



Securities Commission of the Republic of Lithuania

20 March 2009

## CONFIRMATION OF RESPONSIBLE PERSONS

The confirmation of responsible persons regarding audited interim financial statements and annual report assessed by the auditors of AB Stumbras as of 31 December 2008 is provided following the Law of Republic of Lithuania on securities, dated 18 January 2007 and Lithuanian Securities Commission resolution No.1K-3 on the rules of disclosure and submission of periodic and additional information, dated 23 February 2007.

We, responsible persons, hereby confirm that to the best of our knowledge, provided condensed annual financial statements for the year 2008, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of Stumbras AB. We also confirm that Company's annual report includes a fair review of the development and performance of the business and position of the company in relation to the description of main risks and contingencies faced thereby.

General Manager

Česlovas Matulevičius

Chief Financial Officer

Voldemaras Kallo

**STUMBRAS AB**

**INDEPENDENT AUDITOR'S REPORT**

**FINANCIAL STATEMENTS AND ANNUAL REPORT**

**FOR THE YEAR ENDED 31 DECEMBER 2008**

*"This version of our accompanying documents is a translation from the original, which was prepared in Lithuanian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation."*

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***Our report has been prepared in Lithuanian language and in English language. In all matters of interpretation of information, views or opinions, the Lithuanian language version of our report takes precedence over the English language version.***

## **Independent auditor's report**

To the Shareholders of AB Stumbras

### **Report on the financial statements**

We have audited the accompanying financial statements of Stumbras AB (the "Company") set out in pages 5 – 35 which comprise the balance sheet as of 31 December 2008 and the income statement, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

#### *Management's Responsibility for the Financial Statements*

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

#### *Auditor's Responsibility*

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

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

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

**Išvada apie kitą įstatymų reikalaujamą pateikti informaciją**

Be to, mes perskaitėme 36 – 75 puslapiuose pateiktą metinį pranešimą už 2008 m. gruodžio 31 d. pasibaigusius metus ir nepastebėjome jokių reikšmingų jame pateiktos finansinės informacijos neatitikimų lyginant su 2008 m. gruodžio 31 d. pasibaigusių metų audituotomis finansinėmis ataskaitomis.

UAB „PricewaterhouseCoopers“ vardu



Christopher C. Butler  
Partneris

Vilnius, Lietuvos Respublika  
2009 m. kovo 20 d.



Jurgita Kirvaitienė  
Auditoriaus pažymėjimo Nr.000447



**STUMBRAS AB**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2008**

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

**Balance sheet**

	Note	As at 31 December	
		2008	2007
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6	27,627	35,166
Intangible assets	7	612	951
Investment property	8	2,589	-
Deferred tax assets	9	753	-
Available-for-sale financial assets		15	15
Prepayments for property, plant and equipment		741	58
		<u>32,337</u>	<u>36,190</u>
<b>Current assets</b>			
Inventories	10	15,066	15,164
Trade and other receivables	11	71,284	83,699
Cash and cash equivalents	12	15,690	22,228
		<u>102,040</u>	<u>121,091</u>
<b>Total assets</b>		<u>134,377</u>	<u>157,281</u>
<b>EQUITY</b>			
Ordinary shares	13	40,000	40,000
Reserves	14	3,623	1,985
Retained earnings		29,805	34,464
<b>Total equity</b>		<u>73,428</u>	<u>76,449</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	16	8,076	12,691
Deferred income tax liabilities	9	-	78
		<u>8,076</u>	<u>12,769</u>
<b>Current liabilities</b>			
Trade and other payables	15	45,828	56,568
Borrowings	16	4,231	4,231
Current income tax liabilities		1,097	5,546
Provisions for other liabilities and charges	17	1,717	1,718
		<u>52,873</u>	<u>68,063</u>
<b>Total liabilities</b>		<u>60,949</u>	<u>80,832</u>
<b>Total equity and liabilities</b>		<u>134,377</u>	<u>157,281</u>

The General Director and the Finance Director approved the financial statements on pages 5 to 35 on 20 March 2009.

Česlovas Matulevičius  
General Director

Voldemaras Kallo  
Finance Director

The notes on pages 9 to 35 are an integral part of these financial statements.

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

**Income statement**

	Note	Year ended 31 December	
		2008	2007
Sales	5	161,349	168,511
Cost of sales	18	(80,151)	(85,605)
<b>Gross profit</b>		81,198	82,906
Selling and marketing expenses	18	(17,600)	(15,114)
Administrative expenses	18	(29,022)	(27,424)
Other income	19	59	1,713
Other expenses		(210)	(328)
<b>Operating profit</b>		34,425	41,753
Finance income	20	234	365
Finance costs	20	(874)	(1,033)
<b>Profit before income tax</b>		33,785	41,085
Income tax expense	21	(4,806)	(8,318)
<b>Profit for the year</b>		28,979	32,767
Basic and diluted earnings per share (expressed in LTL per share)	22	0.73	0.82

The notes on pages 9 to 35 are an integral part of these financial statements.

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**Statement of changes in equity**

	Note	Ordinary shares	Reserves	Retained earnings	Total equity
<b>Balance at 1 January 2007</b>		<b>40,000</b>	<b>4,990</b>	<b>20,692</b>	<b>65,682</b>
Profit for the year		-	-	32,767	32,767
Total recognised income for 2007		-	-	32,767	32,767
Transferred to legal reserve	14	-	995	(995)	-
Transferred from reserves	14	-	(4,000)	4,000	-
Dividends relating to 2006		-	-	(22,000)	(22,000)
<b>Balance at 31 December 2007</b>		<b>40,000</b>	<b>1,985</b>	<b>34,464</b>	<b>76,449</b>
<b>Balance at 1 January 2008</b>		<b>40,000</b>	<b>1,985</b>	<b>34,464</b>	<b>76,449</b>
Profit for the year		-	-	28,979	28,979
Total recognised income for 2008		-	-	28,979	28,979
Transferred to legal reserve	14	-	1,638	(1,638)	-
Dividends relating to 2007	23	-	-	(32,000)	(32,000)
<b>Balance at 31 December 2008</b>		<b>40,000</b>	<b>3,623</b>	<b>29,805</b>	<b>73,428</b>

The notes on pages 9 to 35 are an integral part of these financial statements.



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**Cash flow statement**

		Year ended 31 December	
	Note	2008	2007
<b>Cash flows from operating activities</b>			
Cash generated from operating activities	24	45,353	32,752
Interest received		525	888
Interest paid		(874)	(1,033)
Income tax paid		(10,086)	(6,224)
Net cash generated from operating activities		34,918	26,383
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment		(4,810)	(15,923)
Proceeds from sale of property, plant and equipment	24	31	248
Purchases of intangible assets		(90)	(652)
Loans granted to related parties		-	(50,100)
Loan repayments received from related parties		-	50,100
Net cash used in investing activities		(4,869)	(16,327)
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		3,000	-
Repayments of borrowings		(7,615)	(5,000)
Dividends paid to the Company's shareholders		(31,972)	(21,985)
Net cash used in financing activities		(36,587)	(26,985)
<b>Net decrease in cash and cash equivalents</b>			
Cash and cash equivalents at beginning of year	12	22,228	39,157
<b>Cash and cash equivalents at end of year</b>	12	15,690	22,228

The notes on pages 9 to 35 are an integral part of these financial statements.

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

**Notes to the financial statements**

**1. General information**

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

	<b>31 December 2008</b>	<b>31 December 2007</b>
Mineraliniai Vandenys UAB	94.9%	93.3%
Other	5.1%	6.7%

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

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

K.Būgos 7  
LT-44355 Kaunas  
Lithuania

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

The number of employees as at 31 December 2008 amounted to 297 (31 December 2007: 364).

**2. Summary of significant accounting policies**

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

**2.1 Basis of preparation**

These financial statements of Stumbras AB have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in EU.

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

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

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**2.1 Basis of preparation (continued)**

*(a) Amendments to existing standards and interpretations effective in 2008 but not relevant*

The following amendments to existing standards and interpretations to published standards as adopted for use in EU are mandatory for accounting periods beginning on or after 1 January 2008 but are not relevant to the Company's operations:

- Amendment to IAS 39, 'Financial instruments: Recognition and measurement', and IFRS 7 'Financial instruments: Disclosures on Reclassification of financial assets'. This amendment allows the reclassification of certain financial assets previously classified as 'held-for-trading' or 'available-for-sale' to another category under limited circumstances. Various disclosures are required where a reclassification has been made. Derivatives and assets designated as 'at fair value through profit or loss' under the fair value option are not eligible for this reclassification. This amendment does not have any impact on the Company's financial statements.
- IFRIC 11, 'IFRS 2 – Group and treasury share transactions'. Interpretation provides guidance on whether share-based transactions involving treasury shares or involving group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies. This interpretation does not have any impact on the Company's financial statements.
- IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction', provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. This interpretation does not have any impact on the Company's financial statements, as the Company does not have any defined benefit plans.

*(b) Standards and amendments to existing standards that are not yet effective, endorsed by EU and have not been early adopted by the Company*

The following standards and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 1 January 2009 or later periods, but have not been early adopted by the Company:

- IFRS 8, 'Operating segments' (effective for annual periods beginning on or after 1 January 2009). IFRS 8 replaces IAS 14, 'Segment reporting', and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purpose. The Company will apply IFRS 8 from 1 January 2009.
- IAS 1 (Revised), 'Presentation of Financial Statements' (effective for annual periods beginning on or after 1 January 2009). The revised standard will prohibit the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The Company will apply IAS 1 (Revised) from 1 January 2009. It is likely that both the income statement and the statement of comprehensive income will be presented as performance statements.

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

## **2.1 Basis of preparation (continued)**

- IAS 23 (Revised), 'Borrowing Costs' including amendment published by IASB in May 2008 as part of annual improvement project (effective from 1 January 2009). The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Company will apply IAS 23 from 1 January 2009.
- IFRS 2 (Amendment), 'Share-based payment' (effective from 1 January 2009). The amended standard deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. As such these features would need to be included in the grant date fair value for transactions with employees and others providing similar services, that is, these features would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Company will apply IFRS 2 (Amendment) from 1 January 2009, but it is not expected to have any impact on the Company's financial statements.
- IFRIC 13, 'Customer loyalty programmes' (effective from 1 July 2008). IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. IFRIC 13 is not relevant to the Company's operations, because it does not operate any loyalty programmes.
- IAS 32 (Amendment), 'Financial instruments: Presentation', and IAS 1 (Amendment), 'Presentation of financial statements' – 'Puttable financial instruments and obligations arising on liquidation' (effective from 1 January 2009). The amended standards require entities to classify puttable financial instruments and instruments, or components of instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation as equity, provided the financial instruments have particular features and meet specific conditions. The Company will apply the IAS 32 and IAS 1 (Amendment) from 1 January 2009, but is not expected to have any impact on the Company's financial statements.
- IFRS 1 (Amendment) 'First time adoption of IFRS' and IAS 27 'Consolidated and separate financial statements' (effective from 1 January 2009). The amended standard allows first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. The amendment also removes the definition of the cost method from IAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor. The amendment will not have any impact on the Company's financial statements.
- On the 23 January 2009, the EU endorsed the Improvements to IFRS standards published in May 2008 which amends 20 existing standards, basis of conclusions and guidance. These improvements include changes in presentation, recognition and measurement as well as terminology and editorial changes. Most of these changes are effective for periods beginning or after 1 January 2009. These amendments are not expected to have significant impact on the Company's financial statements.

