 2003. The tax authorities may at any time inspect the books and records within 5 years subsequent to the reported tax year, and may impose additional tax assessments and penalties. The Company's management is not aware of any circumstances which may give rise to a potential material liability in this respect.

29. Related-party transactions

Mineraliniai Vandenys AB is the majority shareholder of the Company owning 98.35 per cent of the Company's shares. The remaining shares are widely held.

Other companies treated as related parties are subsidiaries of Koncernas MG Baltic UAB.

Services are usually negotiated with related parties on a cost-plus basis. Goods are sold on the basis of the price list in force with non-related parties.

The following transactions were carried out with related parties:

(a) Sales of goods and services

	2006	2005
– UAB „Mineraliniai vandenys"	44,216	40,141
– UAB „Tromina"	-	32
– AB „Biofuture"	5,699	-
– UAB „Mitnija"	19	-
– Stumbras Poland Sp.zo.o	1,253	-
– SIA „Park MV"	-	2,452
– UAB „TV 1"	10	9
	51,197	42,634

(b) Cost of sales

	2006	2005
– UAB „Mineraliniai vandenys"	-	16
– UAB „Trojina"	90	67
– AB „Biofuture"	260	-
	350	83

((c) Selling and marketing cost

	2006	2005
– UAB Koncernas „MG Baltic"	-	20
– UAB „Mineraliniai vandenys"	544	121
– UAB „Trojina"	44	26
– UAB „Tromina"	266	501
– UAB „Prekybos marketingo paslaugos"	-	482
– SIA „Park MV"	-	45
– UAB „Laisvas nepriklausomas kanalas"	732	415
– UAB „TV 1"	10	9
– UAB „Neo press"	23	9
– Stumbras Poland Sp.zo.o	119	-
– UAB „Alfa media"	10	-
	1,748	1,628

29. Related-party transactions (continued)

(all tabular amounts are in LTL'000 unless otherwise stated)

(d) Administrative expenses

	2006	2005
– UAB Koncernas „MG Baltic"	486	499
– UAB Koncernas „MG Baltic Trade"	418	481
– UAB „Mineraliniai vandenys"	43	21
– UAB „Prekybos marketingo paslaugos"	-	3
– UAB „MG Valda"	184	120
– UAB"MG Baltic Investment"	2	-
– AB „Biofuture"	865	-
	1,998	1,124

(e) Other income

	2006	2005
– UAB „Minvista"	571	2,833
	571	2,833

(f) Other costs

	2006	2005
AB ,,Biofuture"	2,914	-
	2,914	-

(g) Purchases of property, plant and equipment

No property, plant and equipment were acquired from related parties in 2005 and 2006

(h) Key management compensation

	2006	2005
Salaries and other short-term employee benefits	1,229	801
Social security expenses	403	248
	1,632	1,049

Key management includes 9 (2005: 10) members of the management of the Company.

(i) Year-end balances arising from sales/purchases of goods/services

Receivables from related parties (Note 12):

	2006	2005
– UAB „Mineraliniai vandenys"	16,496	5,933
– AB „Biofuture"	83	-
– UAB „Mitnija"	24	-
– Stumbras Poland Sp.zo.o	672	-
– UAB „Minvista"	169	-
– SIA „Park MV"	-	650
	17,444	6,583

(all tabular amounts are in LTL'000 unless otherwise stated)

29. Related-party transactions (continued)

Amounts due to related parties (Note 18):

	2006	2005
Trade payables		
– UAB Koncernas „MG Baltic"	55	64
– UAB Koncernas „MG Baltic Trade"	48	28
– UAB „Mineraliniai vandenys"	98	51
– UAB „Trojina"	-	42
– UAB „Tromina"	136	22
– UAB"MG Baltic Investment"	3	-
– UAB „Laisvas nepriklausomas kanalas"	390	111
– UAB „MG valda"	15	18
– UAB „Prekybos marketingo paslaugos"	-	72
– SIA „Park MV"	-	4
– AB „Biofuture"	4	-
Other liabilities	-	-
– AB „Biofuture"	-	7,278
	749	7,690

(j) Loans to related parties (provided to Minvista UAB)

	2006	2005
Loans to related parties		
Beginning of year	33,399	121,500
Loan repayments received	(48,399)	(20,667)
Additional loans	15,000	38,000
Transferred to Biofuture AB at the reorganisation	-	(105,434)
End of the year	-	33,399

The annual interest rate for the loan amounts to 2.05 per cent.

