VILNIAUS DEGTINĖ

2009 04 07 Nr. 03-276

Į ____________ Nr. ________

CONFIRMATION BY THE PERSONS IN CHARGE

Following the provisions of Article 22 of the Law on Securities of the Republic of Lithuania and the Rules on Preparation and Presentation of Periodic and Supplementary Information of Securities Commission of the Republic of Lithuania, we, Director General of AB Vilniaus Degtinė Danas Kerbelis and Finance and Administration Director Audra Jauniškienė, hereby confirm that the interim financial statements for the year 2008 prepared in accordance with the International Financial Reporting Standards as adopted by the European Union, to the best of our knowledge, give a fair and true view of assets, liabilities, financial status and the profit for the period, and also that annual report shows fair bussines environment as well as description of the company's performance.

Director General	Danas Kerbelis
Finance and Administration Director	Audra Jauniškienė

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PVM mokėtojo kodas LT200572811. Juridinių asmenų registras.

AB Vilniaus Degtinė

Financial Statements
as of 31 December 2008

Contents

Company information

AB Vilniaus Degtinė

Telephone:	+ 370 5 231 31 52
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Company code:	120057287
Registered at:	Panerių str. 47/2, Vilnius, Lithuania

Management

Danas Kerbelis, Director General
Audra Jauniškienė, Finance and Administration Director

Board

Darius Žaromskis
Raimundas Čičirka
Danas Kerbelis
Audra Jauniškienė
Andrejus Galuška

Auditor

UAB Rimess

Banks

AB DnB NORD bankas

Lithuanian branch of AS UniCredit Bank
AB SEB Bankas
AB bank “Hansabankas”

Annual Statements

Earlier this day, the Management has discussed and approved annual Financial Statement and Annual Report of the Management, as well as has signed them.

Financial Statements have been compiled in accordance with International Financial Accounting Standards adopted by the European Union. In our opinion, the accounting principles applied are proper and Financial Statements in all material aspects give a true and correct view.

We hereby recommend the Financial Statements to be approved by the General Shareholder Meeting.

Vilnius, dated this 03 day of April 2009

Board of directors:

Darius Žaromskis
(Chairman)

Audra Jauniškienė

Danas Kerbelis

Dalius Rutkauskas

Renaldas Barauskas

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF AB VILNIAUS DEGTINĖ

Report on financial statements

We have audited the accompanying financial statements of AB Vilniaus degtinė, which comprise the balance sheet as at 31 December 2008, 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 (hereinafter – financial statements).

Management's responsibility for the financial statements

Management of AB Vilniaus degtinė is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. Management's responsibility includes: designing, implementing and maintaining the internal control system which is relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error. Management is also responsible for selection and application of 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. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

The audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our 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, we consider 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. The audit also includes the following evaluations: whether the accounting principles used are appropriate; the accounting estimates made by management are reasonable; the overall presentation of the financial statements is appropriate.

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

Opinion

In our opinion, the financial statements in all material aspects give a true and fair view of the financial position of AB Vilniaus degtinė as at 31 December 2008, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on legal and other regulatory requirements

We have not identified any material inconsistencies between the annual report for the year 2008 and the audited financial statement.

April 3, 2009
Vilnius

UAB „Rimess"
Audit company's certification No. 001332

Auditor, chairman of the board
Genadijus Makuševas
Auditor's certification No. 000162

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Biurai Rygoje (Latvija), Taline ir Tartu (Estija)

Balance sheet

As of the 31st December

In LTL	Notes	2008	2007
ASSETS			
Non-current assets			
Tangible assets	13	23,204,605	19,956,913
Intangible assets	14	14,900,842	15,894,114
Other non-current assets	15	0	1,000
Total non-current assets		**38,105,447**	**35,852,027**
Current assets			
Inventories	16	9,495,228	12,205,381
Prepayments and future expenses	17	498,436	1,165,961
Trade receivables	18	39,963,023	37,842,407
Other receivables	19	2,646,034	995,688
Other current assets		75,554	
Cash and cash equivalents	20	52,389	72,174
Total current assets		**52,730,664**	**52,281,611**
TOTAL ASSETS		**90,836,111**	**88,133,638**

Notes on pages 11–47 are an integral part of these financial statements.

Balance sheet (cont‘d)

As of the 31st December

In LTL	Notes	2008	2007
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	21	24,408,431	24,408,431
Legal reserve		2,440,843	2,440,843
Retained earnings (loss)		11,663,277	10,398,154
Total equity		**38,512,551**	**37,247,428**
Non-current liabilities			
Interest bearing loans and borrowings	23	25,047,556	7,660,037
Deferred income tax liability		1,034,500	633,159
Total non-current liabilities		**26,082,056**	**8,293,196**
Current liabilities			
Interest bearing loans and borrowings	23	2,417,257	12,097,671
Trade payables		6,717,108	9,893,056
Income tax payable		0	0
Other payables	24	17,107,139	20,602,287
Total current liabilities		**26,241,504**	**42,593,014**
Total liabilities		**52,323,560**	**50,886,210**
TOTAL EQUITY AND LIABILITIES		**90,836,111**	**88,133,638**

Notes on pages 11–47 are an integral part of these financial statements.

Income statement

As of the 31st December

In LTL	Notes	2008	2007
Sales revenue	4	**69,368,517**	**67,794,757**
Cost of sales		(36,306,268)	(35,107,615)
Gross profit	4	**33,062,249**	**32,687,142**
Other income	5	236,504	174,724
Sales and distribution expenses	6	(17,391,988)	(17,186,617)
Administrative expenses	7	(12,707,932)	(12,576,570)
Other expenses	5	(35,311)	(33,346)
Result from operating activities		**3,163,522**	**3,065,333**
Financial income	9	83,510	23,135
Financial expenses	9	(1,426,204)	(1,043,969)
Profit before tax		**1,820,828**	**2,044,499**
Corporate income tax	10	(555,705)	(362,584)
Profit for the period		**1,265,123**	**1,681,915**
Basic and diluted earnings per share	22	0.05	0.07

Notes on pages 11–47 are an integral part of these financial statements.

Statement of changes in shareholders' equity

In LTL	Notes	Share capital	Legal reserve	Other reserves	Retained earnings	Total shareholders' equity
Capital and reserves as of 1 January 2007		**24,408,431**	**2,440,843**		**8,716,239**	**35,565,513**
Profit for 2007					1,681,915	1,681,915
Capital and reserves as of 31 December 2007		**24,408,431**	**2,440,843**		**10,398,154**	**37,247,428**
Profit for the reporting period					**1,265,123**	**1,265,123**
Capital and reserves as of 31 December 2008	21	**24,408,431**	**2,440,843**	**0**	**11,663,277**	**38,512,551**

Notes on pages 11–47 are an integral part of these financial statements.

Statement of cash flows

In LTL	2008	2007
Profit (loss) for the period	1,265,123	1,681,915
Depreciation and amortisation	3,622,745	3,360,877
Impairment on construction in progress	47,691	2,762
Impairment of trade receivables and other receivables	(353,054)	(340,637)
Impairment of inventories		(13,062)
Net financial expenses	1,328,557	1,016,786
Gain (loss) on disposal of non-current assets	(22,037)	(258)
Income tax expenses	555,705	362,584
Net cash flows from ordinary activities before changes in working capital	6,444,730	6,070,967
Change in inventories	2,710,153	(5,197,670)
Change in prepayments	667,525	412,747
Change in trade receivables and other receivables	(1,986,285)	(9,524,984)
Change in trade payables and other payables	(6,439,878)	8,326,374
Net cash flows from operating activities	(5,048,485)	(5,983,533)
Income tax paid	(256,056)	(482,387)
Net cash flows from operating activities	**1,140,189**	**(394,953)**
Interest received	10,494	6,875
Proceeds from disposal of non-current assets	25,788	1,187
Acquisition of non-current tangible assets	(5,055,381)	(3,452,550)
Acquisition of non-current intangible assets	(25,481)	(102,057)
Repayment of loans	208,480	
Loans granted	(1,539,949)	(641,392)
Net cash flows from investing activities	**(6,376,049)**	**(4,187,937)**
Repayment of loans	(22,157,708)	(3,404,461)
Loans received	28,876,002	8,693,210
Financial lease payments	(53,491)	
Interest paid	(1,448,728)	(1,018,432)
Dividends paid		
Net cash flows from financing activities	**5,216,075**	**4,270,317**
Net cash flows from operating, investing and financing activities	**(19,785)**	**(312,573)**
Cash and cash equivalents at the beginning of the period	**72,174**	**384,747**
Cash and cash equivalents at the end of the period	**52,389**	**72,174**

Notes on pages 11–47 are an integral part of these financial statements.

Notes

1 Reporting entity

AB Vilniaus Degtinė (hereinafter referred to as the Company) was registered on 8 May 1995 and it is domiciled in Vilnius, Lithuania. The Company has a subsidiary in Obeliai, Rokiškis district.

AB Vilniaus Degtinė is a Lithuanian public listed company with shares traded on Vilnius Stock Exchange. Its shares are held by the following shareholders:

Shareholder	Number of shares	Nominal value in LTL	Total value in LTL
Sobieski Sp.z.o.o.	16,668,632	1	16,668,632
Darius Žaromskis	2,440,843	1	2,440,843
Arūnas Tuma	2,440,843	1	2,440,843
Other minor shareholders	2,858,113	1	2,858,113
Total capital	**24,408,431**	**1**	**24,408,431**

The Company is primarily involved in the production of and trade in alcoholic beverages: vodkas, bitters, liqueurs and other alcoholic beverages. The facilities for alcoholic beverage production are located in Vilnius; however, the spirit production facilities are located with the subsidiary of the Company in Obeliai.

The Company has major sales in the local market. Although sales to the European Union and foreign markets are increasing, their weight in the total sales volume is not significant.

AB Vilniaus Degtinė employed 227 staff members as of 31 December 2008 (256 staff members as of 31 December 2007).

2 Summary of significant accounting principles

Statement of compliance to standards

Financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union.

The Management approved the Company's financial statements and Annual Report of the Management, and signed them on the 3 April 2009.

Notes

2 Summary of significant accounting principles (cont'd)

Basis of preparation

The financial statements are presented in the national currency Litas, which is the functional currency of the Company. They are prepared on the historical basis.

The preparation of the financial statements in conformity with IFRS as adopted by the European Union requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Amendments to accounting estimates are recognised in the period in which the estimate is amended if the amendment affects only that period or in the period of the amendment and future periods if the amendment affects both current and future periods.

Judgements made by management in the application of IFRS as adopted by the European Union that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in Note 3.

The accounting policies of the Company as set forth below have been consistently applied and coincide with those applied last year.

Foreign currency

Translation of amounts in foreign currencies into the national currency

Transactions in foreign currencies are translated at foreign exchange rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

Notes

2 Summary of significant accounting principles (cont'd)

Non-derivative financial instruments

Non-derivative financial instruments include trade and other receivables, cash and cash equivalents, loans and borrowings and trade and other payables.

Cash and cash equivalents include cash balances and demand deposits.

Non-derivative financial instruments are initially recognised at fair value plus (except for the instruments recognised in the income statement at fair value) any direct attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

Financial instruments are recognized on the day of transaction. The Company no longer recognises the financial assets when the contractual rights to the cash flows from this asset has expired or when the right to receive the agreed cash flows from this financial asset has been transferred during the transaction, i.e. all risk and benefits from the ownership of the financial assets has been transferred. Financial liability is no longer recognised when it has been covered, revoked or expired.

Receivables are non-derivative financial assets and are not quoted in an active market. They are included into current assets except for maturities greater than 12 months. Loans issued and receivables are initially recognised at fair value. Subsequently, loans and receivables are measured at amortised cost using the effective interest method, less impairment, if any. Current receivables are not discounted.

Borrowings and other financial liabilities are stated at amortised cost on an effective interest method basis. Current liabilities are not discounted.

Financial derivatives

The Company did not use or have derivative financial instruments as of 31 December 2008 and did not have them as of the day of the statement.

Non-current tangible assets

Recognition and measurement

Items non-current assets are measured at cost less accumulated depreciation and impairment losses.

The cost of Company's assets consists of the expenses directly related to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour costs and other expenses incurred to produce these assets before setting them into use, expenses of disassembling, transportation and production site cleaning.

Notes

2 Summary of significant accounting principles (cont'd)

Non-current tangible assets (cont'd)

Recognition and measurement (cont'd)

When useful service time of non-current assets' units differ, they are accounted as separate fixed assets.

Subsequent costs

The Company recognises in the carrying amount of an item of non-current tangible assets the cost of replacing a part of such item or major overhaul when that cost is incurred if it is probable that future economic benefits embodied with the item will flow to the Company and the cost of an item can be measured reliably. All other costs are recognised in the income statement as incurred.

Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of non-current tangible assets.

The estimated useful lives are as follows:

- Buildings and structures 12–20 years
- Plant and machinery 5–20 years
- Vehicles 4–10 years
- Other assets 5–15 years

Depreciation methods, residual values and useful lives are reassessed on each day of presenting the statement.

Notes

2 Summary of significant accounting principles (cont'd)

Non-current intangible assets

Intangible assets that have limited useful life and that include computer software and other licences and trademarks acquired by the Company are stated at cost less accumulated amortisation and impairment.

Amortisation is charged to the income statement on a straight-line basis over the entire service life. The amortisation rates of intangible assets can be specified as follows:

- Software and licences 3 years
- Sobieski trademark 20 years

Subsequent expenses of intangible assets are capitalised only when they increase the future economic benefits from this particular asset, which relates to the expenses. All other expenses are expensed when incurred.

Leased assets

Leases, in terms of which the Company assumes substantially all the risks and rewards of ownership, are classified as financial leases. Assets acquired by way of financial lease are stated at an amount equal to the lower of fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses. All of that is considered as operational lease.

Inventories

Inventories, including work in progress, are valued at the lower of cost or net realisable value. Net realisable value is the selling price, less the estimated cost of completion, marketing and distribution.

The costs of inventories is determines based on FIFO principle.

In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

Auxiliary materials and supplies are expensed at the time they are taken into use or booked to the cost of finished goods if used in production.

Notes

2 Summary of significant accounting principles (cont'd)

Inventories (cont'd)

The Company accounts for bottles as current assets in inventory, since they are not expected to be reused following the initial delivery. Bottles are booked to the cost of finished goods when used in production.

The Company books multiple usage tare (plastic crates for placing the bottles of alcoholic beverages) to the operating expenses immediately after it is taken for use.

Impairment

Financial asset is impaired if there is objective evidence that certain event or events could have an adverse impact on asset-related cash flows in the future. Individually significant financial assets must be tested for impairment on an individual basis. The remaining financial assets are grouped according to their credit risk and the impairment for those groups is measured on a portfolio basis. An asset that is deemed impaired on an individual basis and its impairment loss is continually recognised cannot be included in any group of assets that is tested for impairment on a portfolio basis.

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

For the assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date.

An impairment loss is recognised wherever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Cash generating unit is the smallest cash generating asset group generating cash flows independent form other assets or asset groups. Impairment losses are recognised in the income statement.

Calculation of recoverable amount

The recoverable amount of the Company's receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e., the effective interest rate computed at the initial recognition of these financial assets). Receivables with short duration are not discounted.

Notes

2 Summary of significant accounting principles (cont'd)

Calculation of recoverable amount (cont'd)

The recoverable amount of non-financial assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Reversals of impairment

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

In case of certain changes in events or circumstances, on the basis of which the recoverable value of non-financial assets was calculated, indicating that carrying value on non-financial assets can be recoverable, impairment loss is reversed. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Dividends

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

Employee allowances

The company has no determined allowances and inducement plans or payment schemes concerning its chares**.** Liabilities against retired former employees of the company are fulfilled by the State.

Provisions

Provisions are recognised in the balance sheet when it is probable that an outflow of economic benefits will be required to settle the obligation arising from a past event or fulfilment of irrevocable undertakings.

Revenue

Sales of goods

Revenue from the sale of goods is recognised in the income statement when significant risk and ownership is transferred to the buyer, when it is probable that economic benefits associated with

Notes

2 Summary of significant accounting principles (cont'd)

Sales of goods (cont'd)

the transaction will flow to the Company and the amount of the revenue can be measured reliably. Sales are recognised net of VAT, excise tax and price discounts directly related to the sales.

Services rendered, assets disposed

Revenue from the services rendered is recognised in the income statement as the services are rendered, considering the extent of completion of the services. The revenue recognised is net of discounts provided.

Revenue from lease is recognised in the income statement on a straight-line basis over the term of lease.

Revenue from disposal of assets is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer.

No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due or associated costs, or return of assets disposed is possible or when the significant risks and rewards of ownership cannot be regarded as transferred to the buyer.