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

## **2.2 Segment reporting**

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

## **2.3 Foreign currency translation**

### *(a) Functional and presentation currency*

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

With effect from 2 February 2002, the litas has been pegged with the euro at an exchange rate of LTL 3.4528 to EUR 1.

### *(b) Transactions and balances*

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

## **2.4 Property, plant and equipment**

Property, plant and equipment is stated at cost less subsequent depreciation and impairment, except for land which is not depreciated. Cost includes expenditure that is directly attributable to the acquisition of the items.

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

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

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.7).

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

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

## **2.5 Investment property**

Property held to earn rentals and/or realise capital appreciation, which is not occupied by the Company and not used for its needs is recognised as investment property. Investment property includes land and buildings owned with proprietary rights.

Investment property is stated at historical cost less accumulated depreciation and impairment, except for land which is not depreciated.

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.7).

Gains or losses on disposal of the asset are determined by comparing the proceeds from disposal with the carrying amount of the asset, and the result of the transaction is considered when calculating operating profit.

Reclassifications from/to investment property are performed only when there is an evidenced change in the use of assets.

## **2.6 Intangible assets**

### *(a) Patents and licences*

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

### *(b) Computer software*

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

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

## **2.7 Impairment of non-financial assets**

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



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## **2.8 Financial assets**

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

### *(a) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and with no intention of trading. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet (see Note 2.10).

### *(b) Available-for-sale financial assets*

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

## **2.9 Inventories**

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

Provision for writing down of inventories to net realisable value is included in administrative expenses in the income statement.

## **2.10 Receivables**

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

## **2.11 Cash and cash equivalents**

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

## **2.12 Share capital**

Ordinary shares are classified as equity.

## **2.13 Trade payables**

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

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## **2.14 Borrowings**

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

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

## **2.15 Deferred income tax**

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

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

## **2.16 Employee benefits**

### *(a) Social security contributions*

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

### *(b) Termination benefits*

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

## **2.17 Provisions**

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

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

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## **2.18 Revenue recognition**

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services, net of value-added tax, excise tax, rebates and discounts. Excise tax is calculated based on the quantities of pure ethyl alcohol sold. Revenue is recognised as follows:

### *(a) Sales of goods – wholesale*

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

### *(b) Sales of services*

Sales of services are recognised in the accounting period in which the services are rendered.

### *(c) Interest income*

Interest income is recognised on a time-proportion basis using the effective interest method.

When a receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income.

## **2.19 Leases**

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

## **2.20 Dividend distribution**

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

## **3. Financial risk management**

### **3.1 Financial risk factors**

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

Risk management is carried out by the Company's management. There are no written principles for overall risk management in place.

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**3.1 Financial risk factors (continued)**

**Financial instruments by category**

The accounting policies for financial instruments have been applied to the line items below:

	<b>31 December 2008</b>			<b>31 December 2007</b>		
	Loans and receivables	Available- for-sale assets	Total	Loans and receivables	Available- for-sale assets	Total
<b>Assets as per balance sheet</b>						
Available-for-sale financial assets	-	15	15	-	15	15
Trade and other receivables	70,693	-	70,693	79,980	-	79,980
Cash and cash equivalents	15,690	-	15,690	22,228	-	22,228
	86,383	15	86,398	102,208	15	102,223

	<b>31 December 2008</b>		<b>31 December 2007</b>	
	Other financial liabilities	Total	Other financial liabilities	Total
<b>Liabilities as per balance sheet</b>				
Borrowings	12,307	12,307	16,922	16,922
Trade and other payables	22,134	22,134	23,109	23,109
	34,441	34,441	40,031	40,031

Receivables disclosed in the table above do not include prepayments and taxes receivable and the above-disclosed payables do not include taxes payable, advances received and other non-financial liabilities.

*(a) Market risk*

*(i) Foreign exchange risk*

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Euro (EUR), the US dollars, UK pounds, Russian rubles, Polish zloty and Canadian dollars. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities. Almost all trade payables and all trade receivables of the Company have short-term maturities and income and expenses denominated in foreign currencies constitute only a small part in relation to income and expenses denominated in the Litas, except for expenses of raw materials which are denominated in Euros. The Company's current and non-current liabilities to credit institutions are denominated in Euros.

*(ii) Price risk*

The Company is not exposed to financial instruments price risk as there are no significant financial instruments that would be exposed to such risk.

*(iii) Cash flow and fair value interest rate risk*

The Company's interest rate risk arises from borrowings. Borrowings received at variable rates expose the Company to cash flow interest rate risk. During 2008 and 2007, the Company's borrowings at variable rate were denominated in euros.

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**3.1 Financial risk factors (continued)**

The Company analyses its interest rate exposure on an annual basis. The Company calculates impact on profit of a defined interest rate shift considering outstanding borrowings as at the year-end and interest rate review periods.

Based on the simulations performed, the impact on profit of a 0.5 per cent shift would be a maximum increase or decrease of LTL 8 thousand (2007: LTL 11 thousand) respectively. That is mainly influenced by higher/lower interest expense on floating rate borrowings.

Term deposits at fixed rates do not expose the Company to the fair value interest rate risk as the Company had no time deposits as at 31 December 2008 and a term deposit as at 31 December 2007 was short-term with the maturity of 4 days.

*(b) Credit risk*

Credit risk arises from cash and cash equivalents as well as from credit exposures to trade customers, including outstanding receivables.

*(i) Concentration risk*

Risk of concentration is related to trade receivables.  
The table below shows the credit risk concentration.

	<b>2008</b>	<b>2007</b>
Trade receivables from related parties (Note 11)	20,757	28,560
Other trade receivables (Note 11)	49,909	51,094
	<b>70,666</b>	<b>79,654</b>

*(ii) Maximum exposure of credit risk*

The table below summarizes the Company's credit risk exposures relating to on-balance sheet items.

	<b>2008</b>	<b>2007</b>
Cash and cash equivalents	15,690	22,228
Trade and other receivables	70,693	83,699
	<b>86,383</b>	<b>105,927</b>

*(iii) Credit quality of financial assets*

The Company selects as partners only experienced international financial institutions. Prudent credit risk management practise implemented by the Company and being a member of larger group of companies allows achieving optimal solutions with those Lithuanian banks that have best credit ratings.

Trade customers of the Company are only large, having good reputation and history Lithuanian, Latvian, Estonian and Polish trade supermarkets and wholesalers whose credit abilities are well known and monitored by the Company. Credit quality of trade customers is assessed taking into accounts their financial position, past experience and other factors, using various information sources (media, specialised internet sites, announcements of other market participants etc.). For sales to foreign customers the Company uses various credit risk minimisation procedures such as letters of credit. Receivables from trade customers are regularly monitored by the Company's management.

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**3.1 Financial risk factors (continued)**

The table below shows the balance of the ten major trade customers at the balance sheet date.

	<b>2008</b>	<b>2007</b>
Customer A	20,471	28,550
Customer B	15,900	16,134
Customer C	15,470	17,728
Customer D	9,328	6,394
Customer E	4,949	4,847
Customer F	1,398	727
Customer G	996	1,706
Customer H	636	1,489
Customer J	290	339

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (these are not available) or to historical information about their default rates.

(i) Trade receivables (trade customers without external credit rating)

	<b>2008</b>	<b>2007</b>
Group 1	143	-
Group 2	69,827	79,335
Group 3	696	319
	<b>70,666</b>	<b>79,654</b>

Group 1 – new customers (less than 6 months).

Group 2 – existing customers (more than 6 months) with no defaults in the past.

Group 3 – existing customers (more than 6 months) with some defaults in the past.

(ii) Cash and cash equivalents in banks (assessed in accordance with long-term borrowing ratings\*)

	<b>2008</b>	<b>2007</b>
A	8,432	5,079
A+	7,251	17,142
AA-	7	7
	<b>15,690</b>	<b>22,228</b>

\*- external credit ratings set by international *Fitch Ratings* agency.



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**3.1 Financial risk factors (continued)**

*(c) Liquidity risk*

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

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Accounts payable and other financial liabilities due within 3 months or less are equal to their carrying balances as the impact of discounting is insignificant.

<b>As at 31 December 2008</b>	<b>Less than 3 months</b>	<b>Between 3 and 12 months</b>	<b>Between 1 and 5 years</b>	<b>Over 5 years</b>
Borrowings	483	4,261	8,415	-
Trade and other payables	22,134	-	-	-
	<b>22,617</b>	<b>4,261</b>	<b>8,415</b>	<b>-</b>
<b>As at 31 December 2007</b>	<b>Less than 3 months</b>	<b>Between 3 and 12 months</b>	<b>Between 1 and 5 years</b>	<b>Over 5 years</b>
Borrowings	549	4,567	13,699	-
Trade and other payables	23,109	-	-	-
	<b>23,658</b>	<b>4,567</b>	<b>13,699</b>	<b>-</b>

**3.2 Capital risk management**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Pursuant to the Lithuanian Law on Companies the authorised share capital of a public company must be not less than LTL 100,000 and the shareholders' equity should not be lower than 50 per cent of the company's registered share capital. As at 31 December 2008 and 31 December 2007, the Company complied with these requirements.

The Company's management monitors the following liability/equity ratios:

	<b>2008</b>	<b>2007</b>
General liquidity coefficient (Current assets / Current liabilities)	1.93	1.78
Debt-equity coefficient (Total liabilities / Total equity)	0.83	1.06
Debt coefficient (Total liabilities / Total assets)	0.45	0.51

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### **3.3 Fair value estimation**

The quoted market price used for financial assets held by the Company is the current bid price.

Trade payables and receivables accounted for in the Company's balance sheet should be settled within a period shorter than three months, therefore it is deemed that their fair value equals to their carrying amount. Interest rate on the borrowings received by the Company is subject to repricing at least every three months, therefore it is deemed that their fair value equals their carrying amount.