	2006	2005
Accrued interest on the loans to related parties		
Beginning of year	2,833	200
Interest charged	571	2,833
Interest payments received	(3,235)	(200)
End of the year	169	2,833

30. Events after the balance sheet date

On 5 January 2007 the Company concluded agreement with Association of companies selling alcohol drinks. In accordance with this agreement the Company provided the loan amounting to LTL 500 thousand. The loan should be repaid by 31 December 2007, no interest is charged for the loan.

On 2 January 2007 the Company concluded agreement with Minvista UAB. In accordance with this agreement the Company provided the loan amounting to LTL 30,000 thousand. The loan should be repaid by 31 December 2007, interest of 2.05 per cent is charged for the loan.

On 6 March 2007 the Company concluded guarantee agreement with Bayerische Hypo-und Vereinsbank AG based on which the bank provided a guarantee to Stumbras Poland Sp.z.o.o for the amount of PLN 6,051 thousand (LTL 5,332 thousand) maturing as at 15 June 2007.

STUMBRAS AB
Annual Report for 2006

Vilnius,
26 March 2007

The Company's Annual Report has been prepared in compliance with the requirements set forth in Article 24 of the Lithuanian Law on Financial Statements of Entities, and in accordance with the procedure set forth in Article 21 of the Lithuanian Law on Securities and Article 34 of the Lithuanian Law on Companies. The Company's Articles of Association do not define any additional requirements to be disclosed in the Company's Annual Report (Performance Report). Based on Article 21.3 of the Lithuanian Law on Securities and paragraph 20.5 of the Trading Rules of the Vilnius Stock Exchange, the Company has disclosed its compliance with the Governance Code (hereinafter "the Governance Code") approved by the Vilnius Stock Exchange for the companies whose securities are traded on a regulated market, and its specific provisions (Annex 1).

The Company's Articles of Association do not provide for any additional requirements for the contents of its Annual Report (Performance Report) other than those prescribed under Article 24 of the Lithuanian Law on Financial Statements of Entities, therefore, the Company's Annual Report has been prepared in compliance with the requirements of currently effective regulatory legislation.

Annex 1 (Disclosure form concerning the compliance with the Governance Code of the companies whose securities are traded on a regulated market) constitutes an integral part of the Annual Report.

I. Objective overview of the Company's performance and development, description of its exposure to key risks and contingencies

The Company's principal activities represent production of and trade in strong alcoholic drinks. The Company's competitors in the market are other Lithuanian producers of strong alcoholic drinks and business entities importing and selling strong alcoholic drinks in the Republic of Lithuania. The Company's market share increased in 2006. According to ACNielsien data, the Company enjoys a market share of 38 per cent of strong alcoholic drinks. The Company's market shares by different category of alcoholic drinks (vodka, bitter) are higher than those enjoyed by other Lithuanian producers of strong alcoholic drinks.