Expenses

Operating lease payments

Payments made under operating lease are recognised in the income statement on a straight-line basis over the term of lease.

Financial lease payments

Minimum lease payments are apportioned between the financial charge and the reduction of the outstanding liability. The financial costs are distributed over the whole period of financial lease, so as to produce a constant periodic interest rate on the remaining balance of the liability.

Net financing costs

Net financing costs consist of interest payable on borrowings calculated using the effective interest rate method, interest receivable on funds invested, foreign exchange gains and losses.

Notes

2 Summary of significant accounting principles (cont'd)

Net financing costs (cont'd)

Interest income is recognised in the income statement as accrued, using the effective interest method. The interest expense component of financial lease payments is recognised in the income statement, using the effective interest rate method.

Income tax

Income tax consists of current and deferred tax. Income tax is recognised in the income statement except to the extent it relates to the items recognised directly in equity, in which case it is recognised in equity.

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

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of the assets and liabilities for the financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not calculated for temporary differences recorded at the moment of initial recognition of assets or liabilities when such differences affect neither accounting nor taxable profit. Deferred tax is assessed using tax rates valid at the time when the aforementioned temporary tax differences will be realised on the basis of tax laws enacted or substantially enacted on the statement provision date.

Deferred tax asset is recognised only to the extent it is likely that the future taxable profits will be available against which the assets can be utilised. Deferred tax asset is amended on each statement provision date and reduced to the extent it is no longer probable that the related tax benefit will be realised.

Segment reporting

Segment is a distinguishable component of the Company that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Company's primary format for segment reporting is based on business segments.

Notes

2 Summary of significant accounting principles (cont'd)

Earnings per share

The Company presents data of basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to the ordinary shareholders of the Company by weighted average number of ordinary shares outstanding during the period. Dilutes EPS is determined by adjusting the profit or loss attributable to the ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects off all dilutive potential ordinary shares. During reporting periods there were no any dilutive potential ordinary shares issued by the Company.

The influence of application of new standards, amendments of the standards in force and new explanations on financial statements

Some of the following standards, their explanations and amendments were not yet in force as of the 31 December 2008, therefore were not applied when preparing the present financial statements of the Company.

Amendment of IFRS 1 ***"First-time Application of International Financial Reporting Standards" and*** **IAS 27** ***"Consolidated and Separate Financial Statements" "Cost of Investment in a Subsidiary, Jointly Controlled Entity or Associate"*** (coming into force in the year starting on or after the 1 January 2009).
Amendment of IFRS 1 enables the company that applies the standards for the first time to set in its separate financial statements developed in accordance with IFRS the cost of implied cost of investments into its subsidiaries, jointly controlled entities or associates, which is determined in accordance with the requirements of 27 IAS. Amendment of IAS 27 requires the company to recognise any and all dividends received from subsidiaries, jointly controlled entity or associates in separate financial statements as income.
These amendments are not relevant to the Company.

Amendment of IFRS 2 "*Share-based Payment*" (coming into force in the year starting on or after the 1 January 2009).
This amendment explains the definition of the terms of granting certain rights and determines the way of accounting of other than the terms of granting certain rights and recalling of economic agent's or contractual party's agreement on payment in shares.
The present amendment in no way affects the Company's financial condition or results, since the Company has no payments in shares.

Amendment of IFRS 3 "*Business Combinations*" and IAS 27 *"Consolidated and Separate Financial Statements"* (coming into force in the year starting on or after the 1 July 2009, but anyway no earlier than adopted by the EU).

Notes

2 Summary of significant accounting principles (cont'd)

Amendment of IFRS 3 covers different amendments in the accounting of business combinations that affect calculation of the amount of goodwill: simplifies its calculation when acquiring shares in parts, and determines which acquisition-related costs cannot increase the amount of goodwill, etc.

Amendment of IAS 27 specifies that amendments in the ownership interest in a subsidiary (without loosing control over it) shall be accounted as transactions with owner's equity.
This amendment is not relevant to the Company.

IFRS 8 *"Operating Segments"* (coming into force in the year starting on or after the 1 January 2009)
This standard requires disclosure of information on company's business segments, products and services, geographic areas the company is operating in, as well as its key accounts. IFRS 8 replaces IAS 14 "Segment Reporting".
The Company will start applying this standard on presentation of financial data for the period starting after the 1 January 2009.

Amendment of IAS 1 *"Presentation of Financial Statements"* (coming into force in the year starting on or after the 1 January 2009)
The present amendment covers different amendments, including: introduction of new concepts, altered disclosure of transactions with owner's equity and introduction of a new statement of general income. Requirements related to financial reporting in case of retrospective corrections have also been altered.
The Company has not yet decided if it is going to provide one statement of general income or two separate ones.

Amendment of IAS 23 *"Borrowing Costs"* (coming into force in the year starting on or after the 1 January 2009)
Amended standard eliminates the possibility to expense borrowing costs immediately as expenses and requires capitalisation of borrowing costs, provided that they are directly attributable to acquisition of lasting development assets, construction or manufacturing. All such borrowing costs shall be capitalised and shall be a part of the cost of assets. Other borrowing costs shall be expensed as expenses.
The present amendment in no way affects the Company's financial condition or results, since the Company has no borrowing costs related to lasting development assets.

Amendment of IAS 32 *"Financial Instruments. Presentation"* and IAS 1 *"Presentation of Financial Statements"* – Puttable Financial Instruments and Obligations arising on Liquidation (coming into force in the year starting on or after the 1 January 2009).
These amendments provide that certain instruments issued by companies that are currently grouped as liabilities regardless of their attributes being similar to the attributes of ordinary shares should be grouped as property.
These amendments are not relevant to the Company.

Notes

2 Summary of significant accounting principles (cont'd)

Amendment of IAS 39 *"Financial Instruments. Recognition and Measurement"* – Elements, the Risk of Which can be Insured (coming into force in the year starting on or after the 1 July 2009)
This amendment determines specific cases of insurance against partial risk, inflation attribution risk and insurance against it.
The present amendment in no way affects the Company's financial condition or results, since the Company does not apply the insurance accounting.

Amendment of IAS 39 *"Financial Instruments. Recognition and Measurement"* and IFRS 7 *"Financial Instruments. Disclosure"* – Reclassification of Financial Assets (coming into force in the year starting on or after the 1 July 2009)
This amendment enables regrouping certain financial instruments under rarely occurring circumstances from the group of those kept for trade. Additional disclosures related thereto have been included into IFRS 7.
The Company does not have any financial assets, thus these amendments do not affect the Company's financial statements.

IFRIC 11 *"IFRS 2– Group and Treasury Share Transactions"* (came into force in the year starting on or after the 1 March 2007).
This interpretation explains how IFRS 2 "Share-Based Payment" shall be applied on agreements, the basis of payment of which is expressed in shares and which cover property instruments of an economic agent or property instruments of another economic agent that is a member of the same group. Interpretation provides for the ways of accounting agreements on share-based payments, the parties to which are two or more companies of the same group, in separate financial statements of companies of the group.
The Company has no agreements this interpretation would be applicable to.

IFRIC 12 *"Service Concession Arrangements"* (coming into force in the year starting on or after the 1 January 2008)
This interpretation explains how managers of service concessions should be applying IFRS in force with regard to accounting rights and obligations assumed under service concession arrangements.
The present amendment has in no way affected the Company's financial statements.

IFRIC 13 *"Customer Loyalty Programmes"* (coming into force in the year starting on or after the 1 July 2008)
The present interpretation cancels inconsistencies related to the accounting procedure applied on accounting of free-of-charge or discounted products or services supplied under customer loyalty programmes used by the company to grant its customers some points, miles or other credits when they purchase products or services. The interpretation requires accounting the granted customer loyalty reward as an individual component of a sales transaction, during which such reward is granted, therefore a part of the reward's fair value is attributed to loyalty programme and recognised as revenue of the period, during which the loyalty benefit is received. This interpretation in no way affects the Company's financial statements.

Notes

2 Summary of significant accounting principles (cont'd)

IFRIC 14 "*IAS 19 – The Limit on a Defined Benefit Asset Minimum Funding Requirements and Their Interaction*" (coming into force in the year starting on or after the 1 January 2008)
This interpretation addresses the provisions of IAS 19 on how entities should determine the limit placed by IAS 19 Employee Benefits on the amount of a surplus in a pension plan they can recognise as an asset. The company has no benefit plans, therefore this interpretation in no way affects the Company's financial condition or performance results.

IFRIC 15 "*Agreements for the Construction of Real Estate*" (coming into force in the year starting on or after the 1 January 2009, but anyway no earlier than adopted by the EU)
This interpretation addresses when and how should revenue from sale of real estate and construction services be accounted in case when the constructor and the buyer enter into the agreement while construction of real estate is still in progress.
This interpretation is not relevant to the Company.

IFRIC 16 "*Hedges of a Net Investment in a Foreign Operation*" (coming into force in the year starting on or after the 1 January 2008, but anyway no earlier than adopted by the EU)
This interpretation addresses the issues of accounting of hedges of a net investment in a foreign operation.
This interpretation is not relevant to the Company.

IFRIC 17 *"Distributions of Non-cash Assets to Owners"* (coming into force in the year starting on or after the 1 July 2009, but anyway no earlier than adopted by the EU)
This interpretation addresses the issues of accounting dividends, when they are paid to the shareholders in other than cash assets.
This interpretation is not relevant to the Company.

IFRIC 18 "*Transfers of Assets from Customers*" (coming into force in the year starting on or after the 1 July 2009, but anyway no earlier than adopted by the EU).
This interpretation addresses the provisions concerning accounting methods applied by the company in the case when the company receives from a customer movable or immovable assets or equipment, which shall be used by the company for the purpose of granting access to supply of products and services (e.g. electricity, gas, water, etc.).
This interpretation is not relevant to the Company.

In May 2008, International Accounting Standards Board (IASB), in the process of annual improvement aimed at rationalising and clarifying international accounting standards, announced the document "Improvements to International Financial Accounting Standards" (hereinafter – the Improvements). The Improvements consist of amendments to international accounting standards concerning presentation, recognition or measurement of accounting amendments and amendments of concepts or their stylistic nature. Different transitional provisions apply on amendments of each standard.

Notes

2 Summary of significant accounting principles (cont'd)

- **Amendments of IFRS 5 *"Non-current Assets Held for Sale and Discontinued Operations".*** These amendments address how the Company should reflect assets and liabilities of its subsidiary in its financial statements, whet it has been obliged to fulfil a sales plan providing for loosing control over the subsidiary.

- **Amendments of IAS 1 "*Presentation of Financial Statements".*** Provides for an opportunity to present financial instruments maintained for trade as non-current assets or non-current liabilities.

- **Amendments of IAS 16 *"Property, Plant and Equipment".*** In case if a company, in the course of its ordinary activities, regularly sells real estate, plant and equipment that was intended for rental after expiry of the rental term, they should be moved to inventories account at their balance value. IAS 7 specifies that monetary payments intended for manufacturing and acquisition of assets intended for rental to others and later – for sale, as described in IAS 16 are cash flows from the Company's shall be cash flows from the Company's operating activities.

- **Amendments of IAS 19 "*Employee Benefits".*** Amendments address determination of the concepts of "short-term" and "other long-term" employee benefits, "plan's return on assets" and "cost of previously rendered services".

- **Amendments of IAS 20 "*Accounting for Government Grants and Disclosure of Government Assistance".*** Government loan payment granted at lower than the market's interest rate should be deemed as government grant and accounted for in accordance with IAS 39. It shall be valued as the difference of the loan's initial balance value and received income.

- **Amendments of IAS 23 "*Borrowing Costs".*** Defines, which costs of the company are deemed to be borrowing costs.

- **Amendments of IAS 27 "*Consolidated and Separate Financial Statements*".** Provide for an explanation of the ways of accounting for investments into subsidiaries, jointly controlled entities and associates in separate financial statements of the Company.

- **Amendments of IAS 28 "*Investments in Associates".*** Defines the requirements applicable on disclosure of information on investments into associates. Moreover, when determining impairment of the value, investment into an associate is deemed as one unit of assets and therefore no impairment of the value is separately attributed to goodwill included into the value of the investment.

Notes

2 Summary of significant accounting principles (cont'd)

- **Amendments of IAS 31 "*Interests in Joint Ventures*".** Defines the requirements applicable on disclosure of information on interests in joint ventures.

- **Amendments of IAS 29 "*Financial Reporting in Hyperinflationary Economies*".** Alters the formulation of the exception, when assets and liabilities are accounted for at their cost, specifying property, plant and equipment as an example and including investments and biologic assets.

- **Amendments of IAS 36 "*Impairment of Assets*".** Defines the disclosures of information related to calculation of "fair value less sale costs".

- **Amendments of IAS 38 "*Intangible Assets*".** In the cases when the company, aiming for future economic benefit, incurs costs yet does not acquire or create any intangible or other assets, costs related to supply of goods shall be recognized as expenses at the time when the company is entitled to use such goods, and costs related to rendering of services are expensed when such services are received.

- **Amendments of IAS 39 "*Financial Instruments. Recognition and Measurement*".** Specified the cases, in which changes of circumstances related to financial instruments are not reclassified.

- **Amendments of IAS 40 "*Investment Property*".** Provides that, in case if the company is able to reliably estimate the fair value of the investment assets in progress, which was previously valued at their cost, it shall value the assets at their fair value. The assumption that the fair value of the investment assets in progress can be reliably measured may be denied only at the time of initial recognition.

- **Amendments of IAS 41 "*Agriculture*".** The requirement to use the discounted norm before taxes when measuring the fair value of an asset has been cancelled. The concept of agricultural activities has been specified.

Other amendments of international accounting standards provided in the document "Improvements to International Financial Accounting Standards" are more of the stylistic nature.

Notes

3 Critical accounting estimates and judgements

Estimates and assumptions are continually reviewed and are based on historical experience and other factors, representing current situation and reasonable expected future events.

Management of the Company, considering forecasts and budget, borrowing needs, fulfilment of obligations, products and markets, management of financial risk, having carried out evaluation of a going concern, supposes that there are no unclear issues concerning evaluation of the Company's ability to continue as a going concern and doubts related to its further activities.

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

Impairment losses on receivables

The Company reviews its receivables to assess impairment at least on a quarterly basis. In determining whether impairment loss should be recorded in the income statement, the Company makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of receivables before the decrease can be identified with an individual receivable in that portfolio. This evidence may include available data indicating that there has been an adverse change in the payment status of debtors, or national or local economic conditions that correlate with defaults on assets in the Company.

Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. Then methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. Moreover, the Company has entered into an Agreement on Insurance of Trade Credits for 2009, which provides for insurance of debts of buyers trading in alcoholic beverages.

Impairment loses on construction in progress

Construction in progress is related with the construction of soft drinks production facilities discontinued in 1994 due to the change in strategic plans of the Company. The construction in progress is quarterly tested for impairment and based on management estimates the impairment loss is recognised for the unused equipment installed in the construction in progress.

Impairment losses on trademark

The Company uses trademark Sobieski, which is amortised on a straight-line basis over a period of 20 years. The service life of this trademark can differ from currently used accounting estimates due to the possible changes of the life cycle of the products market by this trademark as a result of market conditions. According to the management, considering the current situation, the service life used in the accounting is justifiable.

Notes

4 Segment reporting

The Company is primarily involved in the production of and trade in alcoholic beverages. Besides, the Company produces and distributes rectified, methylated alcohol, has other income. Considering the share of the sales of these products in total income, only one segment can be distinguished in the Company – production of alcoholic beverages and related products.

Revenue and gross profit for 2008 are presented below:

In LTL	Alcoholic beverages	Rectified alcohol	Denaturised alcohol	Not allocated	Total
Revenue	64,545,384	2,163,256	117,305	2,542,572	69,368,517
Gross profit	31,998,884	285,609	54,331	723,425	33,062,249

Revenue and gross profit for 2007 are presented below:

In LTL	Alcoholic beverages	Rectified alcohol	Denaturised alcohol	Not allocated	Total
Revenue	63,815,679	1,812,147	113,223	2,053,708	67,794,757
Gross profit	31,734,154	358,401	46,374	548,213	32,687,142

The Company's primary activities are carried out in the Lithuanian market, yet a small part of its production is exported to EU countries and abroad. In 2008, sales to EU and foreign markets amounted to LTL 2,296,589 (in 2007 they were LTL 1,303,529). Considering the share of product sales in foreign markets in total revenue, no geographical segments are distinguished in the Company.