### **4. Critical accounting estimates and judgements**

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

#### *Depreciation of property, plant and equipment*

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

#### *Provision for impairment of receivables*

Impairment provision for accounts receivable was determined based on the management's estimates on recoverability and timing relating to the amounts that will not be collectable according to the original terms of receivables. This determination requires significant judgement. Judgement is exercised based on significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments. Current estimates of the Company could change significantly as a result of change in situation in the market and the economy as a whole. Recoverability rate also highly depends on success rate and actions employed relating to recovery of significantly overdue amounts receivable.

#### *Provisions for liabilities and charges*

Provisions for liabilities and charges were determined based on the management's expectation on the future outflow of resources.

#### *Recent volatility in global and Lithuanian financial markets*

The ongoing global liquidity crisis which commenced in the middle of 2008 has resulted in, among other things, a lower level of capital market funding, lower liquidity levels across the banking sector, and, at times, higher interbank lending rates and very high volatility in stock markets. The uncertainties in the global financial markets have also led to bank failures and bank rescues in the United States of America, Western Europe, Russia and elsewhere. Indeed the full extent of the impact of the ongoing financial crisis is proving to be impossible to anticipate or completely guard against.

Management is unable to reliably estimate the effects on the Company's financial position of any further deterioration in the liquidity of the financial markets and the increased volatility in the currency and equity markets. Management believes it is taking all the necessary measures to support the sustainability and growth of the Company's business in the current circumstances.

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**4. Critical accounting estimates and judgements (continued)**

Debtors of the Company may be affected by the lower liquidity situation which could in turn impact their ability to repay the amounts owed. Deteriorating operating conditions for customers may also have an impact on management's cash flow forecasts and assessment of the impairment of financial and non-financial assets. To the extent that information is available, management have properly reflected revised estimates of expected future cash flows in their impairment assessments.

**Tax audits**

The tax authorities have carried out a full-scope tax audit at the Company for the period to September 2005. The tax authorities may at any time inspect the books and records within 5 years subsequent to the reported tax year, and may impose additional tax assessments and penalties. The Company's management is not aware of any circumstances which may give rise to a potential material liability in this respect.

**Impairment of investment property**

Recoverable amount of investment property was determined based on the preliminary market value as of 31 December 2008 assessed by independent property valuer.

**5. Segment reporting**

*(a) Primary reporting format – business segments*

The Company is operating in one business segment, i.e. production and sales of alcohol drinks.

*(b) Secondary reporting format – geographical segments*

The home-country of the Company is Lithuania.

<b>Sales</b>	<b>2008</b>	<b>2007</b>
Lithuania	146,106	153,193
Poland	5,719	3,305
Estonia	3,814	4,578
Latvia	2,263	2,609
USA	953	417
Israel	704	709
Other countries	1,790	3,700
	<u>161,349</u>	<u>168,511</u>

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

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

<b>Analysis of sales by category</b>	<b>2008</b>	<b>2007</b>
Sales of goods	159,529	167,679
Revenue from resale of goods	398	452
Sales of services	1,422	380
	<u>161,349</u>	<u>168,511</u>

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**6. Property, plant and equipment**

	Land and buildings	Plant and machinery	Vehicles	Other property, plant and equipment	Construction in progress	Total
<b>At 1 January 2007</b>						
Cost	12,835	32,027	1,713	4,990	1,206	52,771
Accumulated depreciation	(4,140)	(19,327)	(1,322)	(2,869)	-	(27,658)
Net book amount	8,695	12,700	391	2,121	1,206	25,113
<b>Year ended 31 December 2007</b>						
Opening net book amount	8,695	12,700	391	2,121	1,206	25,113
Additions	7,000	436	-	759	7,728	15,923
Disposals	-	-	-	(400)	-	(400)
Reclassifications	1,648	7,159	6	26	(8,839)	-
Reclassifications to non-current assets classified as held for sale	-	(6)	-	-	-	(6)
Impairment charge	-	(641)	-	(40)	-	(681)
Depreciation charge	(213)	(3,161)	(129)	(1,280)	-	(4,783)
Closing net book amount	17,130	16,487	268	1,186	95	35,166
<b>At 31 December 2007</b>						
Cost	21,484	30,944	1,593	3,485	95	57,601
Accumulated depreciation and impairment	(4,354)	(14,457)	(1,325)	(2,299)	-	(22,435)
Net book amount	17,130	16,487	268	1,186	95	35,166
<b>Year ended 31 December 2008</b>						
Opening net book amount	17,130	16,487	268	1,186	95	35,166
Additions	-	513	-	724	2,890	4,127
Disposals	-	(14)	-	(5)	-	(19)
Reclassifications	40	861	-	3	(904)	-
Reclassification to investment property	(7,000)	-	-	-	-	(7,000)
Depreciation charge	(230)	(3,902)	(100)	(415)	-	(4,647)
Closing net book amount	9,940	13,945	168	1,493	2,081	27,627
<b>At 31 December 2008</b>						
Cost	14,524	31,182	1,493	3,893	2,081	53,173
Accumulated depreciation and impairment	(4,584)	(17,237)	(1,325)	(2,400)	-	(25,546)
Net book amount	9,940	13,945	168	1,493	2,081	27,627

Depreciation and amortisation expense has been allocated as follows:

	2008	2007
Cost of goods sold	3,796	2,980
Sale and marketing expenses	-	921
Administrative expenses	1,280	1,146
	5,076	5,047

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**6. Property, plant and equipment (continued)**

Impairment charge is related to buildings and equipment which are not longer used by the Company and where the Company's management does not see reasonable possibility to sell or rent these assets.

As at 31 December 2008, property, plant and equipment for the net book value LTL 15,065 thousand (2007: LTL 16,079 thousand) and land lease rights for the value of LTL 1 thousand (2007: LTL 1 thousand) were provided as collateral for bank borrowings (Note 16).

No borrowing costs were capitalised during the years ended 31 December 2008 and 31 December 2007.

During the year ended 31 December 2008, lease rental income amounting to LTL 8 thousand (2007: LTL 9 thousand) relating to the lease of property, plant and equipment are included in the income statement.

**7. Intangible assets**

	Patents and licences	Software	Total
<b>At 1 January 2007</b>			
Cost	622	515	1,137
Accumulated amortisation	(372)	(202)	(574)
Net book amount	250	313	563
<b>Year ended 31 December 2007</b>			
Opening net book amount	250	313	563
Additions	393	259	652
Amortisation charge	(165)	(99)	(264)
Closing net book amount	478	473	951
<b>At 31 December 2007</b>			
Cost	1,001	773	1,774
Accumulated amortisation	(523)	(300)	(823)
Net book amount	478	473	951
<b>Year ended 31 December 2008</b>			
Opening net book amount	478	473	951
Additions	63	27	90
Amortisation charge	(239)	(190)	(429)
Closing net book amount	302	310	612
<b>At 31 December 2008</b>			
Cost	875	675	1,550
Accumulated amortisation	(573)	(365)	(938)
Net book amount	302	310	612

The Company does not have internally generated intangible assets.

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**8. Investment property**

	<u>Land</u>
<b>Year ended 31 December 2008</b>	
Opening net book amount	-
Reclassifications from property, plant and equipment	7,000
Impairment charge	(4,411)
Closing net book amount	<u>2,589</u>
<b>At 1 January 2008</b>	
Cost	7,000
Accumulated depreciation and impairment	(4,411)
Net book amount	<u>2,589</u>

Impairment assessment was based on a preliminary market value of land as at 31 December 2008 indicated by the independent property valuer.

As at 31 December 2008, in order to secure the fulfilment of obligations to the Bank assumed under the overdraft agreement, the Company pledged investment property in the carrying amount of LTL 2,589 thousand (2007: none).

**9. Deferred income tax**

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

	<b>2008</b>	<b>2007</b>
Deferred tax assets:		
– to be recovered after more than 12 months	400	308
– to be recovered within 12 months	961	86
	<u>1,361</u>	<u>394</u>
Deferred tax liabilities:		
– to be recovered after more than 12 months	(588)	(456)
– to be recovered within 12 months	(20)	(16)
	<u>(608)</u>	<u>(472)</u>
Net deferred tax assets/(liability)	<u>753</u>	<u>(78)</u>

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

	<b>2008</b>	<b>2007</b>
Beginning of the year	(78)	(56)
Income statement credit /(charge) (Note 21)	831	(22)
End of the year	<u>753</u>	<u>(78)</u>



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**9. Deferred income tax (continued)**

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

	Impairment of property, plant and equipment	Impairment of investment property	Written-off bad debts	Accrued social security expenses on vacation reserve	Other	Total
<b>Deferred tax assets</b>						
<b>At 1 January 2007</b>	325	-	64	41	4	439
Credited /(charged) to income statement	(9)	-	(36)	9	(4)	(40)
<b>At 31 December 2007</b>	316	-	28	50	-	394
Credited /(charged) to income statement	94	882	(28)	19	-	967
<b>At 31 December 2008</b>	410	882	-	69	-	1,361

	Revaluation of property, plant and equipment	Total
<b>Deferred tax liabilities</b>		
<b>At 1 January 2007</b>	(490)	(490)
Credited to income statement	18	18
<b>At 31 December 2007</b>	(472)	(472)
Charged to income statement	(136)	(136)
<b>At 31 December 2008</b>	(608)	(608)

**10. Inventories**

	2008	2007
Raw materials	12,228	11,400
Work in progress	254	177
Finished goods	2,584	3,587
	<u>15,066</u>	<u>15,164</u>

As at 31 December 2008, inventories of LTL 20,000 thousand (2007: LTL 20,000) were provided as collateral for borrowings (Note 16).

The cost of inventories written-off during the year amounted to LTL 263 thousand (2007: LTL 310 thousand).

**11. Trade and other receivables**

	2008	2007
Trade and other receivables	51,456	53,423
Less provision for impairment of receivables	(1,520)	(2,294)
Trade receivables, net	49,936	51,129
Receivables from related parties (Note 26)	20,757	28,851
Trade receivables	20,757	28,560
Other receivables	-	291
Prepayments	591	2,081
Prepaid and recoverable taxes	-	1,638
	<u>71,284</u>	<u>83,699</u>

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

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**11. Trade and other receivables (continued)**

Trade receivables that are less than 360 days past due are not considered impaired if the Company does not possess other negative information about the customers. As at 31 December 2008, trade receivables of LTL 459 thousand (2007: LTL 225 thousand) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	<b>2008</b>	<b>2007</b>
Up to 30 days	350	67
31 to 60 days	85	7
61 to 180 days	24	87
More than 181 days	-	64
	<b>459</b>	<b>225</b>

As at 31 December 2008, trade receivables of LTL 1,520 thousand (2007: LTL 2,294 thousand) were impaired and provided for.