One of potential operational risks that the Company is exposed to represents circumstances when with a growing level of living standards of local residents, a part of consumers may start choosing imported drinks. Another operational risk may be linked with a growing power of commercial retail chains and their ability to affect sales of goods. In addition, the Company may loose a part of its profits due to the expected increase in exports of goods and sales in other European countries. The Company plans an aggressive development strategy and in 2010 it expects to achieve LTL 200 million (EUR 57.9 million) in sales or twice as much as in 2006. The Company expects to further strengthen its leader's position in the Lithuanian market during the next 4 years, where it plans to achieve at least LTL 119 million in turnover in 2007. The Company believes that its growth of sales will mainly be reached through development of export markets, where the Company expects to earn almost 40 per cent of its total sales revenue or LTL 81 million (EUR 23.46 million) in the year 2010. In 2010, sales in the EU countries are planned to account for the majority in the Company's export structure (approx. 76 per cent), the highest priority markets whereof are neighbouring countries: Poland, Latvia, and Estonia. Approx. 24 per cent of the Company's export revenue is expected to be earned from sales in USA, Central East and Asian countries. The Company has plans (which have not been approved yet) that its investments in further modernisation of production process (construction of a new plant), development of new products, development of trade marks in the Lithuanian and export markets may reach significant amounts of more than LTL 100 million.

II. Analysis of financial and non-financial performance, information on environmental and personnel-related issues

In 2006, the Company's principal activities were production of and trade in strong alcoholic drinks. In 2006, the Company's revenue from goods sold (net of excise duty) and services rendered amounted to LTL 114,414,245 (including discontinued operations). The Company's profit before tax was LTL 24,837,001 in 2006 (including discontinued operations). During 2006, the Company's taxes paid or payable to the budget in accordance with the terms prescribed under regulatory legislation totalled LTL 203,388,511 comprising excise duty of LTL 153,111,010, value-added tax of LTL 39,254,486, social security contributions of LTL 3,209,794, and personal income tax of individuals of LTL 2,471,473.

The Company's key financial and economic performance indicators for 2006 are as follows:

	2006	2005
Sales of goods and services (incl. discontinued operations)	mLTL 114.4	mLTL 99.9
Exports per total sales	11.7 %	17.2 %
Net profit	mLTL 19.9	mLTL 19.8
Profitability of sales of goods and services	17.4 %	19.9 %
Non-current assets at 31 December	mLTL 25.8	mLTL 25.5
Current assets at 31 December	mLTL 99.1	mLTL 101.7
Total assets:	mLTL 124.9	mLTL 127. 3
Share capital	mLTL 40.0	mLTL 39.7
Capital and reserves	mLTL 65.7	mLTL 63.3

Exports and sales outside Lithuania represent LTL 13.3 million of the Company's finished products, LTL 7.2 million and LTL 6.1 million whereof from continued and discontinued operations, respectively. Details are described in Note 6 to the financial statements for the year ended 31 December 2006.

In 2006, the Company's costs related to waste management amounted to LTL 1.0 million, which is higher by 57.1 per cent as compared to 2005.

There were no significant changes in the number of staff during the reporting period. As at 31 December 2006, the Company had 299 employees.

III. References to and explanations of data reported in the financial statements.

No additional explanations are required.

IV. Number and nominal value of own shares owned or acquired by the Company during the reporting period and their percentage in the authorised share capital

The Company did not acquire its own shares, nor its shares were acquired by a subsidiary or any other third party acting in its own name, however, in the Company's interest and at the Company's account.

V. Number and nominal value of own shares acquired or disposed of by the Company during the reporting period, and their percentage in the authorised share capital

During the reporting period the Company neither acquired nor disposed of its own shares.

VI. Details of payment for own shares, where acquisition or disposal of such shares are subject to consideration

The Company did not acquire its own shares either by itself or through other entities, therefore, no shares of the Company were acquired or disposed of in exchange for any consideration.

VII. Grounds for acquisition of own shares by the Company during the reporting period

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VIII. Information on the Company's branches and representative offices

In 2006, the Company neither established nor registered any branches and representative offices in Lithuania or other countries.

IX. Significant events subsequent to the end of the previous financial year.

11 April 2006. The Company reported that its turnover during the 1st quarter of 2006 increased by 26 per cent as compared to the same reporting period of the previous year and reached LTL 26.94 million (EUR 7.80 million).