Notes

In LTL	2008	2007
5 Income and expenses of other activities		
Lease of premises	90,744	90,463
Income form sales of materials and spare parts	84,009	45,836
Result of the sales of non-current assets	22,142	369
Other income	39,609	38,056
Total other income	236,504	174,724
Other expenses	35,311	33,346
Loss on sales of materials and spare parts	0	0
Loss of sales of non-current assets	0	0
Total other expenses	35,311	33,346
Net income and expenses of other activities	**201,193**	**141,378**

In LTL	Oct-Dec 2008	Oct-Dec 2007

In LTL	2008	2007
6 Sales and distribution expenses		
Advertising expenses	9,214,558	9,446,608
Marketing expenses	5,845,621	5,188,286
Salaries and social security	1,223,926	999,948
Transportation expenses	754,537	743,144
Market research expenses	129,655	366,401
Packaging expenses	90,725	121,699
Other	132,966	320,531
Total sales and distribution expenses	**17,391,988**	**17,186,617**

Advertising expenses include advertising through media, advertising in the supermarkets, restaurants, cafes and bars, and other advertising expenses.

Notes

7 Administrative expenses

In LTL	2008	2007
Salaries and social security	4,794,752	4,784,948
Operating and other taxes	1,700,580	1,594,134
Repairs and maintenance	758,865	1,212,640
Amortisation	1,018,753	1,046,737
Depreciation	954,753	774,942
Consulting and training expenses	547,555	614,609
Including: Legal audit	53,518	104,400
Tax audit	15,000	15,000
Maintenance of cargo vehicles	430,690	373,738
Security expenses	340,450	290,288
Representation expenses	204,635	228,072
Sponsorship and other	66,260	170,786
Communications and IT maintenance expenses	200,085	161,286
Utilities	158,317	154,967
Impairment of construction in progress	47,691	2,762
Impairment of inventories	0	(13,062)
Other	1,484,547	1,179,723
Total administrative expenses	**12,707,932**	**12,576,570**

8 Personnel expenses

In LTL	2008	2007
Wages and salaries	6,826,306	6,545,187
Compulsory social security contributions	2,113,744	2,040,174
Total personnel expenses	**8,940,050**	**8,585,361**

Personnel expenses for 2008 and 2007 include change in accrued vacation compensations.

Personnel expenses for 2008 include wages and salaries for the management (including compulsory social security contributions) in the amount of LTL 633,227 (LTL 602,055 for 2007).

As of 31 December 2008, the interest-free loans issued to the management amounted to LTL 34,000 (as of 31 December 2007 they were LTL 30,000).

In 2008, 4,3 managers were working for the Company (in 2007 there were 4,6 managers).

Notes

In LTL	2008	2007
9 Financial income and expenses		
Interest income	83,510	23,004
Other income	0	131
Total financial income	83,510	23,135
Interest on loans and lease liabilities	1,412,068	1,039,790
Foreign exchange loss	9,100	3,580
Other	5,036	599
Total financial expenses	1,426,204	1,043,969
Financial income and expenses, net	**(1,342,694)**	**(1,020,834)**

10 Corporate income tax expenses

	2008	2007
Current tax	154,364	221,579
Change in deferred income tax	401,341	141,005
Total income tax expenses	**555,705**	**362,584**

The reconciliation of the effective tax rate is as follows:

In LTL	2008		2007	
Profit before tax		1,820,829		2,044,499
Income tax using the effective tax rate	15.0%	273,124	18.0%	368,010
Charity expenses deducted twice	(0.3)%	(6,074)	(1.0)%	(19,887)
Non-deductible representation expenses	0.4%	7,387	0.5%	9,983
Non-deductible value added tax	0.2%	4,543	0.3%	7,131
Written-off multiple usage tare	0	0	0	0
Other non-deductible expenses	1.0%	18,100	1.2%	23,752
Effect of change in tax rate	14.20%	258,625	(1.3)%	(26,405)
	30.5%	**555,705**	**17.7%**	**362,584**

Notes

11 Deferred tax

In LTL	2008 Temporary differences	2008 Deferred tax (20%)	2007 Temporary differences	2007 Deferred tax (15%)
Impairment of other receivables	885,209	177,042	885,209	132,781
Impairment of trade receivables	378,728	75,746	731,782	109,767
Impairment of construction in progress	593,513	118,702	545,822	81,873
Impairment of inventories	0	0	0	0
Accrued social security expenses for vacation reserve	171,356	34,271	174,824	26,224
Total deferred tax asset		**405,761**		**350,645**
Difference in depreciation of tangible assets	(3,208,830)	(641,766)	(3,380,557)	(507,083)
Difference in amortisation of intangible assets	(3,273,520)	(654,704)	(2,182,347)	(327,352)
Carrying value of non-current assets that are subject to investment relief	(718,955)	(143,791)	(995,792)	(149,369)
Total deferred tax liability		**(1,440,261)**		**(983,804)**
Net deferred tax		**(1,034,500)**		**(633,159)**

The current profit tax rate for the 2008 is 15%. Considering that, starting from the 1 January 2009, profit tax rate increased up to 20%, the Company has recalculated the deferred tax using the 20% rate.

According to the amended Lithuanian tax legislation, the Company's profits of 2007 subject to corporate income tax will be levied by additional social tax at a rate of 3%. The social tax is imposed in addition to the corporate income tax of 15%. The deferred tax in 2007 does not take into account the additional social tax imposed on taxable profits because it was considered to be immaterial.

The movement of deferred income tax is as follows:

In LTL	2008	2007
Deferred income tax liability as of 1 January	(633,159)	(492,154)
Change in deferred income tax	(401,341)	(141,005)
Deferred income tax liability as of 31 December	**(1,034,500)**	**(633,159)**

Notes

12 Income tax

In LTL	2008	2007
Overpaid income tax (liability) as of 1 January	1,327	(259,481)
Income tax for the period	(154,364)	(221,579)
Income tax paid	256,056	482,387
Overpaid income tax (liability) as of 31 December	**103,019**	**1,327**

Notes

13 Tangible assets

In LTL	Land and buildings	Machinery and equipment	Vehicles and other assets	Other equipment	Construction in progress	Other tangible assets	Total
Cost as of 1 January 2007	14,837,599	14,326,427	1,207,609	2,387,212	3,635,421	131,014	36,525,282
Additions	347,415	1,552,464	428,980	191,814	401,357	530,520	3,452,550
Disposals	(700)	(195,383)	(5,500)	(162,046)	0	0	(363,629)
Transfer from inventories	1,175,505	75,441	0	5,000	(1,124,932)	(131,014)	0
Cost as of 31 December 2007	16,359,819	15,758,949	1,631,089	2,421,980	2,911,846	530,520	39,614,203
Accumulated depreciation as of 1 January 2007	5,898,769	8,901,575	654,852	1,704,832	543,060	0	17,703,088
Depreciation for the year	610,220	1,308,182	140,348	255,390	0	0	2,314,140
Impairment loss	0	0	0	0	2,762	0	2,762
Disposals	(699)	(195,352)	(4,683)	(161,966)	0	0	(362,700)
Accumulated depreciation as of 31 December 2007	6,508,290	10,014,405	790,517	1,798,256	545,822	0	19,657,290
Net book value as of 31 December 2007	**9,851,529**	**5,744,544**	**840,572**	**623,724**	**2,366,024**	**530,520**	**19,956,913**
Cost as of 1 January 2008	16,359,819	15,758,949	1,631,089	2,421,980	2,911,846	530,520	39,614,203
Additions	367,588	1,678,967	44,025	153,908	148,608	3,510,030	5,903,126
Disposals	(37,801)	(87,379)	(98,407)	(195,193)	0	0	(418,780)
Reclassifications	1,164,662	30,520	0	0	(664,662)	(530,520)	0
Cost as of 31 December 2008	17,854,268	17,381,057	1,576,707	2,380,695	2,395,792	3,510,030	45,098,549
Accumulated depreciation as of 1 January 2008	6,508,290	10,014,405	790,517	1,798,256	545,822	0	19,657,290
Depreciation for the year	662,050	1,480,936	208,709	252,297	0	0	2,603,992
Impairment loss	0	0	0	0	47,691	0	47,691
Disposals	(37,800)	(87,315)	(98,403)	(191,511)		0	(415,029)
Accumulated depreciation as of 31 December 2008	7 1 7,132,540	11,408,026	900,823	1,859,042	593,513	0	21,893,944
Net book value as of 31 December 2008	**10,721,728**	**5,973,031**	**675,884**	**521,653**	**1,802,279**	**3,510,030**	**23,204,605**

Notes

13 Tangible assets (cont'd)

Construction in progress is related with the construction of soft drinks production facilities discontinued in 1994 due to the change in strategic plans of the Company. The construction in progress is quarterly tested for impairment and based on management estimates the impairment loss is recognised for the unused equipment installed in the construction in progress.

The depreciation was distributed as follows:

In LTL	2008	2007
Cost of sales	1,464,908	1,428,598
Inventories	152,260	86,231
Administrative and other expenses	986,824	799,311
Total	**2,603,992**	**2,314,140**

Notes

14 Non-current intangible assets

In LTL	Patents, licences	Software	Other	Total
Cost as of 1 January 2007	214,515	447,889	18,913,672	19,576,076
Additions during the year	0	102,057	0	102,057
Disposals	(12,131)	(20,997)	0	(33,128)
Cost as of 31 December 2007	202,384	528,949	18,913,672	19,645,005
Accumulated amortisation as of 1 January 2007	194,768	335,919	2,206,595	2,737,282
Amortisation for the year	14,223	86,830	945,684	1,046,737
Disposals	(12,131)	(20,997)	0	(33,128)
Accumulated amortisation as of 31 December 2007	196,860	401,752	3,152,279	3,750,891
Net book value as of 31 December 2007	**5,524**	**127,197**	**15,761,393**	**15,894,114**
Cost as of 1 January 2008	202,384	528,949	18,913,672	19,645,005
Additions during the year	0	25,481	0	25,481
Disposals	(21,178)	(25,059)	0	(46,237)
Cost as of 31 December 2008	181,206	529,371	18,913,672	19,624,249
Accumulated amortisation as of 1 January 2008	196,860	401,752	3,152,279	3,750,891
Amortisation for the year	5,524	67,546	945,683	1,018,753
Disposals	(21,178)	(25,059)	0	(46,237)
Accumulated amortisation as of 31 December 2008	181,206	444,239	4,097,962	4,723,407
Net book value as of 31 December 2008	**0**	**85,132**	**14,815,710**	**14,900,842**

All amortisation expenses are included under operating expenses.

15 Financial assets

In LTL	2008	2007
Non-current loans granted	0	0
Non-current guarantees granted	0	1,000
Total financial assets	**0**	**1,000**

Notes

In LTL	2008	2007
16 Inventories		
Raw materials	8,164,498	10,827,494
Finished goods	1,004,413	869,364
Goods for resale	305,355	467,415
Work in progress	20,962	41,108
Total inventories	**9,495,228**	**12,205,381**

In LTL	2008	2007
17 Prepayments and deferred expenses		
Prepayments to suppliers	93,280	574,745
Deferred advertising expenses	263,914	457,623
Deferred insurance and subscription	73,614	105,797
Other	67,628	27,796
Total prepayments and deferred expenses	**498,436**	**1,165,961**

In LTL	2008	2007
18 Trade receivables		
Trade receivables	40,341,751	38,574,189
Impairment allowance for bad debts	(378,728)	(731,782)
Net trade receivables	**39,963,023**	**37,842,407**

Impairment of receivables for bad debts in January-December 2008 decreased when a part of bad debts was covered and written-off. Change in impairment of receivables can be presented as follows:

In LTL	2008	2007
Impairment allowance for bad debts as of 1 January	(731,782)	(1,072,419)
Reverse of impairment allowance for bad debts	353,054	340,637
Impairment allowance for bad debts at the end of the period	**(378,728)**	**(731,782)**

Notes

19 Other receivables

In LTL	2008	2007
Loans granted	2,057,608	730,375
Prepayments to the Tax Inspectorate	247,480	247,480
Overpaid income tax	103,019	1,327
Other receivables	237,927	16,506
Doubtful receivables	885,209	885,209
Total other receivables before write-down allowance	**3,531,243**	**1,880,897**
Write-down allowance	(885,209)	(885,209)
Total other receivables, net	**2,646,034**	**995,688**

The prepayment to the Tax Inspectorate is a guarantee for payment of excise tax and exported production payments. Loans granted: loan of EUR 571,380 (LTL 1,972,861) to a related company (7.5 % fixed annual interest rate, maturity of the loans granted – December 2009) and interest-free loan of LTL 84,747 to employees of the Company.

Change in impairment allowance of receivables was as follows:

In LTL	2008	2007
Impairment allowance for bad debts and other receivables as of 1 January	**(885,209)**	**(885,209)**
Reverse of impairment allowance for bad debts	0	0
Impairment allowance for bad debts and other receivables at the end of the period	**(885,209)**	**(885,209)**

Notes

In LTL	2008	2007
20 Cash and cash equivalents		
Cash at bank and in hand	52,389	72,174
Total cash and cash equivalents	**52,3899**	**72,174**

Funds transferred by a related company on the 29 December 2008 (LTL 75,554) for the production, which was remitted by the bank to the Company's account on the first business day of 2009, are reflected in the section of other current assets.

21 Share capital

The share capital is made of 24,408,431 ordinary shares with the nominal value of LTL 1 each and the total share capital is LTL 24,408,431, fully paid. The holders of the ordinary shares are entitled to one vote per share in the shareholders' meeting and are entitled to dividends as declared from time to time and to capital repayment in case of and a share of residual assets. One ordinary share gives a right to one vote at the shareholders' meeting.

Legal reserve

Legal reserve is compulsory reserve under Lithuanian legislation. Annual contributions of 5% of the retained earnings available for distribution are required until legal reserve and the share premium reach 10% of the statutory capital. This reserve cannot be distributed.

Notes

22 Earnings per share

Basic earnings per share are calculated by dividing the net profit attributable to shareholders by weighted average number of ordinary shares in issue during the year.

	2008	2007
Number of shares	24,408,431	24,408,431
Net result for the period attributable to the equity holders, in LTL	1,265,123	1,681,915
Earnings per share, in LTL	**0.05**	**0.07**

The Company has not issued other securities potentially convertible into shares. Therefore, the diluted earnings per share are the same as the basic earnings per share.

23 Interest bearing loans and borrowings

In LTL	2008	2007
Non-current liabilities		
Bank loans	24,504,574	7,660,037
Financial lease (leasing) liabilities	542,982	0
Total non-current liabilities	**25,047,556**	**7,660,037**
Current liabilities		
Overdraft	0	8,693,210
Bank, other loans and financial lease	2,417,257	3,404,461
Total current liabilities	**2,417,257**	**12,097,671**
Total	**27,464,813**	**19,757,708**

Notes

23 Interest bearing loans and borrowings (cont'd)

Terms and repayment schedule:

In LTL	Total	Up to 1 year	1-2 years	2-5 years	Over 5 years
Overdraft of LTL 11,000,000 – 12% fixed rate	10,900,601	0	10,900,601		
Loan of EUR 4,759,615 (LTL 16,434,000) – variable at the rate of 3 months' EURIBOR + 1.2%	10,575,901	1,971,429	7,999,999	604,473	0
Factoring of LTL 5,555,000 – fixed rate of 12,9%	4,999,500	0	4,999,500		
Financial lease (leasing) – 6 month variable EURIBOR + 1%	988,811	445,828	542,983		
Total financial liabilities	**27,464,813**	**2,417,257**	**24,443,083**	**604,473**	**0**

Since September 30 of the current year, the Company has refinanced the existing loans with another Lithuanian bank. According to the new Crediting Agreement, variable interest rate will be set starting from 1 March 2009: for overdraft and factoring, related to 3-month VILIBOR. Term of repayment of the long-term loan – 31 December 2015, overdraft and factoring – 31 August 2010.

In order to secure the bank loans, the Company has pledged tangible and intangible non-current assets, inventories, and the lease right over a land plot. Fore further comments refer to Note 27.

24 Other payables

In LTL	2008	2007
Payable excise tax	9,206,118	14,866,664
Payable VAT	5,187,727	4,143,887
Accrued vacation expense and social security	722,553	736,586
Taxes payable	1,351,413	34,377
Accrued expenses	147,930	95,022
Other payables	491,398	725,751
Total other payables	**17,107,139**	**20,602,287**

Notes

25 Financial instruments

In the course of using financial instruments, the Company faces the following risks:

- Credit risk;
- Liquidity risk;
- Market risk.

The present note provides for information on each of the aforementioned risks the Company faces, the Company's risk evaluation goals, policy and risk valuation and management processes, as well as the Company's capital management. More detailed quantitative disclosures are presented in the present interim statement.