The individually impaired receivables mainly relate to foreign customers, which are in unexpectedly difficult economic situations. It was assessed that a portion of the receivables is expected to be recovered. The ageing analysis of these trade receivables is as follows:

	<b>2008</b>	<b>2007</b>
Up to 1 year	107	971
1 to 2 years	735	132
2 to 5 years	177	69
More than 5 years	501	1,122
	<b>1,520</b>	<b>2,294</b>

Movements on the provision for impairment of trade and other receivables are as follows:

	<b>2008</b>	<b>2007</b>
As 1 January	2,294	1,250
Provision for impairment of receivables	830	1 053
Reversal of provision for amounts recovered	(970)	(7)
Reversal of provision for debts written-off	(634)	(2)
As 31 December	<b>1,520</b>	<b>2,294</b>

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

	<b>2008</b>	<b>2007</b>
Lithuanian litas	67,502	79,128
EUR	3,218	4,334
US dollars	555	227
Polish zloty	9	10
	<b>71,284</b>	<b>83,699</b>

The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above.

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**12. Cash and cash equivalents**

	<b>2008</b>	<b>2007</b>
Cash at bank	15,690	5,433
Short-term bank deposits	-	16,795
	<u>15,690</u>	<u>22,228</u>

Cash at bank and future inflows to bank accounts amounting to LTL 42,000 thousand (2007: LTL 20,000 thousand) is provided as a collateral for banks' borrowings and as a security of the fulfilment of obligations assumed under the overdraft agreement (see Note 16).

**13. Share capital**

As at 31 December 2008, the Company's authorised share capital comprised 40,000,000 (2007: 40,000,000) ordinary registered shares with a par value of LTL 1 each (2007: LTL 1). All issued shares are fully paid.

**14. Reserves**

A legal reserve is a compulsory reserve under Lithuanian legislation. Annual transfers of 5 per cent of net profit for the reporting period calculated in accordance with the Lithuanian regulatory legislation on accounting are required until the reserve reaches 10 per cent of the authorised share capital. The legal reserve shall not be used for the payment of dividends and it may be used to cover future losses only.

In 2008 the Company's shareholder passed a decision to increase the legal reserve up to LTL 3,623 thousand (2007: LTL 1,985 thousand) by making a transfer in the amount of LTL 1,638 thousand (2007: LTL 995 thousand).

In 2007 the reserve amounting to LTL 4,000 thousand established in 2006 for the acquisition of treasury shares was abolished.

**15. Trade and other payables**

	<b>2008</b>	<b>2007</b>
Trade payables	15,445	18,921
Amounts due to related parties (Note 26)	3,930	682
Advance amounts received	10	40
Payroll related liabilities	2,690	3,463
Taxes payable (other than income tax)	23,329	33,419
Other current liabilities	424	43
	<u>45,828</u>	<u>56,568</u>

**16. Borrowings**

	<b>2008</b>	<b>2007</b>
<b>Non-current</b>		
Bank borrowings	8,076	12 691
<b>Current</b>		
Bank borrowings	<u>4,231</u>	<u>4,231</u>
<b>Total borrowings</b>	<u>12,307</u>	<u>16,922</u>

The whole amount of bank borrowings relate to a syndicated loan from two banks at a floating interest rate. This loan is to be repaid by 1 September 2011.

Bank borrowings are secured by the property, plant and equipment (Note 6), investment property (Note 8), inventories (Note 10) and cash at bank including future inflows into bank accounts (Note 12).

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**16. Borrowings (continued)**

Interest rate of borrowings is based on market interest rate with reprising term of 3 months, therefore carrying amount of borrowings approximates to its fair value as discounting effect is not material.

The maturity of non-current borrowings is as follows:

	<b>2008</b>	<b>2007</b>
1–2 years	8,076	9,230
2–5 years	-	3,461
Over 5 years	-	-
	<u>8,076</u>	<u>12,691</u>

The effective interest rate at the balance sheet date was 4.794 per cent (2007: 5.883 per cent).

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

	<b>2008</b>	<b>2007</b>
EUR	12,307	16,922
	<u>12,307</u>	<u>16,922</u>

The Company and the Bank have signed the Overdraft Agreement up to the limit of LTL 5,000 thousand according to which liabilities to the Bank are secured by pledges of investment property (Note 8) and cash at bank including future inflows into the bank accounts (Note 12). The utilised amount of the overdraft limit is to be repaid over the period expiring on 15 June 2009. As at 31 December 2008, the Company had not used the overdraft limit.

The bank provided a guarantee to the Company for the amount of LTL 350 thousand as at 31 December 2008, maturing on 31 December 2009. The maximum amount of guarantees that could be issued by the bank is LTL 500 thousand.

**17. Provisions for other liabilities and charges**

The whole amount of provisions for other liabilities and charges as at 31 December 2008 is established for expected expenses related to legal claims, where the Company is involved as a defendant.

A part of these provisions was established for a presumable claim related to failure to comply with terms and conditions of the agreement concluded with one of the Company's service providers and the remaining part of the provisions is established for the payment of remuneration and fulfilment of tax obligations. An estimated settlement period under all claims is between 2009 and 2010.

**18. Expenses by nature**

	<b>2008</b>	<b>2007</b>
<i>Classified as cost of sales</i>		
Tare and packaging materials	35,009	37,360
Raw materials	35,486	38,938
Wages and salaries	2,851	3,305
Social security expenses	877	1,024
Depreciation and amortisation	3,796	2,980
Energy	1,198	986
Auxiliary materials	595	555
Other	339	457
	<u>80,151</u>	<u>85,605</u>

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**18. Expenses by nature (continued)**

	<b>2008</b>	<b>2007</b>
<i>Classified as selling and marketing expenses</i>		
Marketing, advertising	14,332	9,328
Logistics	1,653	2,479
Tare and packaging materials	519	992
Depreciation and amortisation	-	921
Other	1,096	1,394
	<u>17,600</u>	<u>15,114</u>
	<b>2008</b>	<b>2007</b>
<i>Classified as administrative expenses</i>		
Wages and salaries	9,468	9,954
Impairment of investment property	4,411	-
Social security expenses	2,933	3,070
Waste management	2,143	2,119
Consultations, audit	1,962	2,257
Other taxes	1,510	1,209
Depreciation and amortisation	1,280	1,146
Repairs and maintenance	663	656
Written-off assets	312	359
Rent expenses	643	672
Events	391	288
Provisions for liabilities and charges	1	1,719
Bad debts	(140)	1,046
Other	3,445	2,929
	<u>29,022</u>	<u>27,424</u>

**19. Other income**

	<b>2008</b>	<b>2007</b>
Interest income from related parties (Note 26)	-	645
Sold inventories	59	1,068
	<u>59</u>	<u>1,713</u>

**20. Finance income and finance costs**

Finance income comprises interest for cash held with banks. Finance costs comprise interest expenses on bank borrowings.

**21. Income tax expense**

	<b>2008</b>	<b>2007</b>
Income tax	5,866	8,303
Adjustments related to previous periods	(229)	(7)
Deferred tax (Note 9)	(831)	22
	<u>4,806</u>	<u>8,318</u>

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**21. Income tax expense (continued)**

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

	<b>2008</b>	<b>2007</b>
Profit before tax	33,785	41,085
Income tax calculated at 15% (2007: 18%)	5,068	7,395
Income not subject to tax	(326)	(3)
Expenses not deductible for tax purposes	520	970
Charity expenses deductible twice for tax purposes	(32)	(37)
Adjustments related to previous periods	(229)	(7)
Effect of change in income tax rate	(195)	-
Income tax expense	<u>4,806</u>	<u>8,318</u>

Profit for 2008 is taxable at a rate of 15 per cent (2007: 15 per cent) set in accordance with Lithuanian regulatory legislation on taxation. According to the adopted Lithuanian Provisional Law on Social Tax, social tax at the rate of 3 per cent for 2007 was additionally paid on taxable income earned during 2007.

Income tax at the rate of 20 per cent is applicable as from 1 January 2009.

**22. Earnings per share**

*Basic*

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

	<b>2008</b>	<b>2007</b>
Net profit attributable to equity holders of the Company	<u>28,979</u>	<u>32,767</u>
Weighted average number of ordinary shares in issue (thousands)	40,000	40,000
Basic earnings per share	<u>0.73</u>	<u>0.82</u>

*Diluted*

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

**23. Dividends per share**

At the Annual General Shareholders' Meeting held on 31 March 2008, a dividend in respect of 2007 of LTL 0.80 per share equivalent amounting to a total dividend of LTL 32,000 thousand were declared.



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**24. Cash generated from operations**

	<b>2008</b>	<b>2007</b>
Profit for the year	28,979	32,767
Adjustments for:		
– income tax (Note 21)	4,806	8,318
– depreciation (Note 6)	4,647	4,783
– amortisation (Note 7)	429	264
– (profit)/loss on disposal of PP&E	(12)	152
– PP&E impairment charge	-	681
– impairment of investment property	4,411	-
– interest income (Note 19, 20)	(234)	(1,010)
– interest expense (Note 20)	874	1,033
<i>Changes in working capital:</i>		
– inventories	98	(1,754)
– trade and other receivables	12,124	(37,004)
– trade and other payables, provisions	(10,769)	24,522
<i>Cash generated from operations</i>	<u>45,353</u>	<u>32,752</u>

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

	<b>2008</b>	<b>2007</b>
Net book amount (Note 6, 7)	19	400
Profit/(loss) on disposal of non-current assets	12	(152)
Proceeds from sale of non-current assets	<u>31</u>	<u>248</u>

*Non-cash transactions*

There were no significant non-cash transactions in 2008 and 2007.

**25. Contingent liabilities and commitments**

**(a) Capital commitments**

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

	<b>2008</b>	<b>2007</b>
Property, plant and equipment	<u>1,998</u>	<u>278</u>

*(b) Operating lease commitments – where the Company is the lessee*

The Company leases various property, plant and equipment under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights. The lease expenditure charged to the income statement during the period is disclosed in Note 18.

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

	<b>2008</b>	<b>2007</b>
Not later than 1 year	384	342
Later than 1 year but not later than 5 years	367	437
Later than 5 years	-	-
	<u>751</u>	<u>779</u>

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**26. Related-party transactions**

Mineraliniai Vandenys AB is the majority shareholder of the Company owning 94.90 per cent of the Company's shares. The remaining shares are widely held.

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

Services are usually negotiated with related parties on a cost-plus basis.

Goods are sold on the basis of the price list in force with non-related parties.