26 April 2006. The Company reported that its preliminary unaudited profit before tax in the 1st quarter of 2006 amounted to LTL 3.47 million (EUR 1.01 million), which is higher by 21 per cent as compared to the previous year of LTL 2.87 million (EUR 0.83 million).

15 May 2006. The Company reported that its turnover in April 2006 increased by 26 per cent as compared to the same reporting period of the previous year and amounted to LTL 9.31 million (EUR 2.70 million).

25 May 2006. The Company reported that on 24 May 2006, the subscription for all 314,646 ordinary registered shares with a status of Company's employees was completed. Nominal (issue) price of subscribed ordinary registered shares with employees status amounted to LTL 314,646 (EUR 91,128).

15 June 2006. The Company reported that its five-month turnover in 2006 increased by 25 per cent as compared to the same reporting period of the previous year and reached LTL 44.95 million (EUR 13.02 million).

28 April 2006. The Company reported that amendments to its Articles of Association were registered with the Register of Legal Entities. According to the newly revised Articles of Association, the Company's authorised share capital amounted to LTL 40,000,000 (EUR 11,584,801) comprising 39,685,354 ordinary registered shares with par value of LTL 1 each, and 314,646 ordinary registered shares having employees status with par value of LTL 1 each.

19 July 2006. The Company reported that its preliminary unaudited profit before tax in the 1st half of 2006 amounted to LTL 9.76 million (EUR 2.83 million), which is higher by 48 per cent as compared to the previous year of LTL 6.55 million (EUR 1.90 million). Six-month turnover in 2006 increased by 19 per cent as compared to the same reporting period of the previous year and amounted to LTL 53.21 million (EUR 15.41 million).

19 September 2006. The Company reported that its eight-month turnover in 2006 increased by 14.4 per cent as compared to the same reporting period of the previous year and amounted to LTL 68.63 million (EUR 19.88 million).

25 October 2006. The Company reported that its nine-month preliminary unaudited profit before tax in 2006 amounted to LTL 16.2 million (EUR 4.7 million), which is higher by 30.2 per cent as compared to the previous year of LTL 12.4 million (EUR 3.6 million). Nine-month turnover in 2006 increased by 13.3 per cent as compared to the same reporting period of the previous year and amounted to LTL 77.6 million (EUR 22.5 million).

13 December 2006. The Company reported that its eleven-month turnover in 2006 increased by 17 per cent as compared to the same reporting period of the previous year and amounted to LTL 100.43 million (EUR 29.09 million).

17 January 2007. The Company reported that its preliminary unaudited profit before tax in 2006 amounted to LTL 24.8 million (EUR 7.9 million), and its turnover in 2006 reached LTL 114.43 million (EUR 36.41 million).

X. The Company's business perspectives and future plans

In 2007, the Company will seek to increase its sales in home market, including sales in the EU countries, as well as exports to the third countries.

In 2007 the Company plans to achieve LTL 115.7 million in sales of goods.

In 2007, the Company expects to earn taxable profit of approx. LTL 25.8 million.

XI. When the Company uses financial instruments and, if yes, they are significant for the assessment of the Company's assets, equity, liabilities, financial position and results of operations, the Company discloses the objectives of its financial risk management, hedging instruments in respect of its main categories of transactions qualifying for hedge accounting, and the Company's exposure to price risk, credit risk, liquidity risk and cash flow risk.

Chairman of the Board Darius Juozas Mockus

Annex 1

To the Annual Report of Stumbras AB for 2006

Disclosure form concerning the compliance with the Governance Code for the companies whose securities are traded on a regulated market

Stumbras AB (hereinafter "the Company") following Article 21.3 of the Lithuanian Law on Securities and paragraph 20.5 of the Trading Rules of the Vilnius Stock Exchange (VSE), discloses its compliance with the Governance Code, approved by the VSE for the companies listed on the regulated market, and its specific provisions.