The Board is completely responsible for development and supervision of the company's risk management structure. The Company's risk management policy is devoted to identification and analysis of the risks the Company faces, determination of respective risk limits and controls, and monitoring of the observance of risks and limits. Risk management policy and risk management system are regularly amended to match the changes of market conditions and the Company's activities. With the help of trainings, procedures of management standards, the Company aims to develop a disciplined and constructive management environment, where every employee knows his/her functions and duties.

Credit risk

Credit risk is the risk that the Company will suffer financial losses in case if a customer or another party fails to fulfil their respective obligations, and in most cases such risk is related with amounts receivable from the Company's customers.

The Company controls credit risk or risk by using credit conditions and procedures of market analysis. The Company has no significant credit risk concentration because it is distributed among different buyers. What is more, in 2009 the Company has insured the trade receivables.

The Company accounts the impairment on the basis of evaluation of losses concerning trade and other amounts receivable. Such impairment consists only of specific loss related to individual significant trading and other amounts receivable.

Liquidity risk

Liquidity risk is the risk that, upon maturity, the Company will be unable to fulfil its financial liabilities. The Company's liquidity management objective is to maximally secure sufficient liquidity of the Company, which enables the Company to fulfil its obligations under both, normal and complicated circumstances, without suffering unacceptable losses and being exposed to the risk of loosing its good reputation.

The Company's policy is to maintain sufficient cash to cover planned operating expenditure, including financial liabilities; such security does not cover the influence unforecastable force

Notes

25 Financial instruments (cont'd)

Liquidity risk (cont'd)

majeure (such as natural calamities). Moreover, the Company has concluded contracts for overdraft limited to LTL 11,000,000 and factoring limited to LTL 5,555,000.

Market risk

Market risk is the risk that market price changes, e.g. foreign exchange rates or interest rates, will affect the Company's income or the value of available financial instruments. The objective of market risk management is to manage and control the market risk, considering certain limits, through optimisation of the return.

Interest rate risk

The Company's borrowings are subject to variable interest rates related to EURIBOR and VILIBOR.
As of 31 December 2008, the Company did not use any financial instruments to hedge its exposure to the cash flow risk related to debt instruments with variable interest rates or price risk related to debt instruments with fixed interest rates.

Foreign exchange risk

The functional currency of the Company is Litas (LTL). The Company faces foreign currency risk on purchases and borrowings that are denominated in currencies other than Litas or Euro. The risk related to the transactions in EUR is considered to be insignificant as the Lithuanian Litas is pegged to Euro at a fixed rate. The Company did not have any material exposure in other foreign currencies as of 31 December 2008 and 31 December 2007.

Capital management

The objective of the management policy is to maintain a significant level of owner's equity compared to borrowed funds to avoid discrediting investors, creditors and market trust, as well as maintain development of activities in the future. The Boards observes the return on capital and presents offers on payment of dividends to owners of ordinary shares, considering the Company's financial results and strategic plans.

The Board also strives for maintaining the balance between higher return, which could be achieved through a higher level of borrowed funds, and safety, which is provided by a higher level of owner's equity.

The Company's capital management policy did not change in January-December 2008.

Notes

26 Related party transactions

Related parties of the Company are:

- Parties that control, is controlled by or is under common control with the Company;
- Parties that can have material impact on the activities of the Company;
- Parties that are management members of the company or its parent company;
- Close members of the family of the aforesaid persons;
- Companies that are under control or material impact of the aforesaid persons.

Parent and ultimate parent companies are as follows:

Company	Relationship
Sobieski Sp. Z.o.o.	Parent company
Belvedere S.A.	Ultimate parent company

Other main related parties are:

Company	Relationship
UAB Belvedere Prekyba	Belvedere group company
Sobieski Destylarnia S.A.	Belvedere group company
Vinimpex PLC	Belvedere group company
UAB Belvedere Baltic	Belvedere group company
Fabryka Wodek Polmos Lancut	Belvedere group company
Gemaco	Belvedere group company
I CH PTUP Vuador	Belvedere group company
IOOO Galiart	Belvedere group company
Chais Beaucairois SAS	Belvedere group company
Domain Menada Sp.Z.o.o.	Belvedere group company
Darius Žaromskis	Shareholder
Arūnas Tuma	Shareholder

Notes

26 Related party transaction (cont'd)

Sales to and purchases from related parties during the reporting periods ended 31 December 2008 and 31 December 2007 are as follows:

Company	Type of transaction	Jan-Dec 2008	Jan-Dec 2007
Purchases from:			
Belvedere group companies	Purchase of services	5,066,388	4,429,847
Belvedere group companies	Purchase of raw materials	1,151,968	2,392,264
Shareholder	Purchase of services	309,600	219,600
Belvedere group companies	Purchase of non-current assets	0	120,123
Ultimate parent company	Purchase of inventories	91,838	0
Total purchases		**6,619,794**	**7,161,834**
Sales to:			
Belvedere group companies	Sales of production including excise tax	92,083,216	118,298,817
Parent company	Sales of production including excise tax	305,271	332,596
Belvedere group companies	Other income	230,071	203,117
Ultimate parent company	Sales of production including excise tax	0	73,676
Belvedere group companies	Sales of services, etc.	80,988	72,425
Total sales		**92,699,546**	**118,980,631**
Excise tax		61,626,960	78,837,415
Total sales net of excise tax		**31,072,586**	**40,143,216**

Notes

26 Related party transactions (cont'd)

Balances outstanding with identified related parties at the end of the reporting period:

Company	2008	2007
Trade receivables		
From Belvedere group companies	16,353,557	17,427,768
From ultimate parent company	12,451	73,676
From parent company	0	53,947
Total trade receivables	**16,366,008**	**17,555,391**
Trade payables		
To Belvedere group companies	242,131	976,503
Total trade payables	**242,131**	**976,503**

Remuneration to the Company's management is enclosed in Note 8 to the Financial Statements.

All outstanding related party transactions are priced on arm's length basis.

Notes

27 Off-balance and other liabilities

As a security for the loan and overdraft facilities, the following assets have been pledged by the Company:

In LTL	2008	2007
Carrying amount of pledged buildings and structures	9,198,192	8,585,436
Carrying amount of pledged trademarks	14,815,710	15,761,393
Carrying amount of pledged inventories	9,495,228	12,205,381
Cash pledged to the bank		1,148
Property right – lease right over a land plot		

The Company, under the Agreement on Assignment of Claiming Rights, for the purpose of securing execution of its obligations under the Crediting Agreement, has assigned to the Bank the existing and future monetary funds on its accounts with AB DnB Nord bankas and trade receivables, which amounted to LTL 39,963,023 as of the 31 December 2008 (LTL 22,124,836 as of the 31 December 2007).

In connection with the credit liabilities to the bank, the Company has additional requirements for the capital, which are controlled and fulfilled by the Company.

28 Fair value of financial instruments

Fair value is defines as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in forced or liquidation sale. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate.

Carrying amount of assets and liabilities provided in the balance sheet as of 31 December 2008 does not significantly differ from their balance sheet value, except non-current real estate, the depreciated cost-price of which significantly differs from its fair value.

Financial assets as of 31 December 2008:

In LTL	Balance-sheet value	Fair value
Advance payments and expenditure of future periods	498,436	498,436
Trade debtors	39,963,023	39,963,023
Other amounts receivable	2,721,588	2,721,588
Cash and cash equivalents	52,389	52,389
Total	**43,235,436**	**43,235,436**

Notes

28 Fair value of financial instruments (cont'd)

Financial liabilities as of 31 December 2008:

In LTL	Balance-sheet value	Fair value
Loan and other amounts exposed to calculation of interest rate	27,464,813	27,464,813
Amounts payable to suppliers	6,717,108	6,717,108
Other amounts payable	17,107,139	17,107,139
Total	**51,289,060**	**51,289,060**

29 Post-balance events

Since the 1 of January 2009, the rate of the excise tax applicable on strong drinks has been increased by 15%. This affected reduction of sales of the Company's products in January-February 2009. For the purpose of optimising ethyl alcohol inventories in the warehouse, production at Obeliai distillery was stopped for current repairs earlier than planned.
According to the management, such reduction of sales is of temporary nature. In the opinion of the management, the Company's performance goals and works of process optimisation will let the Company to finish the year 2009 profitably.

Annual Report 2008

1. COMPANY INFORMATION

Company name	Stock company Vilniaus degtinė, hereinafter – AB Vilniaus degtinė
Legal form	Stock company
Date & place of registration	8 May 1995, Register Service of the Board of Vilnius city
Code	120057287
Registered office address	Panerių g. 47/2, LT-03202 Vilnius
Telephone	(8~5) 233 0819
Fax	(8~5) 231 5052
E-mail	vd@degtine.lt
Website	www.degtine.lt

Branch	Obeliai distillery
Branch address	Audronių village, Obeliai local authority, Rokiškis district
Telephone	(8~458) 78723
Fax	(8~458) 78723
Email	obeliai@degtine.lt

AB Vilniaus degtinė produces and sells vodka and liqueur products, other alcohol beverages, edible rectified, denaturated ethyl alcohol, and edible distilled ethyl alcohol, imports and sells alcohol beverages of other countries.

2. INFORMATION ON THE COMPANY'S AUTHORISED CAPITAL AND SECURITIES

Structure of authorised calital of AB Vilniaus degtinė:

Type of shares	Number of shares, pcs.	Par value, LTL	Total par value, LTL	Share in the authorized capital, %
Ordinary registered shares	24,408,431	1	24,408,431	100.00

Ordinary registered shares that form the Company's authorised capital render equal rights to all owners of the Company's shares. All shares of AB Vilniaus degtinė are fully paid-up. The Company has not issued any debt or derivative securities that would be convertible into shares. The Company has not purchased and does not have its own shares.

Total number of shareholders as of the 31 December 2008 is 238.

Shareholders holding over 5% of the Company's authorised capital as of the 31 December 2008:

Shareholder's name (company name, legal form, enterprise code, registered office address)	Number of shares held by the shareholder under the ownership right	Portion of the statutory capital held, %	Portion of votes held, %
SOBIESKI SP.Z.0.0. ul. Bellottiego 1, 01-022, Warszawa, Polska 230030460	16,668,632	68.29	68.29
ARŪNAS TUMA	2,440,843	9.99	9.99
DARIUS ŽAROMSKIS	2,440,843	9.99	9.99
SKANDINAVISKA ENSKILDA BANKEN CLIENTS Sergels Torg 2, 10640 Stockholm, Sweden 50203290810	2,286,750	9.37	9.37

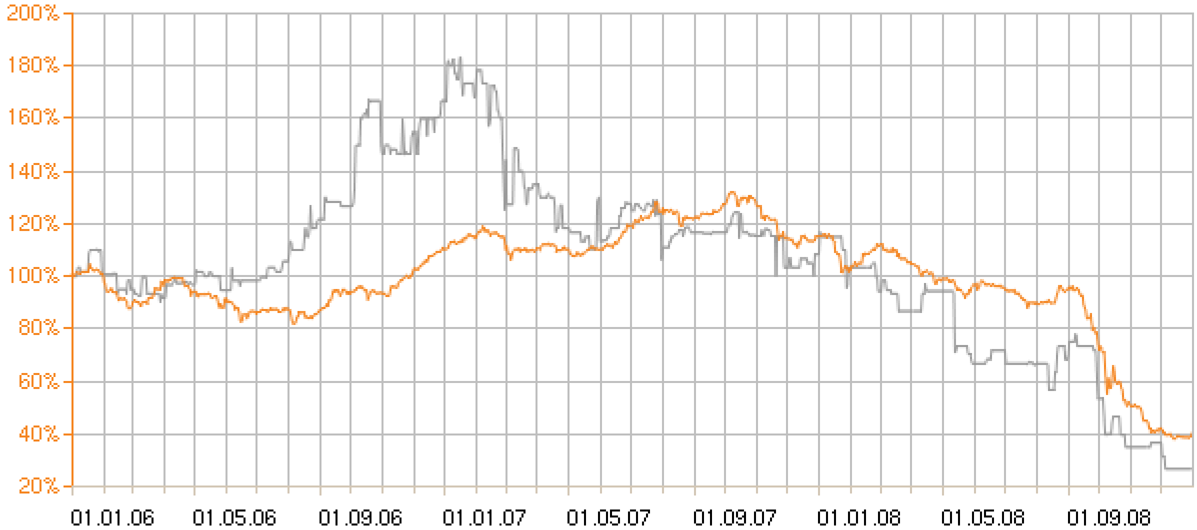
None of the Company's shareholders have any special controlling rights. There are no restrictions of voting rights. There are no agreements of the shareholders the Company is aware of and which could restrict assignment of shares and/or voting rights.

Since the 25 March 2002, ordinary registered shares of AB Vilniaus degtinė are listed in the additional trading list of AB NASDAQ OMX Vilnius. All 24,408,431 shares are included into the trade. There are no restrictions with regard to assignment of shares. The Company has signed an agreement with AB FMĮ Finasta on handling of issued securities.

History of trade in securities of AB Vilniaus degtinė in 2005 to 2008:

INDEX	2005	2006	2007	2008
Max. price	3.45	5.01	5.50	3.50
Min. price	1.45	2.70	3.00	0.80
Final price	3.00	5.00	3.25	0.80
Turnover, pcs.	1,650,522	5,254,805	173,373	67,163
Turnover, LTL million	2.03	7.16	0.68	0.14
Capitalisation, million	73.23	122.04	79.33	19.53

Comparison of the price of share of AB Vilniaus degtinė" (VDG1L) with the index in 2006 to 2008.



Graph data

Index/Shares	01.01.2006	31.12.2008	+/-%
OMX Vilnius	448,76	179,25	-60,06
VDG1L	3,00 LTL	0,80 LTL	-73,33

3. INFORMATION ON MANAGEMENT OF THE COMPANY

The Company has General Shareholder Meeting, collegial supervisory body – Supervisory Board, collegial management body – the Board and sole management body – CEO (General Director) of the Company.

Supervisory Board of the Company consists of 3 members. It is elected for tenure of four years by the General Shareholder Meeting. When individual members of the Supervisory Board are elected, they shall be elected only for the period ending upon expiry of the tenure of the Supervisory Board.

The Board of the Company consists of 5 members. It is elected for tenure of four years by the Supervisory Board. The Supervisory Board may recall the entire Board or its individual members before expiry of its/their tenure. A member of the Board may resign before expiry of his tenure by at least 14-day prior written notice to the Company.

CEO (General Director) of the Company is elected and recalled, his/her salary is determined, his/her job description is approved and he/she is motivated and penalties are implied on him/her by the Board of the Company.

In the Company's relations with other persons, CEO of the company acts solely on behalf of the Company.

16 meeting of the Board, 5 meetings of the Supervisory Board and 2 shareholder meetings took place in 2008. Issues important to the Company were discussed at them.

Articles of Association of the Company are altered in accordance with the Law on Companies of the Republic of Lithuania. The most recent wording thereof was filed at the Register of Legal Entities of the Republic of Lithuania on the 11 August 2008.

Members of collegial bodies of AB Vilniaus degtinė, CEO and CFO of the Company (as of the 31 December 2008)

Full name	**Position**	**Participation in the issuer's statutory capital, %**	**Tenure**
Dariusz Jamiola	Chairman of the Supervisory Board	-	Mar 2008 – 2012
Tomasz Kowalski	Member of the Supervisory Board	-	Mar 2008 – 2012
Ilona Šerlatienė	Member of the Supervisory Board	-	Mar 2008 – 2012
Darius Žaromskis	Chairman of the Board	9.99	Dec 2007 – 2011
Danas Kerbelis	Member of the Board	-	Dec 2007 – 2011
Andrėjus Galuška	Member of the Board	-	Dec 2007 – 2011
Raimundas Čičirka	Member of the Board	-	Dec 2007 – 2011
Audra Jauniškienė	Member of the Board	-	Dec 2007 – 2011
Danas Kerbelis	General Director	-	18.07.2005
Audra Jauniškienė	Finance and Administration Director	-	01.03.2005

Amounts before taxes paid to members of collegial bodies within the period under report make LTL 309,600 or in average for each member – LTL 309,600. CEO and Finance and Administration Director of the Company were allotted LTL 205,041 or in average LTL 102,520 for each of them. The Company has not assigned any assets and has not granted any guarantees to members of collegial bodies, CEO and Finance and Administration Director.

There are no material agreements the Company is a party to and those that would come into force, change or expire in case of change of control over the Company. There are no agreements of the Company and members of its bodies that provide for a compensation in case if he/she resigns or is dismissed without a good reason or in case if their work expires due to change of control over the Company. Information on related party transactions entered into in 2008 is disclosed in financial statements of AB Vilniaus degtinė as of the 31 December 2008 developed in accordance with International Financial Reporting Standards.