The following transactions were carried out with related parties:

*(a) Sales of goods and services*

	<b>2008</b>	<b>2007</b>
– Mineraliniai Vandenys UAB	83,416	85,996
– MV Poland Sp.z.o.o (2007:Stumbras Poland Sp.z.o.o)	285	843
– Biofuture AB	4	5
– Mitnija UAB	-	1
	<b>83,705</b>	<b>86,845</b>

*(b) Cost of sales*

	<b>2008</b>	<b>2007</b>
– Biofuture AB	-	11
	<b>-</b>	<b>11</b>

*(c) Selling and marketing expenses*

	<b>2008</b>	<b>2007</b>
– MV Poland Sp.z.o.o (2007:Stumbras Poland Sp.z.o.o)	3,637	-
– Mineraliniai Vandenys UAB	1,039	1,316
– Laisvas Nepriklausomas Kanalas UAB	545	855
– Neo Press UAB	60	50
– Tromina UAB	-	3
– Alfa Media UAB	2	-
– Tromina UAB	1	124
	<b>5,284</b>	<b>2,348</b>

*(d) Administrative expenses*

	<b>2008</b>	<b>2007</b>
– Koncernas MG Baltic UAB	808	572
– Verslo Trikampis UAB	151	-
– Koncernas MG Baltic Trade UAB	10	79
– Mineraliniai Vandenys UAB	11	29
– MG Valda UAB	2	142
	<b>982</b>	<b>822</b>

*(e) Other income*

	<b>2008</b>	<b>2007</b>
– Mineraliniai Vandenys UAB	27	467
– Minvista UAB	-	178
	<b>27</b>	<b>645</b>

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**26. Related-party transactions (continued)**

*(f) Other costs*

	<b>2008</b>	<b>2007</b>
– Biofuture AB	2	-
	<u>-</u>	<u>-</u>

*(g) Finance costs*

	<b>2008</b>	<b>2007</b>
– MG Baltic Trade UAB (interest paid)	5	-
	<u>5</u>	<u>-</u>

*(h) Purchases of property, plant and equipment*

	<b>2008</b>	<b>2007</b>
– Mitnija UAB	-	209
	<u>-</u>	<u>209</u>

*(i) Key management compensation and other contributions*

	<b>2008</b>	<b>2007</b>
Salaries and other employee benefits	2,112	1,190
Social security contributions	662	368
Life insurance contributions	20	-
	<u>2,794</u>	<u>1,558</u>

*Key management includes 7 (2007: 7) members of the management of the Company.*

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

Receivables from related parties (Note 11):

	<b>2008</b>	<b>2007</b>
– Mineraliniai Vandenys UAB (trade receivables)	20,471	28,550
– Mineraliniai Vandenys UAB (interest receivable)	-	291
– MV Poland Sp.z.o.o (2007:Stumbras Poland Sp.z.o.o)	286	10
	<u>20,757</u>	<u>28,851</u>

Amounts due to related parties (Note 15):

	<b>2008</b>	<b>2007</b>
Trade payables:		
– MV Poland Sp.z.o.o (2007:Stumbras Poland Sp.z.o.o)	3,226	-
– Laisvas Nepriklausomas Kanalas UAB	136	156
– Mineraliniai Vandenys UAB	448	410
– Koncernas MG Baltic UAB	102	100
– Verslo Trikampis UAB	18	-
– MG Valda UAB	-	15
– Neo Press UAB	-	1
	<u>3,930</u>	<u>682</u>

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**26. Related-party transactions (continued)**

*(I) Loans to related parties (provided to Minvista UAB)*

	<b>2008</b>	<b>2007</b>
<i>Loans to related parties</i>		
Beginning of the year	-	-
Additional loans	-	50,100
Loan repayments received	-	(50,100)
End of the year	-	-

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

	<b>2008</b>	<b>2007</b>
<i>Accrued interest on the loans to related parties</i>		
Beginning of the year	291	169
Interest charged	-	645
Interest payments received	(291)	(523)
End of the year	-	291

**27. Post-balance sheet events**

On 12 January 2009, the Company signed an Interest rate swap agreement to fix interest rates on its long-term floating rate borrowing. The Agreement came into effect on 2 March 2009 and will expire on 1 September 2011.

On 24 February 2009, the Company granted a loan of LTL 10,000 thousand to the related party MG Baltic Trade UAB. The repayment term of the loan is 1 June 2009.

**STUMBRAS AB**

**ANNUAL REPORT**

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## 1. Reporting period covered by the Report

The annual report is prepared for the period from 1 January 2008 to 31 December 2008. All amounts in the annual report present situation as at 31 December 2008, unless otherwise stated. Further in this report Stumbras AB can be referred to as the Company or the Issuer.

## 2. Issuer and its contact data

Name of the Issuer	Stumbras AB
Legal organisational form	public company
Authorised share capital	LTL 40,000,000
Date and place of incorporation	4 October 1995, Kaunas City Council
Registration certificate No.	AB 95 – 70B
Company code	1320 82782
Company VAT code	LT3208278211
Company's register	Register of Legal Entities of the Republic of Lithuania
Official seat	K. Būgos g. 7, LT- 44355 Kaunas
Telephone	8 (37) 308800
Facsimile	8 (37) 308833
E-mail	<a href="mailto:stumbras@stumbras.lt">stumbras@stumbras.lt</a>
Website	<a href="http://www.stumbras.eu/lt">www.stumbras.eu/lt</a>

The Company has established no affiliates and agencies.

## 3. Nature of the Issuer's operations

The Company's principal activities represent production of and trade in ethyl alcohol and alcoholic drinks. The Company can pursue other activities stipulated in its Articles of Association.

## 4. Contracts with intermediaries of securities' public turnover

On 24 October 2003, the Company concluded a contract on the service of the Issuer with SEB Vilniaus Bankas AB (company code 112021238), Gedimino pr. 12, Vilnius, tel. (8 5) 268 2687, fax (8 5) 262 6043. In relationship with the Issuer the latter is represented by the Department of Financial Markets.

## 5. Information about trade in the Issuer's securities in the regulated markets

The Issuer's shares are listed on the Vilnius Stock Exchange. At the present moment, all 40,000,000 ordinary registered share with a par value of LTL 1 (one) comprising the Company's authorised share capital are listed on the Current List of the Vilnius Stock Exchange. ISIN code of securities: LT0000119430.

## 6. Objective overview of the Company's financial position, performance and development, description of its exposure to key risks and contingencies

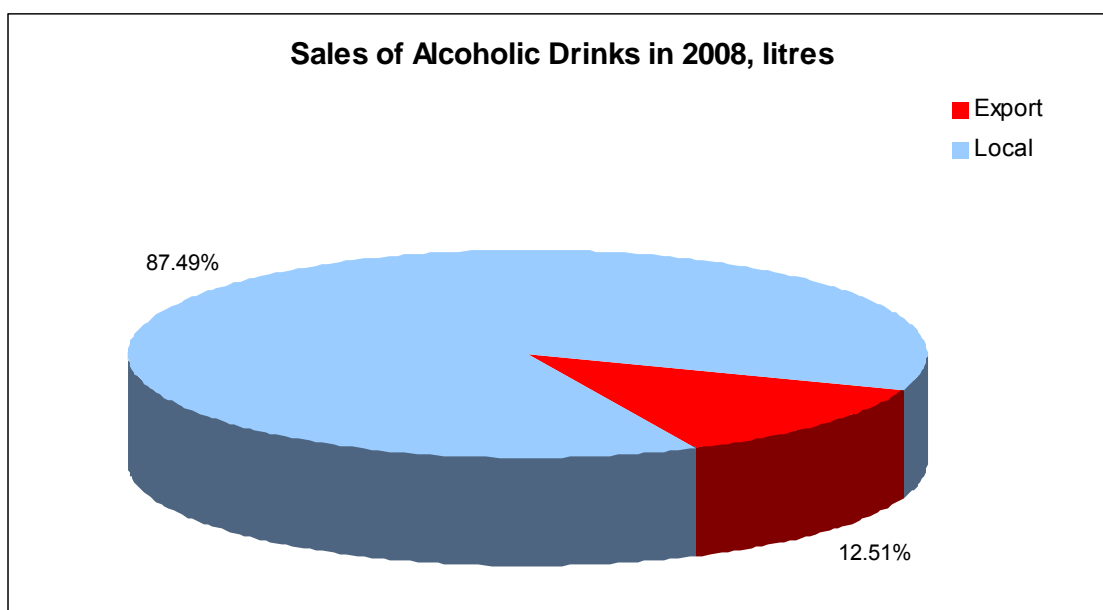
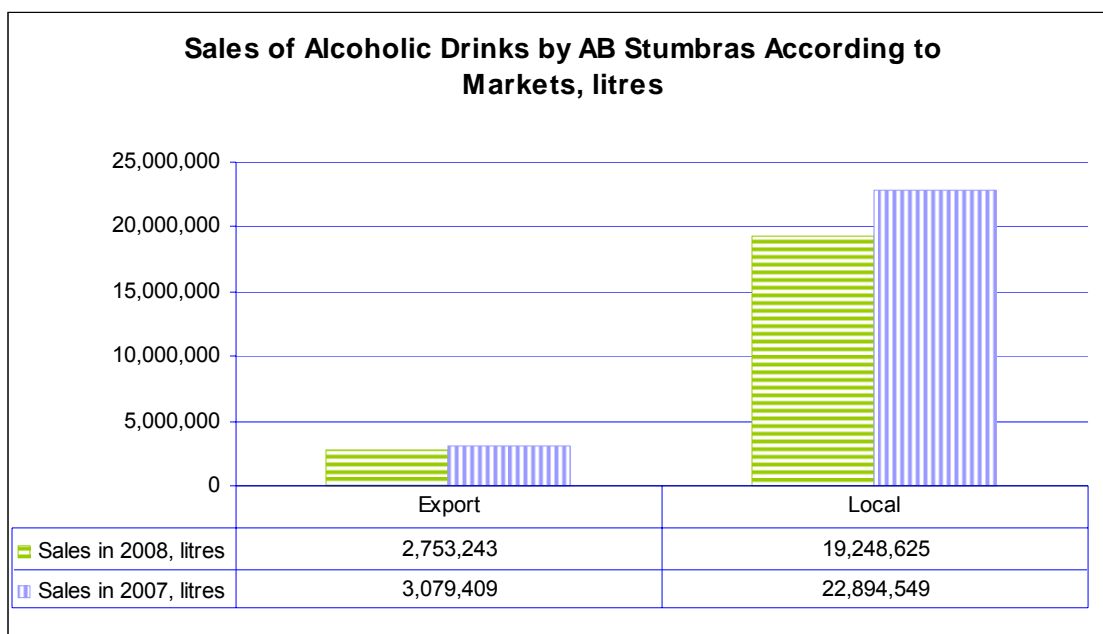
Main volumes of production over the period of the last 3 years are as follows (data is provided in decaliters (dal) and tons):

Name	Unit of measurement	2008	2007	2006
Alcohol products	thousand dal	2,167	2,602	1,809
Including alcoholic drinks	thousand dal	2,164	2,596	1,805

In 2008, new products were launched: vodka *SOS*, *Stopka*, spirit drink *Raudonos devynierios* (Red Nines), alcoholic cocktails „Ozone Premium Cocktail Cherry&Pear“ ir „Ozone Premium Cocktail Citrus&Mint“.