The Company provides disclosures concerning its compliance with the Governance Code by each principle/recommendation specified in the Governance Code. The disclosures are provided as representations confirming the Company's compliance or non-compliance with the specific principle/recommendation of the Governance Code or as partial representations certifying the Company's partial compliance or non-compliance with the specific recommendations of the Governance Code.

Principle I: Basic provisions

The overriding objective of a company should be to operate in common interests of all the shareholders by optimizing shareholder value over time.

The Company confirms its compliance with Principle I requirements of the Governance Code. The Company confirms its substantial compliance with item 1.1 recommendations by making public relevant information on the Company's website at http:// www.stumbras.net/ lt/naujienos? archive=1&npg=7 and special website for investors at http://www.stumbras.net/investuotojams/, VSE's reports and periodic communications to news agencies BNS and DELFI, announcements in daily newspapers and at press conferences.

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.

The Company confirms its compliance with Principle II recommendations of the Governance Code. The Company's Board continuously ensures the strategic management of the Company and supervision of the implementation of the Company's objectives by its chief executive officer and senior management. The Company's Board is supervised by a Supervisory Board.

The Company confirms its partial compliance with item 2.4 recommendations of the Governance Code since the provisions of Principles III and IV of the Governance Code are applied to the formation of the Company's Supervisory Board and assessment of its activities. In view of the shareholders that are known to the Company and existing as at 31 December 2006, where one company holds 98.35 (ninety-eight point thirty five) per cent of the Company's shares and votes, the Company is in compliance with all Principle II requirements and ensures the interests of the Company's shareholders.

Principle III: The order of the formation of a collegial body to be elected by a general shareholders' meeting.

The order of the formation of 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.

The Company confirms its substantial non-compliance with this Principle of the Governance Code since the shareholder controlling the Company by the number of his voting rights has a power on his own discretion and for his own interests to suggest the shareholders' meeting to recall a collegial body or its individual members elected by the Company's shareholders' meeting.

The Company collects and discloses all information about the members of a collegial body, their education, qualification, and potential conflicts of interest as set forth in item 3.2, and discloses this information in publicly announced periodical reports of the Company. It is believed that the Company is in compliance with item 3.6 recommendations of the Governance Code, since two out of three members of a collegial body are considered to be independent members under item 3.7 requirements. Independence of members of a collegial body elected by the Company's general meeting of shareholders is assessed on the basis of the following criteria: collegial body member's positions actually taken, elected and appointed in associated companies, individually presented declaration of personal interests (shareholding or otherwise obtained voting rights in other companies, shares or voting rights held on behalf of a spouse, etc).

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

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

The Company confirms its substantial compliance with Principle IV recommendations of the Code of Governance.

During the ordinary meetings of shareholders, the Company's Supervisory Board provides recommendations and comments on draft annual financial statements, profit (loss) appropriation, annual report (performance report) submitted by the Board.

It is believed that there are no reasons to doubt that the members of the Company's Supervisory Board act not in the interests of the Company. To the best knowledge of the Company, all members of the Supervisory Board attended the Board's meetings and each member dedicated sufficient time for the fulfilment of duties pertaining to the members of the Supervisory Board.

The Company confirms its non-compliance with items 4.7 to 4.14. recommendations, however, it might be stated that the Company's collegial body (the Board) by its functions partially carries out the functions attributable to nomination, remuneration and audit committees as set forth in the recommendations. The Company's Board nominates the candidates for the Company's chief executive officer and other top management roles and suggests the selected candidates to the Company's chief executive officer, regularly assesses their professional records, professional skills and implementation of the Company's strategic goals, and reads their reports. The Company's Board approves all budgets of the Company and monitors and reads reports prepared by the Company's chief executive officer and other top management members on fulfilment and realisation of remuneration and other budgets approved by the Company. The Company's Board nominates the candidacy for the Company's auditor and suggests for approval by the general meeting of shareholders.

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.