In the course of fulfilment of its duties in accordance with legal instruments regulating securities market, in 2008 the Company was announcing information on material events in the issuer's operations.

On 15.02.2008 it was announced that ordinary General Shareholder Meeting will be held on the 20 March 2008, and its agenda was disclosed.
On 20.03.2008 decisions made by the ordinary General Shareholder Meeting of AB Vilniaus degtinė that took place on the 20 March 2008 were announced.
On 22.08.2008 announcement on an extraordinary General Shareholder Meeting to take place on the 25 September 2008 and its agenda was made.

On 25.09.2008 decisions made by the ordinary General Shareholder Meeting that took place on the 25 September 2008 were announced.
On 17.12.2008 announcement was made that the Company has applied for support from EU structural funds.
On 22.12.2008 announcement was made that AB Vilniaus degtinė will suspend production.
On 28.04.2008, 28.07.2008 and 28.10.2008 performance results of the Company for certain reporting periods were announced.
This information announced by the Company is available on the Company's website www.degtinė.lt or website of AB NASDAQ OMX Vilnius www.nasdaqomx.com

Detailed information on the Company's management and disclosure of information is provided at the end of the annual performance report "Report of AB Vilniaus degtinė on observance of the management code applied on the companies listed at Vilnius Stock Exchange".

AB Vilniaus degtinė is a member of the following associated structures:

- Association of Lithuanian Chambers of Commerce, Industry and Crafts;
- Association "Lithuanian Food Industry";
- Association of Companies Trading in Alcoholic Beverages.

4. ANALYSIS OF PRODUCTION ACTIVITIES

Key activities of the Company are production of vodka, flavoured vodka, bitter and other alcoholic beverages.

Five new products were developed and their production was started in 2008: vodkas "Bajorų su liepų žiedais ir medumi" (Bajoru with Lime Flowers and Honey), "Admiral spanguolių skonio" (Admiral Cranberry), "Shotka Vodka", spirit drink – balsam "Lumberjack", and alcoholic cocktail "VD Serbentėlė" (VD Currant); the range of "Sobieski" vodkas was extended by adding new capacities of bottles.

Production of flavoured vodkas and bitters is being further developed, yet most attention is paid to the production of traditional vodka and improvement of its taste.

Last year, vodka "Bajorų su liepų žiedais ir medumi" (Bajoru with Lime Flowers and Honey) and spirit drink-balsam "Lumberjack" by AB Vilniaus degtinė were awarded gold medals by Lithuanian Industrialists Confederation, and vodka "Sobieski su vyšniomis" (Sobieski with Cherries) was awarded silver medal at the contest "Lithuanian Product of the Year 2008".

Obeliai distillery, a branch of AB Vilniaus degtinė, makes edible distilled ethyl alcohol of rye. Distilled ethyl alcohol is supplied to AB Vilniaus degtinė for rectification and further processing. In 2008, Obeliai distillery produced 4.67 million LPA of distilled ethyl alcohol, and AB, Vilniaus degtinė – 4.25 million LPA of rectified ethyl alcohol.

Production capacities in 2006 to 2008

	2008			**2007**			**2006**		
	thous. ltr	**share, %**	**range, pcs.**	**thous. ltr**	**share, %**	**range, pcs.**	**thous. ltr**	**share, %**	**range, pcs.**
Vodka	6,304.7	68.61	15	6,968.9	66.49	20	5,877.8	53.98	19
Flavoured vodka	1,562.5	17.00	15	2,310.3	22.04	8	3,870.2	35.54	5
Bitter	736.6	8.02	13	784.0	7.48	11	890.5	8.18	10
Gin	43.5	0.41	1	42.6	0.41	1	27.9	0.25	1
Liqueurs	194.3	2.32	5	243.5	2.32	5	218	2.00	5
Scotch whiskey	-	-	-	1.5	0.02	1	5.2	0.05	1
Brandy	347.8		3	130.1		1	-		
Total	**9,189.4**	**100.00**	**41**	**10,480.9**	**100.00**	**41**	**10,889.6**	**100.00**	**41**
Distilled ethyl alcohol	4 668,2	-	1	4 752,7	-	1	3 296,6	-	1
Rectified ethyl alcohol	4 251,1	-	1	4 310,9	-	1	4 011,4	-	1
Denaturated ethyl alcohol	45,0	-	1	55,4	-	1	55,3	-	1
Aldehydes	277,0	-	1	274,9	-	1	250,1	-	1

Improvement of the existing production technology and more efficient use of facilities enabled the Company to carry out production without any material investments. Yet, due to increased prices of energy resources, the cost of production of edible distilled ethyl alcohol increased. In 2008, Obeliai distillery stood idle for one and a half month (in May and June) due to planned current repairs of the facilities.

In 2008, investments into modernization of the production process, renewal of machinery and facilities, employee training and other means were made. This enabled the Company both to expand its product range with new and high quality products (which was proved by the acknowledgement of Lithuanian Industrialists Confederation that has awarded three medals) and assure and maintain proper product quality with regard to earlier developed and improved products. In 2008, much attention was paid to making production process more efficient and reducing production costs.

Key investments in 2008:

- Streamlining of banderol-gluing machine, thus increasing its efficiency
- Assembly and implementation of cap orienting machine
- Assembly of sticker-gluing machine
- Implementation of two new banderol-gluing stations
- Streamlining of label-gluing machine
- Assembly of new bottle-rinsing machine
- Streamlining of one bottling line
- Assembly of two new reservoirs in vodka and liqueur preparation shop
- Acquisition of mobile spirit pump
- Acquisition of additional electric loader and automatic loader
- Setting a warehouse for keeping empty tare
- Streamlining of grain transportation machinery at Obeliai distillery
- Streamlining of aeration system of cleaning machinery at Obeliai distillery
- Updating of security and fire prevention systems

In both Obeliai distillery and the main plant in Vilnius investments were made into improvement of working conditions.

Documentation of quality management system was amended and adjusted according to the existing situation. Technological and normative production documents were specified, and quantities of material resource consumption were controlled. Quality management system ISO 9001:2000 was implemented in the Company, validity of the certificate was extended until 2009.

In 2008, LTL 6,459.13 thousand was allotted to investments in the Company, including LTL 755,685 thousand for repairs of plant and equipment.

The aforementioned means enabled the Company both to improve the efficiency of use of production capacities and save some material resources.

5. COMMERCIAL ACTIVITIES

In 2008, sales revenue amounted to LTL 69,368.52 thous. Compared to 2007 (LTL 67,794.75 thous.), it grew by 2.3%. In 2008, 9,543.6 thous. litres of strong alcoholic beverages were sold. Compared to 2007, product sales decreased by 13.6% (in 2007 they amounted to 11,052.1 thous. litres). Decrease in the pace of growth of sales was determined by increased competition in the market of strong alcoholic beverages and excise tax increase in 2008. Another factor influencing such decrease was amendment of product range, concentrating on management of several brands.

The Company has been carrying out its activities in two segments: Lithuanian market and foreign market. These segments differ by geographic allocation of customers. Most part of the Company's sales consists of sales in Lithuanian market. In 2008, sales to EU and foreign markets amounted to LTL 2,296.6 thous. (in 2007 – LTL 1,303.5 thous.).

Realisation of ready production and goods for resale in 2006 to 2008

Production	2008			2007			2006		
	thous. litres	thous. LTL	% of turn-over	thous. litres	thous. LTL	% of turn-over	thous. litres	thous. LTL	% of turn-over
Alcoholic beverages	9,543.6	67,087.95	96.71	11,052.1	65,869.39	97.16	10,785.8	60,215.39	98.15
- vodka	7,781.3	49,953.66	72.01	9,399.4	51,968.88	76.66	9,583.1	50,018.47	81.53
- bitter	758.1	7,073.49	10.19	778.6	6,464.51	9.53	881.6	7,017.80	11.44
- liqueur	200.4	2,609.31	3.76	245.9	2,757.53	4.06	213.1	2.464,76	4.02
- Vilnius gin	42.9	286.49	0.41	41.9	231.22	0.34	28.3	162.17	0.26
- Scotch whiskey				3.3	84.62	0.12	4.0	64.20	0.10
- wine	123.5	604.52	0.87	168.7	333.55	0.49	74.4	438.75	0.72
- brandy	339.7	4,626.10	6.67	152.9	1,975.37	2.92	1.3	49.24	0.08
- alcoholic cocktails	277.6	1,687.61	2.43	254.3	2,053.71	3.04	-	-	-
- other neverages	20.1	246.77	0.36	-	-	-	-	-	-
Edible rectified ethyl alcohol	528.8	1,838.92	2.65	452.5	1,460.77	2.15	240.0	808.41	1.32
Denaturated ethyl alcohol	51.5	117.31	0.17	55.1	113.22	0.17	51.2	107.21	0.17
Aldehydes	225.2	322.42	0.46	239.00	349.96	0.52	168.7	217.46	0.36
Other products and services	-	1.92		-	1.42	-	-	0.73	-
Total	**10,349.1**	**69,368.52**	**100.00**	**11,798.7**	**67,794.76**	**100.00**	**11,245.7**	**61,349.20**	**100.00**

In 2008, most part of sales consisted of vodka sale – LTL 49,953.7 thous. or 72.01% of the total turnover of the Company.

In 2008, profit before tax amounted to LTL 1,820.8 thous., and in 2007 – LTL 2,044.5 thous. The decrease of profit before tax in 2008 was influenced by drop down in the pace of sales volume and increase of cost per one conditional bottle of the production as a result of increase of raw material, material, and energy resource prices. The Company allotted extensive funds to the development of Sobieski, Bajorų, and Karvedys brands, image, promotion advertising strategies, media relations and other issues. Much attention was paid to product sales, restaurant and café supervision. Quite much funds were allotted to unconventional marketing: sponsorship of cultural events, organisation of leisure activities.

All in all, spending on advertisement and promotion of alcoholic beverages during the reporting period amounted to LTL 9,214.6 thous.

In 2008, the Company has fully procured for raw materials and materials necessary for the production. Raw materials and materials are purchased by the Company in accordance with EU regulations in force.

Purchasing of auxiliary materials:

- Bottles for principal products from AB Panevėžio stiklas;
- Bottles for souvenir products, caps from EU member-states;
- Labels, label glues (the most favorable suppliers in Lithuania and Poland from price, quality, supplies and payment points of view).

Materials, machinery parts, construction materials for repairs, household articles, and office supplies are purchased under tenders of the established form furnished to the purchasing department. Purchasing department compiles a list of acceptable suppliers, analyses information on the presented product, i.e. its quality, price, and controls fulfillment of supply-related obligations.

6. ECONOMIC-FINANCIAL RESULTS

Most part of the Company's principal income (96.7%) consists of income from sales of alcoholic beverages. In 2008, the Company has earned revenue of LTL 69,368.52 thous. from its operating activities. Compared to revenue of 2007 (LTL 67,794.76 thous.), it grew by 2.3%.

In 2008, profit before tax amounted to LTL 1,820.83 thous., meanwhile in 2007 it was LTL 2,044.50. Profit decreases due to growth of production cost (raw materials, fuel, energy resources), and increase costs spent on customer inducement, operating taxes and credit interest rates.

Detailed information on the Company's financial results in 2008 is disclosed in financial statements of AB Vilniaus degtinė as of the 31 December 2008 developed in accordance with International Financial Reporting Standards.

Audit of financial statements of AB Vilniaus degtinė for the year 2008 consisting of the Balance Sheet, Income Statement, Statement on Changes of Owner's Equity and Cash Flow Statement as of the 31 December 2008 was carried out by UAB Rimess.

Indicators characterising performance of the Company in 2006–2008

Key indicators	2008	2007	2006
Sales revenue (excl. excise tax), thou. LTL	69,368.5	67,794.8	61,349.2
Gross profit, thou. LTL	33,062.2	32,687.1	32,147.4
Earnings before income tax (EBIT), thou. LTL	3,163.5	3,065.3	4,947.4
Profit before tax, thou. LTL	1,820.8	2,044.5	4,233.3
Profit for the year, thou. LTL	1,265.1	1,681.9	3,755.4
Profit per share, LTL	0.052	0.069	0.154
Depreciation and amortisation, thou. LTL	3,670.5	3,363.7	3,112.9
EBITDA, thou. LTL	6,834.0	6,429.0	8,060.3
Non-current assets, thou. LTL	38,105.4	35,852.0	35,685.1
Current assets, thou. LTL	52,730.7	52,281.6	37,248.6
Total assets, thou. LTL	90,836.1	88,133.6	72,933.7
Share capital, thou. LTL	24,408.4	24,408.4	24,408.4
Shareholders' equity, thou. LTL	38,512.6	37,247.4	35,565.5
Non-current liabilities, thou. LTL	26,082.1	8,293.2	11,556.7
Current liabilities, thou. LTL	26,241.5	42,593.0	25,811.6
Net cash flows from ordinary activities, thou. LTL	1,140.2	(395.0)	(555.4)
Net cash flows from investing activities, thou. LTL	(6,376.0)	(4,187.9)	(3,081.2)
Net cash flows from financing activities, thou. LTL	5,216.1	4,270.3	(3,761.6)
Gross profit margin ratio, percent	47.7	48.2	52.4
Net profit margin ratio, percent	1.82	2.48	6.12
ROE (return on equity), LTL	0.3	0.05	0.11
ROA (return on assets), LTL	0.030	0.034	0.062
Quick ratio	1.63	0.91	1.11
Net working capital turnover, ratio	3.84	6.42	5.46
Book value per share, LTL	1.58	1.53	1.46
Net profit per share, LTL	0.05	0.07	0.15
Assets turnover ratio	0.76	0.77	0.84
General liquidity ratio	2.01	1.23	1.44
Debt-to-equity ratio	1.36	1.37	1.05
Debt ratio	0.58	0.58	0.51
Average return on assets, percent	1.41	2.09	5.11

The Company's assets increased as of the 31 December 2008 (LTL 90,836.1 thous). Such increase was a result of increased amount of investments, increased balance amount of trade debtors due to increased turnover in December.

Most part of amounts payable and liabilities consisted of the long-term credit granted by AB DnB NORD bank, as well as credit limit and factoring for circulating funds.

Financial liabilities to credit institution as of the 31 December 2008 amounted to LTL 27,464.8 thous. In 2008, average annual interest rate applied on the long-term credit was 5.98%, on credit limit – 9.48%; long-term loan repayment term expires on 31.12.2015, credit limit and factoring term expires on 31.08.2010.

Trade creditors, compared to the previous year, decreased by 32.1%. The Company has no overdue arrears against its suppliers. Most part of other amounts payable and current liabilities consists of the excise tax and value added tax payable for 2008.

To secure repayment of long-term credit and credit limit granted by AB DnB NORD as of the 31 December 2008, the Company has pledged its current and non-current assets, as well as inventories.

Decrease of net positive cash flow from operating activities of the year 2008 (LTL 1,140.2 thous.) was mostly a result of advance payments, inventories. Negative cash flows from investment activities (LTL 6,376.0 thous.) – the result of acquisition of non-current assets and granting of loans to an associated company. Net positive cash flows from financial activities (LTL 5,216.1 thous.) were formed having used an additional crediting for circulating funds.

7. RISK FACTORS RELATED TO ACTIVITIES OF THE COMPANY

Economic risk factors. Main risk factor is strong other producers and importers of alcoholic beverages. Another risk factor is excise duty that has been increasing year after year, as well as higher and higher restrictions applied on advertising. As the competition is getting tougher, the Company pays much attention and allots extensive funds to the development of brand image and strengthening of selling positions in the market.

In 2008, AB Vilniaus degtinė had no problems related to procurement of raw materials and materials necessary for the production. Long-term supply agreements were signed and exact delivery terms were set. Agreements with buyers on sale of products are mostly concluded for a calendar year.

Financial risk factors. To secure repayment of the loan and overdraft granted by the bank the Company has pledged the following assets:

LTL	2008	2007
Balance value of pledged buildings and structures	9,198,192	8,585,436
Balance value of pledged trademarks	14,815,710	15,761,393
Balance value of pledged inventories	9,495,228	12,205,381
Property right-land plot renting right		

For the purpose of securing fulfilment of its obligations under the Crediting Agreement, the Company, under an Agreement on Assignment of Claiming Rights, has assigned to the Bank the existing and future monetary funds in its accounts with AB DnB NORD, as well as amounts receivable from its buyers, which amounted LTL 39,963.0 thous. as of the 31 December 2008.

Concerning credit obligations against the bank, additional capital requirements are applied on the Company, which are controlled and fulfilled by the Company.