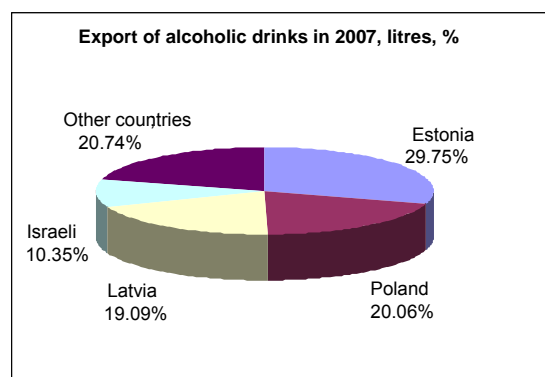
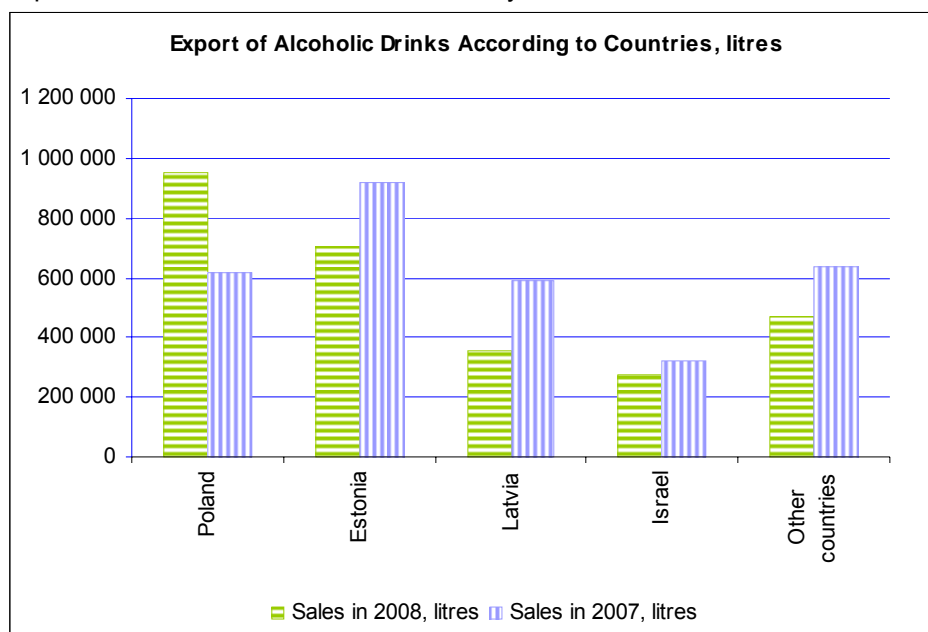
Rectified ethyl alcohol and alcoholic drinks are subject to excise duties established under legal acts of the Republic of Lithuania. The latter duties make a significant impact on changes in prices and volumes of sales of products produced by Stumbras AB. During a reporting period an excise duty of LTL 3,840 per hectoliter of pure ethyl alcohol was applicable to alcoholic drinks and ethyl alcohol (in accordance with Article 24 of the Law on Excise Duties of the Republic of Lithuania No. IX-569 (effective wording: 15 December 2007). Based on the amendment to the Law on Excise Duties of the Republic of Lithuania (the Law No. XI-79 as of 19 December 2008), starting from 1 January 2009 the excise duty applicable to alcoholic drinks and ethyl alcohol has been increased and currently amounts to LTL 4,416 per hectoliter of pure ethyl alcohol.

When implementing its obligations under earlier concluded long-term purchase-sale contracts and entering into new contracts, the Company seeks to ensure constant and scheduled sales of products.





In 2008, the Company's production was mainly exported to Estonia, Poland, Latvia and Israel which comprised 82.95 per cent of all exported products. Products were also traded in the US, Denmark, Spain, Great Britain, Peru, Mexico, Bangladesh, Singapore, Ireland, India, UAE, Australia, Vietnam, Greece, Czech Republic, Canada, France, Belarus, Norway, Russia.



#### **Risk factors related to the Issuer's operations:**

**Economic factors.** The Company's principal activities represent production of and trade in strong alcoholic drinks. The Company's competitors in the market are other Lithuanian producers of strong alcoholic drinks and business entities importing and selling strong alcoholic drinks in the Republic of Lithuania. Performance of the Company is affected by the existing illegal production, sale of alcoholic drinks and contraband of alcoholic drinks products as well as in rectified ethyl alcohol. When assessing the Company's competitive features, it can be claimed that the potential of employees and technical-technological base serves as a ground for a successful operations of the Company in this market.

One of potential operational risks that the Company is exposed to represents circumstances when with a decreasing level of living standards of local residents, a part of consumers may start choosing other imported and cheaper drinks. Another operational risk may be linked with a growing power of commercial retail chains and their ability to affect sales of goods.

Political factors. Instability of laws and other regulatory legislation governing the Company's activities has a negative impact. Potential risk factors capable of making an indirect impact on the performance of the Company – excise duty increase, alcoholic drinks trading locations, trading time and advertising of alcoholic drinks additional restrictions and prohibitions.

Ecological factors. Expenses of environmental pollution incurred by the Company in 2008 amounted to LTL 3,073 thousand (2007: LTL 3,109 thousand). Costs related to the management of package waste released to the domestic market constitute the major part of these expenses.

Technical-technological factors. Equipment used by the Company is sufficient for the Company to carry out its operations. Possible damages are related to regular depreciation charges of equipment.

Factors of financial risk. Borrowings issued with variable interest rates expose the Company to cash flow interest rate risk.

As at 31 December 2008, Stumbras AB had the following borrowings (LTL thousand):

	2008
<b>Long-term</b>	
Bank borrowings	8,076
<b>Short-term</b>	
Bank borrowings	4,231
<b>Total loans</b>	12,307

The whole amount of bank borrowings relate to a syndicated loan received from two banks. This loan is to be repaid by 1 September 2011.

## 7. Analysis of financial and non-financial performance

In 2008, the Company's revenue from sales of goods (net of excise duty) and provision of services amounted to LTL 161,349 thousand, i.e. 4.3 per cent less as compared to 2007 when revenue from sales amounted to LTL 168,511 thousand.

The Company's profit before tax was LTL 33,785 thousand, i.e. 17.8 per cent less as compared to 2007. During a reporting period, the Company's taxes paid or payable to the budget in accordance with the terms prescribed under regulatory legislation totalled LTL 318,499 thousand comprising:

- excise duty – LTL 242,499 thousand;
- value-added tax – LTL 62,112 thousand;
- social security tax – LTL 4,318 thousand;
- income tax of individuals – LTL 2,781 thousand;
- corporate income tax – LTL 4,806 thousand (including deferred tax);
- other taxes – LTL 1,983 thousand.

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

	2008	2007
Sales revenue, LTL thousand	161,349	168,511
Sales revenue in foreign markets, LTL thousand	15,243	15,318
Exports per total sales, per cent	9.4	9.1
Gross profit, LTL thousand	81,198	82,906
Gross profitability, per cent	50.3	49.2
Profit before tax, LTL thousand	33,785	41,085
Profitability before tax, per cent	20.9	24.4
Net profit, LTL thousand	28,979	32,767
Net profitability, per cent	18.0	19.4
EBITDA, LTL thousand	39,501	46,800
EBITDA profitability	24.5	27.8
Assets (at the end of the period), LTL thousand	134,377	157,281
including: non-current assets, LTL thousand	32,337	36,190
current assets, LTL thousand	102,040	121,091
Authorised share capital (at the end of the period), LTL thousand	40,000	40,000
Equity (at the end of the period), LTL thousand	73,428	76,449
Investments in modernisation of the Company, LTL thousand	4,958	16,575

During the reporting period the number of staff decreased by 18.4 per cent due to a lower volume of production. As at 31 December 2008, the Company had 297 employees (1 January 2008: 364 employees).

In 2008 the Company was engaged in social and cultural activities: the main sponsor of Pažaislis Music Festival.

## 8. References to and additional explanations of data reported in the financial statements

All financial data presented in this Annual Report is calculated in accordance with the International Financial Reporting Standards and is approved by the assigned auditor under established procedure.

## 9. Information about own shares owned and acquired by the Company

The Company did not acquire own shares during the current and previous reporting periods.

## 10. Significant events subsequent to the end of the previous financial year

During a general meeting of shareholders of Stumbras AB as of 31 March 2008 dividends for 2007 were announced amounting to LTL 0.80 (EUR 0.23) per one ordinary registered share with the nominal value of LTL 1 (one) and making a total amount of LTL 32 million.

Regulations of the Audit Committee were approved under the decision of the Company's Board as of 10 December 2008.

Stumbras AB general shareholders' meeting held on 15 January 2009 elected PricewaterhouseCoopers UAB to audit the Company's financial statement for 2008.

Stumbras AB general shareholders' meeting held on 15 January 2009 elected Birutė Minalgienė as an independent member of the audit committee and Romanas Raulynaitis, Chairman of the Supervisory Board, was elected a member of the audit committee.

## 11. Company's business plans and perspectives

As a result of a significant increase in the excise duty, the Company should face reduction both in sales volumes and in profit before tax in 2009 as compared to 2008.

Due to uncertain developments in the industry of consumer goods and services and unexpected changes in the Lithuanian taxation system and their impact on trading activities, the Company's management has no possibilities of providing reliable performance indicators for 2009.

## 12. Structure of the Issuer's authorised share capital

As at 31 December 2008, the Company's authorised share capital was comprised of 40,000,000 ordinary registered shares with par value of LTL 1 each.

Structure of the Company's authorised share capital according to categories of shares:

Category of shares	Number of shares	Nominal value (LTL)	Total nominal value (LTL)	Percentage in the authorised share capital (%)
Ordinary registered shares	40,000,000	1	40,000,000	100.00
<b>Total</b>	<b>40,000,000</b>		<b>40,000,000</b>	<b>100.00</b>

All shares of Stumbras AB are fully paid.