The Company confirms its unreserved compliance with the recommendations of all items of this Principle in the Governance Code. The Company's collegial body of management – the Board's meetings are held at certain intervals of time approved in advance and in compliance with the expected agenda. Issues on the agenda of the meeting are available to each member of management body prior to the date of the meeting. Agenda of the meeting convened is usually not subject to any changes, unless otherwise agreed during the meeting attended by all Board members of the Company, provided that material available during the meeting is sufficient to resolve the issue that is not on the agenda of the meeting.

The Company's Chairman of the Board and Chairman of the Supervisory Board co-operate sufficiently and, if necessary, agree on the dates of meetings of these collegial bodies of the Company.

Principle VI: The equitable treatment of shareholders and shareholder rights

The corporate governance framework should ensure the equitable treatment of all shareholders, including minority and foreign shareholders. The corporate governance framework should protect the rights of the shareholders.

The Company confirms its substantial compliance with Principle VI recommendations of the Governance Code. The Company's capital consists of ordinary registered shares that grant the same individual property and non-property rights to their holders. Before issue of shares, the Company created proper conditions for the investors and the Company's shareholders to familiarize themselves with the rights attached to the new issue by placing information on share issue procedure and rights attached to the shares on the VSE website, the Company's website and daily newspaper The Respublika.

The Company posts on VSE website draft resolutions of the meetings convened at least 10 days before the date of the shareholders' meeting, and with effect from 2007 it plans to post draft resolutions of shareholder's meetings convened and other draft documents of shareholders' meetings submitted by the Board to the Company.

The venue, date, and time of the Company's meetings are chosen to ensure wide and active attendance of the shareholders. Each shareholder is furnished with the opportunity to attend the shareholders' meeting in person or by proxy and vote in advance on issues included in the agenda.

The Company confirms its non-compliance with item 6.7 requirements of Principle VI of the Governance Code, since the Lithuanian Law on Companies does not provide for an opportunity for the shareholders to vote via telecommunication terminal equipment.

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

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

The Company confirms its compliance with all requirements of this Principle of the Governance Code.

Principle VIII: Company's remuneration policy

Remuneration policy and procedure for approval, review 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.

The Company confirms its non-compliance with the recommendations of this Principle of the Governance Code in respect of a public statement of its remuneration policy. In its periodical accounts, the Company reports only the total amount of remuneration of its chief executive officer and senior management in accordance with the effective laws. The Company follows the established policy, which says that the scheme of bonuses and other employment-related benefits shall be considered as information not subject to public disclosure and such information is deemed to be a commercial secret.

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 cooperation 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.

The Company confirms its compliance with all recommendations of this Principle of the Governance Code.

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.

The Company confirms its substantial compliance with the recommendations of this Principle of the Governance Code, except for item 10.3 recommendations, which is explained in disclosures as the Company confirms its compliance with Principle VIII recommendations. Representation on the Company's compliance with Principle IX recommendations of the Governance Code, in our opinion, covers the representation on the Company's compliance with item 10.4 recommendations of Principle X (*Information disclosure*).

The Company confirms its compliance with items 10.5 to 10.7 recommendations.

Principle XI: The selection of the company's auditor

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

The Company confirms its substantial compliance with the recommendations of this Principle of the Governance Code. The Company's collegial body of management – the Board – provides information to the Supervisory Board on potential candidate firms of auditors for the audit of the Company's financial statements and annual report (performance report), however, the final decision and approval of the firm of auditors is taken by the general meeting of shareholders, consequently, the Company is in partial compliance with item 11.2 recommendations of Principle XI of the Governance Code. The Company confirms its partial compliance with item 11.3 recommendations of Principle XI of the Governance Code, since the Supervisory Board knows and is provided with information about the level of fee proposed to the firm of auditors for the audit of annual financial statements and annual report (performance report), as well as any additional information about other amounts paid (payable) to the firm of auditors for non-audit services.

Chairman of the Board Darius Juozas Mockus