Ecologic risk factors. Last year, no penalties for environment pollution, restriction or suspension of production activities due to the harm to the environment were implied. No other ecologic risk factors, accidents took place in 2008. In 2008, the Company paid a fee of LTL 39.1 thous. for environment pollution and LTL 11.2 thous. for natural resources. The Company has concluded contracts on handling of packaging waste. In 2008, spending on packaging handling amounted to LTL 1,620.7 thous. Considering production capacities and tasks of use and recycling of packaging, these costs may increase.

Technical-technological risk factors. Since a part of technological machinery in the Company is depreciated, much attention is paid to updating the machinery, development of technological processes and improvement of product quality for the purpose of eliminating technical risk factors.

Social risk factors. Employees of the Company keep on improving their qualification at different qualification courses, seminars, and institutions of higher education. There is no lack of employees in the market. Salaries are paid in the Company in timely manner.

Information on other risk factors is disclosed in Note 25 of the explanatory letter to the financial statement as of the 31 December 2008.

8. EMPLOYEES

Average number of employees on the payroll in 2008 was 227, which was 3% less compared to 2007 (234 employees).

Average number of employees on the payroll in 2006-2008

	2008	**2007**	**2006**
Number of employees	227	234	236

Average monthly salary, LTL

Employees	**2008**		**2007**		**2006**	
	Number of employees (31 December)	**Average salary, LTL**	**Number of employees (31 December)**	**Average salary, LTL**	**Number of employees (31 December)**	**Average salary, LTL**
Managers	6	8,751	5	7,806	5	6,233
Specialists and officials	62	3,010	66	2,821	60	2,784
Workers	159	1,840	185	1,679	180	1,554
Total:	**227**	**2,305**	**256**	**2,093**	**245**	**1, 875**

Employee breakdown by education

	Number of employees 31.12.2008	**Number of employees 31.12.2007**	**Number of employees 31.12.2006**
University education	45	46	45
College education	60	67	60
Secondary or vocational education	117	135	130
Incomplete secondary education	5	8	10

In 2008, average monthly salary amounted to LTL 2,305.30, i.e. it was 10.1% higher than in 2007, which was a result of increasing salaries for certain employees.

Financial relations with management of the company and other related persons (LTL thous.)

	2008	2007
1.Amounts before taxes related to labour relations: Management	633,2	602,0
Other related persons	-	-
2. Gratuitously transferred assets and gifts: Managers Other related persons		
3. Other material amounts before taxes within the year: Managers		
Other related persons	309,6	219,6
Average number of managers	4	5

No particular rights and duties of employees of the Company or any part thereof have been provided in their employment contracts or collective agreements.

Employees of the Company are constantly upgrading their qualification in various seminars and courses. In 2008, 1 employee of the Company obtained university degree through extramural studies, and 6 employees continue studying. In 2008, employees of the Company were taking part in the GPD project “Development of human resources of the companies uniting industry and regional associations of Lithuanian Confederation of Industrialists”. Employees participating in this project study foreign languages, improve their computer skills, take part in seminars developing social skills, expanding their competence and ability to adjust to changes.

9. IMPORTANT EVENTS THAT TOOK PLACE AFTER THE END OF THE YEAR

Since the 1 of January 2009, the rate of the excise tax applicable on strong drinks is increased by 15%. This has affected reduction of sales of the Company’s products in January-February 2009. For the purpose of optimising ethyl alcohol inventories in the warehouse, production at Obeliai distillery was stopped for current repairs earlier than planned.

According to the management, such reduction of sales is of temporary nature. In the opinion of the management, the Company’s performance goals and works of process optimisation will let the Company to finish the year 2009 profitably.

10. BUSINESS PLANS AND PROSPECTS OF THE COMPANY

Sales of AB Vilniaus degtinė, expressed in litres, are expected to decrease by 5.3% and amount to 9,430 thous. litres in 2009, compared to 2008. Current economic and social situation is supposed to be the major reason of decrease in sales, and it is expected to promote growth of consumption of illegal alcohol in Lithuania, and volume of the market of legally sold vodka will decrease. A part of sales will retreat to the “Shadow” market of illegal alcohol due to the following reasons:

- Strong alcohol excise tax increased since the 15 January 2009 (since January 2008, it has increased by as much as 38%);

- Due to difficult economic situation (consumers will allot less funds to more expensive/legal alcohol due to increase of unemployment, decrease of actual salary and redistribution of the consumer basket).

Due to the aforementioned reasons, we expect market volume in Lithuania to shrink more that the planned decrease in the Company’s sales, expressed in litres. AB Vilniaus degtinė is planning to increase its brandy, vodka and bitter market shares in Lithuania through implementation of effective marketing actions and product range expansion by adding new products. Export development will retain its important role in 2009. It is planned to increase export volumes, expressed in litres, by 73%, which will amount to 1,200 thous. litres. In 2009, Baltic States will be priority export markets. Sales in Latvia and Estonia will be increased by expanding the product range and increasing product coverage in the market, and sales costs will be saved through employing the same sales and marketing strategies as in Lithuania. There are plans to continue selling flavoured vodkas and bitters in other foreign markets.

Key goals for the year 2009 the Company’s management will focus on are expected to be as follows:

- Increasing effectiveness of operations and optimisation of costs;

- Development of Sobieski and Bajorų brands, increasing their awareness and competitiveness;

- Optimisation of logistics processes and stock balance in the warehouse.

Though sales, expressed in litres, are expected to decrease, the goals set for 2009 and works of increasing and optimising process effectiveness will enable the Company to achieve better profit results in a couple of years to come.

General Director Danas Kerbelis

10. ANNEX TO ANNUAL REPORT

Report of AB Vilniaus Degtinė on the compliance with the Corporate Governance Code for the Companies Listed on the Vilnius Stock Exchange in 2008

Following part 3 of article 21 of the Law on Securities of the Republic of Lithuania and paragraph 20.5 of the Trading Rules of stock company Vilnius Stock Exchange ("Vilniaus vertybinių popierių birža"), stock company Vilniaus Degtinė reveals in this report on how it complies to the Corporate Code of Governance approved by Vilnius Stock Exchange for the companies whose stock is traded in the regulated market, and specific provisions thereof.

PRINCIPLES/ RECOMMENDATIONS	YES /NO /IRRELEVANT	COMMENT
Principe I: **Basic provisions** **The overriding objective of a company should be to operate in common interests of all the shareholders by optimising over time shareholder value.**		
1.1. A company should adopt and make public the company's development strategy and objectives by clearly declaring how the company intends to meet the interests of its shareholders and optimise shareholder value.	Yes	The governance system of the stock company Vilniaus Degtinė ensures that all information about material events of the company, financial results, activities and development prospects is disclosed on a timely basis and accurately as provided for by the provisions of the law, and the information is also posted on the website of the company and in other sources.
1.2. All management bodies of a company should act in furtherance of the declared strategic objectives in view of the need to optimise shareholder value.	Yes	The activities of all management bodies of the company are focused on creating value for the shareholders and client, providing high-quality products to the consumers.
1.3. A company's supervisory and management bodies should act in close co-operation in order to attain maximum benefit for the company and its shareholders.	Yes	The supervisory board, the board and the head of the company work in close cooperation when resolving various issues arising in the company, held joint discussions on particularly important issues in order to find the most optimal solutions ensuring maximum benefit for the company.
1.4. A company's supervisory and management bodies should ensure that the rights and interests of persons other than the company's shareholders (e.g. employees, creditors, suppliers, clients, local community), participating in or connected with the company's operation, are duly respected too.	Yes	Management bodies of the company ensure that the rights of all interested parties (stakeholders) are respected. Quality management system (ISO 9001) has been implemented in the company; a labour council is elected in the company to represent the interests of the employees. There is mutually beneficial cooperation with suppliers and clients; terms and provisions of the contracts are being strictly followed.

Principle II: The corporate governance framework **The corporate governance framework should ensure the strategic guidance of the company, the effective oversight of the company's management bodies, an appropriate balance and distribution of functions between the company's bodies, protection of the shareholders' interests.**		
2.1. Besides obligatory bodies provided for in the Law on Companies of the Republic of Lithuania – a general shareholder meeting and the chief executive officer, it is recommended that a company should set up both a collegial supervisory body and a collegial management body. The setting up of collegial bodies for supervision and management facilitates clear separation of management and supervisory functions in the company, accountability and control on the part of the chief executive officer, which, in its turn, facilitate a more efficient and transparent management process.	Yes	The company follows this recommendation; it has the following supervisory and management bodies: general shareholder meeting, supervisory board, board and the head of the company. Regular board meetings and supervisory board meetings, discussion of the most important issues of the company ensure effective supervision of company's activities.
2.2. A collegial management body is responsible for the strategic management of the company and performs other key functions of corporate governance. A collegial supervisory body is responsible for the effective supervision of the company's management bodies.	Yes	The collegial management body of the company is the board, collegial supervisory body – supervisory board.
2.3. Where a company chooses to form only one collegial body, it is recommended that it should be a supervisory body, i.e. the supervisory board. In such a case, the supervisory board is responsible for the effective monitoring of the functions performed by the company's chief executive officer.	Irrelevant	The company has both supervisory board and the board.
2.4. The collegial supervisory body to be elected by the general shareholder meeting should be set up and should act in the manner defined in Principles III and IV. Where a company should decide not to set up a collegial supervisory body but rather a collegial management body, i.e. the board, Principles III and IV should apply to the board as long as that does not contradict the essence and purpose of this body.	Yes	This recommendation is observed when the provisions of principles III and IV are applied in formation of the supervisory board of the company (and the board to the extent it is possible) or evaluation of its activities.
2.5. Company's management and supervisory bodies should comprise such number of board (executive directors) and supervisory (non-executive directors) board members that no individual or small group of individuals can dominate decision-making on the part of these bodies.	Yes	The supervisory board of the company consists of three persons; the board consists of five persons.
2.6. Non-executive directors or members of the supervisory board should be appointed for specified terms subject to individual re-election, at maximum intervals provided for in the Lithuanian legislation with a view to ensuring necessary development of professional experience and sufficiently frequent reconfirmation of their status. A possibility to remove them should also be stipulated however this procedure should not be easier than the removal procedure for an executive director or a member of the management board.	Yes	The supervisory board and the board are elected for a term of 4 years; according to the Articles of Association of the issuer, it is not prohibited to re-elect these persons.
2.7. Chairman of the collegial body elected by the general shareholder meeting may be a person whose current or past office constitutes no obstacle to conduct independent and impartial supervision. Where a company should decide not to set up a supervisory board but rather the board, it is recommended that the	Yes	The company partly follows this recommendation (the head of the supervisory board has never been the head of the company, but the chairman of the board has been the head of the company).

chairman of the board and chief executive officer of the company should be a different person. Former company's chief executive officer should not be immediately nominated as the chairman of the collegial body elected by the general shareholder meeting. When a company chooses to departure from these recommendations, it should furnish information on the measures it has taken to ensure impartiality of the supervision.		The chairman of the supervisory board board represents the main shareholder of the company and is not related with day-to-day operations of the company.
Principle III: The procedure of the formation of a collegial body to be elected by a general shareholder meeting **The order of the formation a collegial body to be elected by a general shareholder meeting should ensure representation of minority shareholders, accountability of this body to the shareholders and objective monitoring of the company's operation and its management bodies**.		
3.1. The mechanism of the formation of a collegial body to be elected by a general shareholder meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure objective and fair monitoring of the company's management bodies as well as representation of minority shareholders.	Yes	Information about the candidates to the members of collegial bodies of the company is publicly available, but the controlling shareholder can propose the general shareholder meeting to recall members of collegial bodies at its own discretion. Members of collegial bodies do not receive remuneration from the company's funds.
3.2. Names and surnames of the candidates to become members of a collegial body, information about their education, qualification, professional background, positions taken and potential conflicts of interest should be disclosed early enough before the general shareholder meeting so that the shareholders would have sufficient time to make an informed voting decision. All factors affecting the candidate's independence, the sample list of which is set out in Recommendation 3.7, should be also disclosed. The collegial body should also be informed on any subsequent changes in the provided information. The collegial body should, on yearly basis, collect data provided in this item on its members and disclose this in the company's annual report.	Yes	The company collects the information about the official duties of the members of collegial bodies and their participation in the operations of other companies This information is regularly revised and updated and it is made publicly available through the reports of the company.
3.3. Should a person be nominated for members of a collegial body, such nomination should be followed by the disclosure of information on candidate's particular competences relevant to his/her service on the collegial body. In order shareholders and investors are able to ascertain whether member's competence is further relevant, the collegial body should, in its annual report, disclose the information on its composition and particular competences of individual members which are relevant to their service on the collegial body.	Yes	Detailed information on the education, professional experience, etc. of the candidates to the members of the supervisory board is provided to the shareholders' meeting.
3.4. In order to maintain a proper balance in terms of the current qualifications possessed by its members, the collegial body should determine its desired composition with regard to the company's structure and activities, and have this periodically evaluated. The collegial body should ensure that it is composed of members who, as a whole, have the required diversity of knowledge, judgment and experience to	Yes	When electing the members of collegial bodies of the company, it is assured that the members have appropriate qualifications.

complete their tasks properly. The members of the audit committee, collectively, should have a recent knowledge and relevant experience in the fields of finance, accounting and/or audit for the stock exchange listed companies.		
3.5. All new members of the collegial body should be offered a tailored program focused on introducing a member to his/her duties, corporate organization and activities. The collegial body should conduct an annual review to identify fields where its members need to update their skills and knowledge.	Yes	Members of the collegial bodies of the company upgrade their qualifications at various refresher courses, special seminars where they are updated on basic changes in the regulations applicable to the company's activities.
3.6. In order to ensure that all material conflicts of interest related with a member of the collegial body are resolved properly, the collegial body should comprise a sufficient number of independent members.	No	Members of the supervisory board of the company only partly comply with the independence criteria; up till now, the independence of the members of the supervisory board was not subject to assessment in the company.
3.7. A member of the collegial body should be considered to be independent only if he is free of any business, family or other relationship with the company, its controlling shareholder or the management of either, that creates a conflict of interest such as to impair his judgment. Since all cases when member of the collegial body is likely to become dependant are impossible to list, moreover, relationships and circumstances associated with the determination of independence may vary amongst companies and the best practices of solving this problem are yet to evolve in the course of time, assessment of independence of a member of the collegial body should be based on the contents of the relationship and circumstances rather than their form. The key criteria for identifying whether a member of the collegial body can be considered to be independent are the following: 1) He/she is not an executive director or member of the board (if a collegial body elected by the general shareholder meeting is the supervisory board) of the company or any associated company and has not been such during the last five years; 2) He/she is not an employee of the company or some any company and has not been such during the last three years, except for cases when a member of the collegial body does not belong to the senior management and was elected to the collegial body as a representative of the employees;	No	The company does not follow this recommendation of the Governance Code because the members of the supervisory board are employees of the controlling shareholder or associated companies.