The Company's shareholders shall have the following property rights:

- 1) to receive a part of the Company's profit (dividend);
- 2) to receive a part of assets of the Company in liquidation;
- 3) to receive shares without payment if the authorised share capital is increased out of the Company's funds, except in cases specified in the Law on Companies of the Republic of Lithuania;
- 4) to have the pre-emption right in acquiring shares or convertible debentures issued by the Company, except in cases when the General Shareholder Meeting decides to withdraw this right for all the shareholders;
- 5) to leave all or a part of shares to one or several persons under a will;
- 6) to transfer all or a part of shares to the ownership of other persons, except in cases specified in the laws of the Republic of Lithuania;
- 7) other property rights established by laws and the Company's Articles of Association.

The Company's shareholders shall have the following non-property rights:

- 1) to attend the General Shareholder Meetings and vote;
- 2) to receive information on the Company specified in paragraph 1 of Article 18 of the Law on Companies of the Republic of Lithuania;
- 3) to file a claim with the court for reparation of damage resulting from nonfeasance or malfeasance by the Company Manager of his/her obligations prescribed by the Articles of Association of the Company and other laws as well as in other cases laid down by laws;
- 5) other non-property rights established by laws and the Company's Articles of Association.

## 13. Restrictions on disposal of securities

There are no restrictions.

#### 14. Shareholders

As at 31 December 2008, the number of shareholders of Stumbras AB was 711.

Shareholders holding more than 5 per cent of the Company's authorised share capital as at 31 December 2008 are as follows:

Full name of the shareholder (company name, type, official seat, code of the legal entities' register)	Number of shares owned by the shareholder (units)	Share in the authorised capital	Share of votes represented by shares owned	Share of votes conferred to the shareholder together with persons acting jointly
Mineraliniai Vandenys UAB J.Jasinskio g. 16, Vilnius, company code 121702328	37,959,883	94,90		

#### 15. Shareholders holding special control rights and descriptions of these rights

There are no such shareholders.

#### 16. All restrictions regarding voting rights

There are no restrictions

#### 17. All mutual agreements of shareholders of which the Issuer is aware and due to which restrictions on transfer of securities and/or voting rights may be imposed

There are no such agreements

#### 18. Employees

	31/12/2008	31/12/2007
<b><u>Number of employees</u></b>	297	364
Managers	7	7
Officials-specialists	65	64
Workers	225	293
	2008	2007
<b><u>Average gross remuneration</u></b>	3,513	3,209
Managers	27,086	13,825
Officials-specialists	5,558	5,977
Workers	2,311	2,227

#### 19. Amendment procedure of the Issuer's Articles of Association

The Law on Companies of the Republic of Lithuania establishes that the General Shareholder Meeting shall be vested with an exclusive right to amend the Articles of Association.

The Company's Articles of Association stipulate that decision to amend Articles of Association is adopted by a 2/3 majority of the votes conferred by the shares of the shareholders present at the General Shareholder Meeting. Following the decision by the General Shareholder Meeting to amend the Company's Articles of Association, the full text of the amended Articles of Association shall be drawn up and signed by the person authorised by the General Shareholder Meeting

## 20. Issuer's bodies

The Company's Articles of Association stipulate that the Company shall have the following bodies: the General Shareholder Meeting, the Supervisory Board, the Board and the Company Manager.

Articles of Association provide that restrictions on rights of the members of the Company's bodies shall be determined by the Law on Companies of the Republic of Lithuania.

Articles of Association provide that the competence of the General Shareholder Meeting shall be defined by the Law on Companies.

The Supervisory Board is a collegial supervisory body of the Company. The Supervisory Board composed of 3 (three) members is elected by the General Shareholder Meeting for the term of 4 (four) years. The General Shareholder Meeting may remove from office the entire Supervisory Board or its individual members before the expiry of the term of their office.

The Board is a collegial management body of the Company. The Board composed of 6 (six) members is elected by the Supervisory Board for the term of 4 (four) years. The Supervisory Board may remove from office the entire Board or its individual members before the expiry of the term of their office.

The Articles of Association of the Company stipulate that the Board shall deal with major production, organisational, financial and economic issues, analyse and approve the operating strategy, the use of financial resources, approve the organisational and management structure of the Company, elect and remove the Company manager and shall fulfil other functions prescribed by the Law on Companies.

The Company Manager – the Chief Executive Office – is elected and removed under procedure prescribed by the Law on Companies. The competence of the Company Manager is defined by the Law on Companies. The Company Manager shall be responsible for the organisation of the Company's operations, implementation of its objectives, shall be entitled to enter into transactions at his own discretion, save in cases where the Law on Companies provides that there is a decision of the Board to enter into transactions. The Head of Administration shall follow decisions passed by the General Shareholder Meeting, the Supervisory Board and the Board.

In 2009, the Company established the audit committee that acts under the Regulations approved by the decision of the Board of Stumbras AB as of 10 December 2008. Main functions of the audit committee include observance of the process of preparation of the Company's financial statements; control of effectiveness of the Company's processes of internal control, risk management and internal audit, if any; observance of the process of auditing of the Company; observance of the compliance with the principles of independence and impartiality by the auditor and the audit firm; provision of written recommendations to the Board with regard to audit firms offered to be elected the Company's auditor by the General Shareholder Meeting; immediate notification of the Company Manager about the information provided to the audit committee by the audit firm concerning audit-related matters, in particular, when significant deficiencies of internal controls related to financial statements have been identified.

## 21. Members of the collegial bodies, the Company Manager, the Chief Financier

Position of the person	Name, surname	Number of the Issuer's shares held	Commencement date	Termination date
<b><u>Supervisory Board</u></b>				
Chairman of the Supervisory Board	Romanas Raulynaitis	15,959	01/12/2007	01/12/2011
Member of the Supervisory Board	Inga Žemkauskienė	-	01/12/2007	01/12/2011
Member of the Supervisory Board	Dalius Balceris	-	01/12/2007	01/12/2011

**Board**

Chairman of the Board	Darius Juozas Mockus	-	28/11/2007	28/11/2011
Member of the Board	Artūras Listavičius	-	28/11/2007	28/11/2011
Member of the Board	Rolandas Vingilis	-	28/11/2007	28/11/2011
Member of the Board	Raimondas Kurlianskis	-	28/11/2007	28/11/2011
Member of the Board	Česlovas Matulevičius	39,326	28/11/2007	28/11/2011
Member of the Board	Aurelijus Racevičius	11,812	28/11/2007	28/11/2011

**Audit committee**

Independent member	Birutė Minalgienė	-	15/01/2009	15/01/2013
Committee member	Romanas Raulynaitis	15,959	15/01/2009	15/01/2013

**Head of Administration and the Financial Manager**

Chief Executive Officer	Česlovas Matulevičius	39,326	01/09/2004	-
Financial Manager	Voldemaras Kallo	19,666	07/11/2003	-

In 2008, the aggregate remuneration of the Chief Executive Officer and the Financial Manager amounted to LTL 820 thousand. No other assets were disposed and no guarantees issued.

The Company has concluded no agreements with members of bodies or employees that would define their competence in case of their resignation or dismissal without a sound reason or in case of termination of their employment as a result of the change in the control of the Company.

**Supervisory Board:**

ROMANAS RAULYNAITIS – Chairman of the Supervisory Board.

Participation in the management of other companies:

- Laisvas ir Nepriklausomas Kanalas UAB (company code 123026090, Šeškinės g. 20, Vilnius) member of the Board from 30/12/2003.
- Lawyer at the law firm Raulynaitis, Žemkauskienė ir Partneriai (official seat J. Jasinskio g. 16, Vilnius) employed from 01/06/2004

INGA ŽEMKAUSKIENĖ – member of the Supervisory Board.

Participation in the management of other companies:

- Laisvas ir Nepriklausomas Kanalas UAB (company code 123026090, Šeškinės g. 20, Vilnius) member of the Board from 31/08/2006; Mitnija UAB (company code 134511472, Palemono g. 3, Kaunas), member of the Board from 23/03/2006, lawyer from 01/06/2004.

DALIUS BALCERIS – member of the Supervisory Board. Lawyer from 2005.

**Board:**

DARIUS JUOZAS MOCKUS – Chairman of the Board. Higher education acquired. Employment record: 1992–1996 Investicijos Fondas IAB, Chairman of the Board hired under the employment agreement; 1996–2000 Minvasta UAB, Director from 2000 to 2006; Koncernas MG Baltic UAB, President from 15/12/2000.

Participation in the management of other companies:

Koncernas MG Baltic UAB (company code 125459336, official seat J.Jasinskio g.16, Vilnius), Head of Administration/President;

Koncernas MG Baltic UAB (company code 125459336, official seat J.Jasinskio g.16, Vilnius), Chairman of the Board;

MG Baltic Trade UAB (company code 125313192, official seat J.Jasinskio g.16, Vilnius), General Manager;

Apranga APB (company code 121933274, official seat Kirtimų g.51, Vilnius), member of the Board;

Laisvas ir Nepriklausomas Kanalas UAB (company code 123026090, official seat Šeškinės g. 20, Vilnius), member of the Board.

ARTŪRAS LISTAVIČIUS – member of the Board, Director of Ethyl Alcohol Production Development at AB STUMBRAS AB. Higher education acquired. Employment record: from 01/01/1994 to 27/03/2002 UAB Mineraliniai Vandenys, Head of Administration/Director (General Manager); till 2005 MG Baltic Trade UAB, Head of Administration (General Manager); from 01/11/2003 to 01/09/2004 Stumbras AB, General Manager; till December 2005 Director of Ethyl Alcohol Production Development at Stumbras AB; from December 2005 Biofuture AB, Chairman of the Board.

Participation in the management of other companies:

MG Baltic Trade UAB (company code 125313192, official seat J.Jasinskio g.16, Vilnius), Chairman of the Board;

Koncernas MG Baltic UAB (company code 125459336, official seat J.Jasinskio g.16, Vilnius), member of the Board.

ROLANDAS VINGILIS – member of the Board. Higher education acquired. Employment record: 1992–1994 Inovacinė Firma INIT UAB, Director of Vilnius Branch; 1994–1998 Trading M.J.D. UAB, Manager; From 1996 Troja UAB, Director; 1997–1999 Trojos Prekyba UAB, Deputy Director; 1998–1999 Trojina UAB, Acting Director.

Participation in the management of other companies:

Troja UAB (company code 2350162, official seat J.Jasinskio g.16, Vilnius), Head of Administration/Director;

MG Valda UAB (company code 2301033, official seat J.Jasinskio g.16, Vilnius), Chairman of the Board;

Koncernas MG Baltic UAB (company code 125459336, official seat J.Jasinskio g.16, Vilnius), member of the Board;

MG Baltic Trade UAB (company code 125313192, official seat J.Jasinskio g.16, Vilnius), member of the Board.