3) He/she is not receiving or has been not receiving significant additional remuneration from the company or associated company other than remuneration for the office in the collegial body. Such additional remuneration includes participation in share options or some other performance based pay systems; it does not include compensation payments for the previous office in the company (provided that such payment is no way related with later position) as per pension plans (inclusive of deferred compensations);		
4) He/she is not a controlling shareholder or representative of such shareholder (control as defined in the Council Directive 83/349/EEC Article 1 Part 1); 5) He/she does not have and did not have any material business relations with the company or associated company within the past year directly or as a partner, shareholder, director or superior employee of the subject having such relationship. A subject is considered to have business relations when it is a major supplier or service provider (inclusive of financial, legal, counselling and consulting services), major client or organization receiving significant payments from the company or its group;		
6) He/she is not and has not been, during the last three years, partner or employee of the current or former external audit company of the company or associated company;		
7) He/she is not an executive director or member of the board in some other company where executive director of the company or member of the board (if the supervisory board is a collegial body elected by the general shareholder meeting) is non-executive director or member of the supervisory board, he/she may not also have any other material relationships with executive directors of the company that arise from their participation in activities of other companies or bodies;		
8) He/she has not been in the position of a member of the collegial body for over than 12 years;		
9) He/she is not a close relative to an executive director or member of the board (if a collegial		

body elected by the general shareholder meeting is the supervisory board) or to any person listed in above items 1 to 8. Close relative is considered to be a spouse (common-law spouse), children and parents. 3.8. The determination of what constitutes independence is fundamentally an issue for the collegial body itself to determine. The collegial body may decide that, despite a particular member meets all the criteria of independence laid down in this Code, he cannot be considered independent due to special personal or company-related circumstances.		
3.9. Necessary information on conclusions the collegial body has come to in its determination of whether a particular member of the body should be considered to be independent should be disclosed. When a person is nominated to become a member of the collegial body, the company should disclose whether it considers the person to be independent. When a particular member of the collegial body does not meet one or more criteria of independence set out in this Code, the company should disclose its reasons for nevertheless considering the member to be independent. In addition, the company should annually disclose which members of the collegial body it considers to be independent.	No	Up till now, the independence of the members of the management bodies was not subject to assessment and disclosure in the company.
3.10. When one or more criteria of independence set out in this Code has not been met throughout the year, the company should disclose its reasons for considering a particular member of the collegial body to be independent. To ensure accuracy of the information disclosed in relation with the independence of the members of the collegial body, the company should require independent members to have their independence periodically re-confirmed.	No	The company regularly discloses the relations of the supervisory board and the board with the company in its periodic reports, although, up till now, the independence of the members of the management bodies was not subject to assessment and disclosure in the company.
3.11. In order to remunerate members of a collegial body for their work and participation in the meetings of the collegial body, they may be remunerated from the company's funds. The general shareholder meeting should approve the amount of such remuneration.	Irrelevant	Members of collegial bodies do not receive any remuneration from the company's funds.
1.2. Principle IV: The duties and liabilities of a collegial body elected by the general shareholder meeting **1.2.1. The corporate governance framework should ensure proper and effective functioning of the collegial body elected by the general shareholder 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.**		
4.1. The collegial body elected by the general shareholder meeting (hereinafter in this Principle	Yes	Supervisory board elected in the company shall submit to the general shareholder meeting comments and

referred to as the 'collegial body') should ensure integrity and transparency of the company's financial statements and the control system. The collegial body should issue recommendations to the company's management bodies and monitor and control the company's management performance.		proposals regarding the annual financial statements, profit distribution plan and annual report of the company, also carry out other functions within the competence of supervisory board. At the regular meetings of supervisory board and board, the administration of the company reports about its activities.
4.2. Members of the collegial body should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders with due regard to the interests of employees and public welfare. Independent members of the collegial body should (a) under all circumstances maintain independence of their analysis, decision-making and actions, (b) do not seek and accept any unjustified privileges that might compromise their independence, and (c) clearly express their objections should a member consider that decision of the collegial body is against the interests of the company. Should a collegial body have passed decisions independent member has serious doubts about, the member should make adequate conclusions. Should an independent member resign from his office, he should explain the reasons in a letter addressed to the collegial body or audit committee and, if necessary, respective company not- pertaining body (institution).	Yes	According to the information available to the company, all members of collegial bodies act with good will in respect of the company, considering the interests of the company rather than those of their own or third parties.
4.3. Each member should devote sufficient time and attention to perform his duties as a member of the collegial body. Each member of the collegial body should limit other professional obligations of his (in particular any directorships held in other companies) in such a manner they do not interfere with proper performance of duties of a member of the collegial body. In the event a member of the collegial body should be present in less than a half of the meetings of the collegial body throughout the financial year of the company, shareholders of the company should be notified.	Yes	Members of collegial bodies dedicate enough time and attention for resolving company's issues, take part in all the meetings held by the collegial body.
4.4. Where decisions of a collegial body may have a different effect on the company's shareholders, the collegial body should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed on the company's affairs, strategies, risk management and resolution of conflicts of interest. The company should have a clearly established role of members of the collegial body when communicating with and committing to shareholders.	Yes	Members of the management bodies of the company follow the principles of communication with the shareholders established by the laws and, before making decisions that are of great importance to the company, consider the effect they will have on the shareholders and present the main information about company matters in the periodic reports.
4.5. It is recommended that transactions (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions), concluded between the company and its shareholders, members of the supervisory or managing bodies or other natural or	Yes	The management bodies of the company conclude and approve transactions following the requirements of the laws and the Articles of Association of the company, observing the principle of acting to the benefit of the company.

legal persons that exert or may exert influence on the company's management should be subject to approval of the collegial body. The decision concerning approval of such transactions should be deemed adopted only provided the majority of the independent members of the collegial body voted for such a decision.		
4.6. The collegial body should be independent in passing decisions that are significant for the company's operations and strategy. Taken separately, the collegial body should be independent of the company's management bodies. Members of the collegial body should act and pass decisions without an outside influence from the persons who have elected it. Companies should ensure that the collegial body and its committees are provided with sufficient administrative and financial resources to discharge their duties, including the right to obtain, in particular from employees of the company, all the necessary information or to seek independent legal, accounting or any other advice on issues pertaining to the competence of the collegial body and its committees.	Yes	Collegial management body, mostly dependent on the main shareholder operating in a similar business, makes decisions only based on the best interests of the company.
4.7. Activities of the collegial body should be organized in a manner that independent members of the collegial body could have major influence in relevant areas where chances of occurrence of conflicts of interest are very high. Such areas to be considered as highly relevant are issues of nomination of company's directors, determination of directors' remuneration and control and assessment of company's audit. Therefore when the mentioned issues are attributable to the competence of the collegial body, it is recommended that the collegial body should establish nomination, remuneration, and audit committees. Companies should ensure that the functions attributable to the nomination, remuneration, and audit committees are carried out. However they may decide to merge these functions and set up less than three committees. In such case a company should explain in detail reasons behind the selection of alternative approach and how the selected approach complies with the objectives set forth for the three different committees. Should the collegial body of the company comprise small number of members, the functions assigned to the three committees may be performed by the collegial body itself, provided that it meets composition requirements advocated for the committees and that adequate information is provided in this respect. In such case provisions of this Code relating to the committees of the collegial body (in particular with respect to their role, operation, and transparency) should apply, where relevant, to the collegial body as a whole.	No	The company does not follow this recommendation because, considering the size and structure of the company, no appointment, salary or audit committees are formed in the company.
4.8. The key objective of the committees is to increase efficiency of the activities of the collegial body by ensuring that decisions are based on due consideration, and to help organize its work with a view to ensuring that the decisions it takes are free of material conflicts of interest. Committees should	Irrelevant	The company does not follow this recommendation because, considering the size and structure of the company, no appointment, salary or audit committees are formed in the company.

present the collegial body with recommendations concerning the decisions of the collegial body. Nevertheless the final decision shall be adopted by the collegial body. The recommendation on creation of committees is not intended, in principle, to constrict the competence of the collegial body or to remove the matters considered from the purview of the collegial body itself, which remains fully responsible for the decisions taken in its field of competence.		
4.9. Committees established by the collegial body should normally be composed of at least three members. In companies with small number of members of the collegial body, they could exceptionally be composed of the collegial body. In cases when the company chooses not to set up a supervisory board, remuneration and audit committees should be entirely comprised of non-executive directors. Chairmanship and membership of the committees should be decided with due regard to the need to ensure that committee membership is refreshed and that undue reliance is not placed on particular individuals.	No	The company does not follow this recommendation because, considering the size and structure of the company, no appointment, salary or audit committees are formed in the company.
4.10. Authority of each of the committees should be determined by the collegial body. Committees should perform their duties in line with authority delegated to them and inform the collegial body on their activities and performance on regular basis. Authority of every committee stipulating the role and rights and duties of the committee should be made public at least once a year (as part of the information disclosed by the company annually on its corporate governance structures and practices). Companies should also make public annually a statement by existing committees on their composition, number of meetings and attendance over the year, and their main activities. Audit committee should confirm that it is satisfied with the independence of the audit process and describe briefly the actions it has taken to reach this conclusion.	No	The company does not follow this recommendation because, considering the size and structure of the company, no appointment, salary or audit committees are formed in the company.
4.11. In order to ensure independence and impartiality of the committees, members of the collegial body that are not members of the committee should commonly have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or demand participation in the meeting of particular officers or experts. Chairman of each of the committees should have a possibility to maintain direct communication with the shareholders. Events when such are to be performed should be specified in the regulations for committee activities.	No	The company does not follow this recommendation because, considering the size and structure of the company, no appointment, salary or audit committees are formed in the company.
4.12. Nomination Committee. 4.12.1. Key functions of the nomination committee should be the following: 1) Identify and recommend, for the approval of the collegial body, candidates to fill board vacancies. The nomination committee should evaluate the balance of	No	The company does not follow this recommendation because, considering the size and structure of the company, no appointment, salary or audit committees are formed in the company.

skills, knowledge and experience on the management body, prepare a description of the roles and capabilities required to assume a particular office, and assess the time commitment expected. Nomination committee can also consider candidates to members of the collegial body delegated by the shareholders of the company; 2) Assess on regular basis the structure, size, composition and performance of the supervisory and management bodies, and make recommendations to the collegial body regarding the means of achieving necessary changes; 3) Assess on regular basis the skills, knowledge and experience of individual directors and report on this to the collegial body; 4) Properly consider issues related to succession planning; 5) Review the policy of the management bodies for selection and appointment of senior management. 4.12.2. Nomination committee should consider proposals by other parties, including management and shareholders. When dealing with issues related to executive directors or members of the board (if a collegial body elected by the general shareholder meeting is the supervisory board) and senior management, chief executive officer of the company should be consulted by, and entitled to submit proposals to the nomination committee.		
4.13. Remuneration Committee. 4.13.1. Key functions of the remuneration committee should be the following: 1) Make proposals, for the approval of the collegial body, on the remuneration policy for members of management bodies and executive directors. Such policy should address all forms of compensation, including the fixed remuneration, performance-based remuneration schemes, pension arrangements, and termination payments. Proposals considering performance-based remuneration schemes should be accompanied with recommendations on the related objectives and evaluation criteria, with a view to properly aligning the pay of executive director and members of the management bodies with the long-term interests of the shareholders and the objectives set by the collegial body; 2) Make proposals to the collegial body on the individual remuneration for executive directors and member of management bodies in order their remunerations are consistent with company's remuneration policy and the evaluation of the performance of these persons concerned. In doing so, the committee should be properly informed on the total compensation obtained by executive directors and members of the management bodies from the affiliated companies;	No	The company does not follow this recommendation because, considering the size and structure of the company, no appointment, salary or audit committees are formed in the company.

3) Make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies; 4) Assist the collegial body in overseeing how the company complies with applicable provisions regarding the remuneration-related information disclosure (in particular the remuneration policy applied and individual remuneration of directors); 5) Make general recommendations to the executive directors and members of the management bodies on the level and structure of remuneration for senior management (as defined by the collegial body) with regard to the respective information provided by the executive directors and members of the management bodies. 4.13.2. With respect to stock options and other share-based incentives which may be granted to directors or other employees, the committee should: 1) Consider general policy regarding the granting of the above mentioned schemes, in particular stock options, and make any related proposals to the collegial body; 2) Examine the related information that is given in the company's annual report and documents intended for the use during the shareholders meeting; 3) Make proposals to the collegial body regarding the choice between granting options to subscribe shares or granting options to purchase shares, specifying the reasons for its choice as well as the consequences that this choice has. 4.13.3. Upon resolution of the issues attributable to the competence of the remuneration committee, the committee should at least address the chairman of the collegial body and/or chief executive officer of the company for their opinion on the remuneration of other executive directors or members of the management bodies.		
4.14. Audit Committee. 4.14.1. Key functions of the audit committee should be the following: 1) Observe the integrity of the financial information provided by the company, in particular by reviewing the relevance and consistency of the accounting methods used by the company and its group (including the criteria for the consolidation of the accounts of companies in the group); 2) At least once a year review the systems of internal control and risk management to ensure that the key risks (inclusive of the risks in relation with compliance with existing laws and regulations) are properly identified, managed and reflected in the information provided;	Yes	Functions of the audit committee in the Company are carried out by the supervisory board.

3) Ensure the efficiency of the internal audit function, among other things, by making recommendations on the selection, appointment, reappointment and removal of the head of the internal audit department and on the budget of the department, and by monitoring the responsiveness of the management to its findings and recommendations. Should there be no internal audit authority in the company, the need for one should be reviewed at least annually; 4) Make recommendations to the collegial body related with selection, appointment, reappointment and removal of the external auditor (to be done by the general shareholder meeting) and with the terms and conditions of his engagement. The committee should investigate situations that lead to a resignation of the audit company or auditor and make recommendations on required actions in such situations; 5) Monitor independence and impartiality of the external auditor, in particular by reviewing the audit company's compliance with applicable guidance relating to the rotation of audit partners, the level of fees paid by the company, and similar issues. In order to prevent occurrence of material conflicts of interest, the committee, based on the auditor's disclosed inter alia data on all remunerations paid by the company to the auditor and network, should at all times monitor nature and extent of the non-audit services. Having regard to the principals and guidelines established in the 16 May 2002 Commission Recommendation 2002/590/EC, the committee should determine and apply a formal policy establishing types of non-audit services that are (a) excluded, (b) permissible only after review by the committee, and (c) permissible without referral to the committee; 6) Review efficiency of the external audit process and responsiveness of management to recommendations made in the external auditor's management letter. 4.14.2. All members of the committee should be furnished with complete information on particulars of accounting, financial and other operations of the company. Company's management should inform the audit committee of the methods used to account for significant and unusual transactions where the accounting treatment may be open to different approaches. In such case a special consideration should be given to company's operations in offshore centres and/or activities carried out through special purpose enterprises (organizations) and justification of such operations. 4.14.3. The audit committee should decide whether participation of the chairman of the collegial body, chief executive officer of the company, chief financial officer (or superior employees in charge of finances, treasury and accounting), or internal and external auditors in the meetings of the committee is required (if required, when). The committee should be entitled, when needed, to meet with any relevant person without executive directors and members of the		

management bodies present. 4.14.4. Internal and external auditors should be secured with not only effective working relationship with management, but also with free access to the collegial body. For this purpose the audit committee should act as the principal contact person for the internal and external auditors. 4.14.5. The audit committee should be informed of the internal auditor's work program, and should be furnished with internal audit's reports or periodic summaries. The audit committee should also be informed of the work program of the external auditor and should be furnished with report disclosing all relationships between the independent auditor and the company and its group. The committee should be timely furnished information on all issues arising from the audit. 4.14.6. The audit committee should examine whether the company is following applicable provisions regarding the possibility for employees to report alleged significant irregularities in the company, by way of complaints or through anonymous submissions (normally to an independent member of the collegial body), and should ensure that there is a procedure established for proportionate and independent investigation of these issues and for appropriate follow-up action. 4.14.7. The audit committee should report on its activities to the collegial body at least once in every six months, at the time the yearly and half-yearly statements are approved.		
4.15. Every year the collegial body should conduct the assessment of its activities. The assessment should include evaluation of collegial body's structure, work organization and ability to act as a group, evaluation of each of the collegial body member's and committee's competence and work efficiency and assessment whether the collegial body has achieved its objectives. The collegial body should, at least once a year, make public (as part of the information the company annually discloses on its management structures and practices) respective information on its internal organization and working procedures, and specify what material changes were made as a result of the assessment of the collegial body of its own activities.	No	The company does not have an established practice of evaluating and informing about the activities of the management bodies.

1.3. Principle V: The working procedure of the company's collegial bodies **1.3.1. The working procedure of supervisory and management bodies established in the company should ensure efficient operation of these bodies and decision-making and encourage active co-operation between the company's bodies.**		
5.1. The company's supervisory and management bodies (hereinafter in this Principle the concept 'collegial bodies' covers both the collegial bodies of supervision and the collegial bodies of management) should be chaired by chairpersons of these bodies. The chairperson of a collegial body is responsible for proper convocation of the collegial body meetings. The chairperson should ensure that information about the meeting being convened and its agenda are communicated to all members of the body. The chairperson of a collegial body should ensure appropriate conducting of the meetings of the collegial body. The chairperson should ensure order and working atmosphere during the meeting.	Yes	Collegial supervisory and management bodies of the company are managed by the chairmen of these bodies. The chairman of a collegial body shall be responsible for the proper convention of the meetings of the appropriate collegial body.
5.2. It is recommended that meetings of the company's collegial bodies should be carried out according to the schedule approved in advance at certain intervals of time. Each company is free to decide how often to convene meetings of the collegial bodies, but it is recommended that these meetings should be convened at such intervals, which would guarantee an interrupted resolution of the essential corporate governance issues. Meetings of the company's supervisory board should be convened at least once in a quarter, and the company's board should meet at least once a month.	Yes	The procedure of the meetings of the supervisory and management bodies is not strictly defined; when needed, meetings are called on a short notice.
5.3. Members of a collegial body should be notified about the meeting being convened in advance in order to allow sufficient time for proper preparation for the issues on the agenda of the meeting and to ensure fruitful discussion and adoption of appropriate decisions. Alongside with the notice about the meeting being convened, all the documents relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body are present or certain issues of great importance to the company require immediate resolution.	Yes	The members of the management bodies are properly notified about the convention of a meeting and supplied with all material necessary for the adoption of the resolutions.
5.4. In order to co-ordinate operation of the company's collegial bodies and ensure effective decision-making process, chairpersons of the company's collegial bodies of supervision and management should closely co-operate by co-coordinating dates of the meetings, their agendas and resolving other issues of corporate governance.	Yes	The chairmen of collegial supervisory and management bodies of the company agree among themselves about the date and agenda of the meetings to be convened and work in close cooperation when adopting resolutions that are of high importance to the company.

Members of the company's board should be free to attend meetings of the company's supervisory board, especially where issues concerning removal of the board members, their liability or remuneration are discussed.		
1.4. Principle VI: The equitable treatment of shareholders and shareholder rights **1.4.1. 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.**		
6.1. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all their holders.	Yes	Ordinary registered shares, which form the statutory capital of the company, grant equal rights to all the shareholders of the company.
6.2. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.	Yes	The company does not issue new shares.
6.3. Transactions that are important to the company and its shareholders, such as transfer, investment, and pledge of the company's assets or any other type of encumbrance should be subject to approval of the general shareholder meeting. All shareholders should be furnished with equal opportunity to familiarize with and participate in the decision-making process when significant corporate issues, including approval of transactions referred to above, are discussed	Yes	All transactions that are important to the company and its shareholders are being approved by the general shareholder meeting (the Articles of Association of the company establish the criteria for important transactions). All the shareholders are provided with equal opportunities to get acquainted and participate in adopting important decisions.
6.4. Procedures of convening and conducting a general shareholder meeting should ensure equal opportunities for the shareholders to effectively participate at the meetings and should not prejudice the rights and interests of the shareholders. The venue, date, and time of the shareholders' meeting should not hinder wide attendance of the shareholders. Prior to the shareholders' meeting, the company's supervisory and management bodies should enable the shareholders to lodge questions on issues on the agenda of the general shareholder meeting and receive answers to them.	Yes	The procedures of convening and conducting the general shareholder meeting provide the shareholders with equal opportunities to take part in a meeting. All the shareholders of the company are given the possibility to ask the members of supervisory and management bodies questions on the agenda of the general shareholder meeting and receive answers to them.
6.5. It is recommended that documents on the course of the general shareholder meeting, including draft resolutions of the meeting, should be placed on the publicly accessible website of the company in advance. It is recommended that the minutes of the general shareholder meeting after signing them and/or adopted resolutions should be also placed on the publicly accessible website of the company. Seeking to ensure the right of foreigners to familiarize with the information, whenever feasible, documents referred to in this recommendation should be published in English and/or other foreign languages. Documents referred to in this recommendation may be published	Yes	Documents prepared for the general shareholder meeting, including draft resolutions thereof, are announced to the public on the Company's website. All information is presented in Lithuanian and English.

on the publicly accessible website of the company to the extent that publishing of these documents is not detrimental to the company or the company's commercial secrets are not revealed.		
6.6. Shareholders should be furnished with the opportunity to vote in the general shareholder meeting in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.	Yes	The shareholders of the company can participate in the shareholders' meeting both in person and through a proxy, provided the person has been duly authorised. The company provides the shareholders with the possibility to vote by filling in a general voting-paper, as provided for by the Company Law.
6.7. With a view to increasing the shareholders' opportunities to participate effectively at shareholder meetings, the companies are recommended to expand use of modern technologies in voting processes by allowing the shareholders to vote in general meetings via terminal equipment of telecommunications. In such cases security of telecommunication equipment, text protection and a possibility to identify the signature of the voting person should be guaranteed. Moreover, companies could furnish its shareholders, especially foreigners, with the opportunity to watch shareholder meetings by means of modern technologies.	Irrelevant	Up till now, there was no need to implement this recommendation in the company.
1.5. Principle VII: The avoidance of conflicts of interest and their disclosure **1.5.1 The corporate governance framework should encourage members of the corporate bodies to avoid conflicts of interest and assure transparent and effective mechanism of disclosure of conflicts of interest regarding members of the corporate bodies.**		
7.1. Any member of the company's supervisory and management body should avoid a situation, in which his/her personal interests are in conflict or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory and management body should, within reasonable time, inform other members of the same collegial body or the company's body that has elected him/her, or to the company's shareholders about a situation of a conflict of interest, indicate the nature of the conflict and value, where possible.	Yes	The company follows these recommendations; the members of its supervisory board and the board act upon these recommendations.
7.2. Any member of the company's supervisory and management body may not mix the company's assets, the use of which has not been mutually agreed upon, with his/her personal assets or use them or the information which he/she learns by virtue of his/her position as a member of a corporate body for his/her personal benefit or for the benefit of any third person without a prior agreement of the general shareholder meeting or any other corporate body authorized by the meeting.	Yes	

7.3. Any member of the company's supervisory and management body may conclude a transaction with the company, a member of a corporate body of which he/she is. Such a transaction (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions) must be immediately reported in writing or orally, by recording this in the minutes of the meeting, to other members of the same corporate body or to the corporate body that has elected him/her or to the company's shareholders. Transactions specified in this recommendation are also subject to recommendation 4.5.	Yes	
7.4. Any member of the company's supervisory and management body should abstain from voting when decisions concerning transactions or other issues of personal or business interest are voted on.	Yes	The company follows these recommendations; the members of its supervisory board and the board act upon this recommendation in practice or would act upon it in such situation because they are acquainted with these provisions and would knowingly follow the recommendation.
1.6. Principle VIII: Company's remuneration policy **1.6.1. Remuneration policy and procedure for approval, revision and disclosure of directors' remuneration established in the company should prevent potential conflicts of interest and abuse in determining remuneration of directors, in addition it should ensure publicity and transparency both of company's remuneration policy and remuneration of directors.**		
8.1. A company should make a public statement of the company's remuneration policy (hereinafter the remuneration statement). This statement should be part of the company's annual accounts. Remuneration statement should also be posted on the company's website.	No	The company does not prepare reports on salary policy because it is a confidential internal document of the company. The general information about the salaries paid to the management is disclosed and average salary of the company's employees is specified by categories in the annual report.
8.2. Remuneration statement should mainly focus on directors' remuneration policy for the following year and, if appropriate, the subsequent years. The statement should contain a summary of the implementation of the remuneration policy in the previous financial year. Special attention should be given to any significant changes in company's remuneration policy as compared to the previous financial year.	Yes	Information about the total amount of the salary paid out to the management during the year is made public every year through the reports.
8.3. Remuneration statement should leastwise include the following information: 1) Explanation of relative importance of variable and non-variable components of directors' remuneration; 2) Sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration; 3) Sufficient information on the linkage between the remuneration and performance; 4) The main parameters and rationale for any annual bonus scheme and any other non-cash benefits;	No	The supervisory and management bodies of the company conclude and approve contracts with the company's administration heads; the contracts are confidential and not publicly available.

5) Description of the main characteristics of supplementary pension or early retirement schemes for directors.		
8.4. Remuneration statement should also summarize and explain company's policy regarding the terms of the contracts executed with executive directors and members of the management bodies. It should include, *inter alia*, information on the duration of contracts with executive directors and members of the management bodies, the applicable notice periods and details of provisions for termination payments linked to early termination under contracts for executive directors and members of the management bodies.	No	The supervisory and management bodies of the company conclude and approve the contracts with the company's administration heads; the contracts are confidential and not publicly available.
8.5. The information on preparatory and decision-making processes, during which a policy of remuneration of directors is being established, should also be disclosed. Information should include data, if applicable, on authorities and composition of the remuneration committee, names and surnames of external consultants whose services have been used in determination of the remuneration policy as well as the role of shareholders' annual general meeting.	No	
8.6. Without prejudice to the role and organization of the relevant bodies responsible for setting directors' remunerations, the remuneration policy or any other significant change in remuneration policy should be included into the agenda of the shareholders' annual general meeting. Remuneration statement should be put for voting in shareholders' annual general meeting. The vote may be either mandatory or advisory.	No	The company does not make the salary policy publicly available because it is a confidential internal document of the company.
8.7. Remuneration statement should also contain detailed information on the entire amount of remuneration, inclusive of other benefits, that was paid to individual directors over the relevant financial year. This document should list at least the information set out in items 8.7.1 to 8.7.4 for each person who has served as a director of the company at any time during the relevant financial year. 8.7.1. The following remuneration and/or emoluments-related information should be disclosed: 1) The total amount of remuneration paid or due to the director for services performed during the relevant financial year, inclusive of, where relevant, attendance fees fixed by the annual general shareholders meeting; 2) The remuneration and advantages received from any undertaking belonging to the same group; 3) The remuneration paid in the form of profit sharing and/or bonus payments and the reasons why such bonus payments and/or profit sharing were granted; 4) If permissible by the law, any significant additional remuneration paid to directors for special services outside the scope of the usual functions of a director; 5) Compensation receivable or paid to each former	No	

executive director or member of the management body as a result of his resignation from the office during the previous financial year; 6) Total estimated value of non-cash benefits considered as remuneration, other than the items covered in the above points. 8.7.2. As regards shares and/or rights to acquire share options and/or all other share-incentive schemes, the following information should be disclosed: 1) The number of share options offered or shares granted by the company during the relevant financial year and their conditions of application; 2) The number of shares options exercised during the relevant financial year and, for each of them, the number of shares involved and the exercise price or the value of the interest in the share incentive scheme at the end of the financial year; 3) The number of share options unexercised at the end of the financial year; their exercise price, the exercise date and the main conditions for the exercise of the rights; 4) All changes in the terms and conditions of existing share options occurring during the financial year. 8.7.3. The following supplementary pension schemes-related information should be disclosed: 1) When the pension scheme is a defined-benefit scheme, changes in the directors' accrued benefits under that scheme during the relevant financial year; 2) When the pension scheme is defined-contribution scheme, detailed information on contributions paid or payable by the company in respect of that director during the relevant financial year. 8.7.4. The statement should also state amounts that the company or any subsidiary company or entity included in the consolidated annual financial statements of the company has paid to each person who has served as a director in the company at any time during the relevant financial year in the form of loans, advance payments or guarantees, including the amount outstanding and the interest rate.		
8.8. Schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements should be subject to the prior approval of shareholders' annual general meeting by way of a resolution prior to their adoption. The approval of scheme should be related with the scheme itself and not to the grant of such share-based benefits under that scheme to individual directors. All significant changes in scheme provisions should also be subject to shareholders' approval prior to their adoption; the approval decision should be made in shareholders' annual general meeting. In such case shareholders should be notified on all terms of suggested changes and get an	No	It is not customary to use company shares as a remuneration

explanation on the impact of the suggested changes. 8.9. The following issues should be subject to approval by the annual general shareholder meeting: 1) Grant of share-based schemes, including share options, to directors; 2) Determination of maximum number of shares and main conditions of share granting; 3) The conditions for any subsequent change in the exercise of the options, if permissible by law; 4) All other long-term incentive schemes for which directors are eligible and which are not available to other employees of the company under similar terms. Annual general meeting should also set the deadline within which the body responsible for remuneration of directors may award compensations listed in this article to individual directors.		
8.10. Should national law or company's Articles of Association allow, any discounted option arrangement under which any rights are granted to subscribe to shares at a price lower than the market value of the share prevailing on the day of the price determination, or the average of the market values over a number of days preceding the date when the exercise price is determined, should also be subject to the shareholder approval.		
8.11. Provisions of Articles 8.8 and 8.9 should not be applicable to schemes allowing for participation under similar conditions to company's employees or employees of any subsidiary company whose employees are eligible to participate in the scheme and which has been approved in the shareholders' annual general meeting.		
8.12. Prior to the annual general meeting that is intended to consider decision stipulated in Article 8.8, the shareholders must be provided an opportunity to familiarize with draft resolution and project-related notice (the documents should be posted on the company's website). The notice should contain the full text of the share-based remuneration schemes or a description of their key terms, as well as full names of the participants in the schemes. Notice should also specify the relationship of the schemes and the overall remuneration policy of the directors. Draft resolution must have a clear reference to the scheme itself or to the summary of its key terms. Shareholders must also be presented with information on how the company intends to provide for the shares required to meet its obligations under incentive schemes. It should be clearly stated whether the company intends to buy shares in the market, hold the shares in reserve or issue new ones. There should also be a summary on scheme-related expenses the company will suffer due to the anticipated application of the scheme. All information given in this article must be posted on the company's website.		

1.7. Principle IX: The role of stakeholders in corporate governance

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

9.1. The corporate governance framework should assure that the rights of stakeholders that are protected by law are respected.	Yes	Corporate governance system of the company ensures that all legally protected rights of the stakeholders are respected.
9.2. The corporate governance framework should create conditions for the stakeholders to participate in corporate governance in the manner prescribed by law. Examples of mechanisms of stakeholder participation in corporate governance include: employee participation in adoption of certain key decisions for the company; consulting the employees on corporate governance and other important issues; employee participation in the company's share capital; creditor involvement in governance in the context of the company's insolvency, etc.		
9.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.		

1.8. Principle X: Information disclosure and transparency

1.9. 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.

10.1. The company should disclose information on: 1) The financial and operating results of the company; 2) Company objectives; 3) Persons holding by the right of ownership or in control of a block of shares in the company; 4) Members of the company's supervisory and management bodies, chief executive officer of the company and their remuneration; 5) Material foreseeable risk factors; 6) Transactions between the company and connected persons, as well as transactions concluded outside	Yes	Information on the financial results, economic activities and company governance is regularly disclosed through press releases, interim and annual reports and financial statements. All documents are publicly posted on the company's website in Lithuanian and English.

the course of the company's regular operations; 7) Material issues regarding employees and other stakeholders; 8) Governance structures and strategy. This list should be deemed as a minimum recommendation, while the companies are encouraged not to limit themselves to disclosure of the information specified in this list. 10.2. It is recommended that consolidated results of the whole group to which the company belongs should be disclosed when information specified in item 1 of Recommendation 10.1 is under disclosure. 10.3. It is recommended that information on the professional background, qualifications of the members of supervisory and management bodies, chief executive officer of the company should be disclosed as well as potential conflicts of interest that may have an effect on their decisions when information specified in item 4 of Recommendation 10.1 about the members of the company's supervisory and management bodies is under disclosure. It is also recommended that information about the amount of remuneration received from the company and other income should be disclosed with regard to members of the company's supervisory and management bodies and chief executive officer as per Principle VIII. 10.4. It is recommended that information about the links between the company and its stakeholders, including employees, creditors, suppliers, local community, as well as the company's policy with regard to human resources, employee participation schemes in the company's share capital, etc. should be disclosed when information specified in item 7 of Recommendation 10.1 is under disclosure.	No No	
10.5. Information should be disclosed in such a way that neither shareholders nor investors are discriminated with regard to the manner or scope of access to information. Information should be disclosed to all simultaneously. It is recommended that notices about material events should be announced before or after a trading session on the Vilnius Stock Exchange, so that all the company's shareholders and investors should have equal access to the information and make informed investing decisions.	Yes	The company presents information through the information system used by Vilnius Stock Exchange in Lithuanian and in English simultaneously to the extent possible. The company strictly follows the principle not to disclose the information until such information is made public through the Exchange information system.
10.6. Channels for disseminating information should provide for fair, timely and cost-efficient access to relevant information by users. It is recommended that information technologies should be employed for wider dissemination of information, for instance, by placing the information on the company's website. It is recommended that information should be published and placed on the company's website not only in Lithuanian, but also in English, and, whenever possible and necessary, in other languages as well.	Yes	The company posts all information intended for the shareholders simultaneously and to the same extent in Lithuanian and in English on the website of the company, thus ensuring unbiased timely access to the information.

10.7. It is recommended that the company's annual reports and other periodical accounts prepared by the company should be placed on the company's website. It is recommended that the company should announce information on material events and changes in the price of the company's shares on the Stock Exchange on the company's website too.	Yes	The company follows these recommendations; it posts all the information specified in the recommendation on its website.

1.10. Principle XI: The selection of the company's auditor

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

11.1. An annual audit of the company's financial statements and report should be conducted by an independent firm of auditors in order to provide an external and objective opinion on the company's financial statements.	Yes	The company follows this recommendation; interim financial statements, annual financial statements and annual report of the company are audited by an independent audit company (audit for the year 2008 is carried out by UAB Rimess).
11.2. It is recommended that the company's supervisory board and, where it is not set up, the company's board should propose a candidate firm of auditors to the general shareholder meeting.	Yes	The company follows this recommendation; the audit company is proposed to the general shareholder meeting by the supervisory board of the company (upon the proposal of the board).
11.3. It is recommended that the company should disclose to its shareholders the level of fees paid to the firm of auditors for non-audit services rendered to the company. This information should be also known to the company's supervisory board and, where it is not formed, the company's board upon their consideration which firm of auditors to propose for the general shareholder meeting.	Irrelevant	The audit company has not provided to the company other than audit services and has not received any payment for this from the company.