AURELIJUS RACEVIČIUS – member of the Board. Higher education acquired. Employment record: 1981–1986 Expert of the Expert and Criminal Division at the Ministry of the Interior; 1986–1990 Head of the Expert and Criminal Unit of Kaunas Internal Affairs Board; 1990–1991 Commissar Inspector of the Expert and Criminal Division of Kaunas Chief Police Commissariat; 1991–1998 Senior Commissioner of the Interpol Lithuanian National Bureau; 1998–1999 Special Attaché of the Ministry of the Interior to the Lithuanian Mission to the EU, Senior Commissioner; 1999–2000 Director of the Informatics and Communications Department at the Ministry of the Interior; as at 31/05/2000, a retired member of the reserve. From 2005 Biofuture AB, member of the Board.

RAIMONDAS KURLIANSKIS – member of the Board and General Manager of MG BALTIC INVESTMENT UAB (company code 123249022, official seat J.Jasinskio g.16, Vilnius) from 03/06/1998; MG BALTIC MEDIA UAB (company code 211616910, official seat J.Jasinskio g.16, Vilnius), Chairmen of the Board from 30/12/2003; Laisvas ir Nepriklausomas Kanalas UAB (company code 123026090, Šeškinės g. 20, Vilnius), Chairman of the Board from 30/12/2003; Mitnija UAB (company code 134511472, Palemono g. 3, Kaunas), Chairman of the Board from 23/03/2006; Apranga APB (company code 121933274, official seat Kirtimų g. 51, Vilnius), member of the Board; ALFA MEDIA UAB (company code 123405717, official seat J.Jasinskio g.16, Vilnius), member of the Board; UPG BALTIC UAB (company code 300651843, official seat Jonavos g. 254A, Kaunas), member of the Board; MEDIAFON UAB (company code 124424581, official seat Olimpiečių g. 1–31, Vilnius), member of the Board.

ČESLOVAS MATULEVIČIUS – member of the Board and Chief Executive Officer of STUMBRAS AB. Higher education acquired. Employment record: 1991–1995 Minta UAB; 1995–1997 owner of the sole proprietorship; May 1998 – October 1998 Gudrūna UAB, Deputy Director; November 1998 – December 1998 Industrijos Bankas AB, Klaipėda Branch, Cashier; December 1998 – January 1999 Anvija UAB, trade agent; January 1999 – September 1999 Pieno Žvaigždės AB, Deputy Head of Mažeikiai Dairy; September 1999 – July 2002 Pieno Žvaigždės AB, Director of Klaipėda Division; July 2002 – May 2003 Anykščių Vynas AB, Marketing Director; May 2003 – August 2004 Anykščių Vynas AB, Acting General Manager; Chief Executive Officer of Stumbras AB from 01/09/2004.

#### Audit committee

BIRUTĖ MINALGIENĖ – independent member of the audit committee. Higher education acquired.

Employment record: the field of accounting – chief bookkeeper at Saistas UAB from 06/1992 to 11/2000; chief bookkeeper at Heltita UAB from 11/2000.

ROMANAS RAULYNAITIS – member of the audit committee and the Chairman of Company's Supervisory Board.



## 22. Information about significant agreements

The Company has concluded no significant agreements in which the Company is a party to and which would come into effect, change or terminate as a result of the change in the control of the Company.

## 23. Information about the compliance with the Governance Code

Stumbras AB confirms its substantial compliance with the principles of the Governance Code approved by the Vilnius Stock Exchange (VSE) for the companies listed on the regulated market. The Report on the compliance with the principles of the Governance Code approved by the Vilnius Stock Exchange (VSE) for the companies listed on the regulated market is presented as a separate written representation.

## 24. Information about transactions with related parties

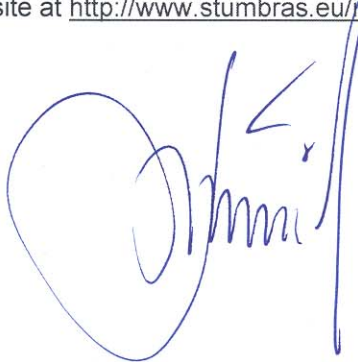
The major shareholder of the Company is Mineraliniai Vandenys AB which holds 94.90 per cent of the Company's shares. The remaining amount of the Company's shares is held by different small shareholders. Subsidiaries of Koncernas MG Baltic UAB are treated as other related parties. Negotiations with related parties regarding services are conducted on "a cost plus" basis. Products are sold based on a price list applicable to unrelated parties.

Results of transactions with related parties performed in 2008 are disclosed in the notes to the financial statements of Stumbras AB as at 31 December 2008.

## 25. Data on publicly announced information

In the period from 1 January 2008 to 31 December 2008, the Company publicly announced information on the website of OMX Client News Service and on the Company's website. In addition, the Company announced dates of General Shareholder Meetings in the daily *Respublika*. The Company's public communications are available on the website of VSE at <http://www.baltic.omxgroup.com/market/?pg=news> and on the Company's website at <http://www.stumbras.eu/investuotojams/>.

Česlovas Matulevičius  
General Director



20 March 2009

## Annexes

### Disclosure form concerning the compliance with the Governance Code for the companies listed on the regulated market

The public company STUMBRAS AB, following Article 21.3 of the Lithuanian Law on Securities and item 20.5 of the Trading Rules of the Vilnius Stock Exchange, discloses its compliance with the Governance Code, approved by the Vilnius Stock Exchange (VSE) for the companies listed on the regulated market, and its specific provisions. In the event of non-compliance with the Code or with certain provisions thereof, it must be specified which provisions are not complied with and the reasons of non-compliance.

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
<b>Principle I: Basic Provisions</b>  <b>The overriding objective of a company should be to operate in common interests of all the shareholders by optimizing over time shareholder value.</b>		
1.1. A company should adopt and make public the company's development strategy and objectives by clearly declaring how the company intends to meet the interests of its shareholders and optimize shareholder value.	YES	Such kind of information is disclosed on the Company's website at <a href="http://www.stumbras.net/lt/naujienos?archive=1&amp;npg=7">http:// www.stumbras.net/ lt/naujienos? archive=1&amp;npg=7</a> including a special information for investors available at <a href="http://www.stumbras.net/investuotojams/">http://www.stumbras.net/investuotojams/</a>  Information is also presented in the announcements of VSE and in periodic press releases of BNS and DELFI news agencies, newspapers, press conferences, etc.
1.2. All management bodies of a company should act in furtherance of the declared strategic objectives in view of the need to optimize shareholder value.	YES	
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	
1.4. A company's supervisory and management bodies should ensure that the rights and interests of persons other than the company's shareholders (e.g. employees, creditors, suppliers, clients, local community), participating in or connected with the company's operation, are duly respected.	YES	
<b>Principle II: The corporate governance framework</b>  <b>The corporate governance framework should ensure the strategic guidance of the company, the effective oversight of the company's management bodies, an appropriate balance and distribution of functions between the company's bodies, protection of the shareholders' interests.</b>		

2.1. Besides obligatory bodies provided for in the Law on Companies of the Republic of Lithuania – a general shareholders' meeting and the chief executive officer, it is recommended that a company should set up both a collegial supervisory body and a collegial management body. The setting up of collegial bodies for supervision and management facilitates clear separation of management and supervisory functions in the company, accountability and control on the part of the chief executive officer, which, in its turn, facilitate a more efficient and transparent management process.	YES	
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	
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.	NOT APPLICABLE	The Company has set up both, the Supervisory Board and the Board of Directors.
2.4. The collegial supervisory body to be elected by the general shareholders' meeting should be set up and should act in the manner defined in Principles III and IV. Where a company should decide not to set up a collegial supervisory body but rather a collegial management body, i.e. the board, Principles III and IV should apply to the board as long as that does not contradict the essence and purpose of this body. <sup>1</sup>	YES	Principles III and IV of Governance Code define performance evaluation and formation procedures of the supervisory body. According to the known and existing shareholders as at the reporting date, in case when one person holds more than 93.3 (ninety-three and three-tenths) per cent of all shares and voting rights, the Company complies with all the requirements of Principle II and meets the interests of its shareholders.
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. <sup>2</sup>	YES	The Company's Supervisory Board consists of 3 persons and the Company's Board consists of 6 persons.

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

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

2.6. Non-executive directors or members of the supervisory board should be appointed for specified terms subject to individual re-election, at maximum intervals provided for in the Lithuanian legislation with a view to ensuring necessary development of professional experience and sufficiently frequent reconfirmation of their status. A possibility to remove them should also be stipulated however this procedure should not be easier than the removal procedure for an executive director or a member of the management board.	YES	
2.7. Chairman of the collegial body elected by the general shareholders' meeting may be a person whose current or past office constitutes no obstacle to conduct independent and impartial supervision. Where a company should decide not to set up a supervisory board but rather the board, it is recommended that the chairman of the board and chief executive officer of the company should be a different person. Former company's chief executive officer should not be immediately nominated as the chairman of the collegial body elected by the general shareholders' meeting. When a company chooses to depart from these recommendations, it should furnish information on the measures it has taken to ensure impartiality of the supervision.	YES	
<p><b>Principle III: The order of the formation of a collegial body to be elected by a general shareholders' meeting</b></p> <p><b>The order of the formation a collegial body to be elected by a general shareholders' meeting should ensure representation of minority shareholders, accountability of this body to the shareholders and objective monitoring of the company's operation and its management bodies.<sup>3</sup></b></p>		
3.1. The mechanism of the formation of a collegial body to be elected by a general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure objective and fair monitoring of the company's management bodies as well as representation of minority shareholders.	YES	The controlling shareholder of the Company due to the number of shares and voting rights held and at its own discretion and ensurance of its interest has the full power to propose to the general shareholders' meeting to recall a collegial body to be elected by the Company's general shareholders' meeting or any of its members.

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

<p>3.2. Names and surnames of the candidates to become members of a collegial body, information about their education, qualification, professional background, positions taken and potential conflicts of interest should be disclosed early enough before the general shareholders' meeting so that the shareholders would have sufficient time to make an informed voting decision. All factors affecting the candidate's independence, the sample list of which is set out in Recommendation 3.7, should be also disclosed. The collegial body should also be informed on any subsequent changes in the provided information. The collegial body should, on yearly basis, collect data provided in this item on its members and disclose this in the company's annual report.</p>	YES	<p>Under Recommendation 3.2 of this Principle, the Company collects and discloses information about the members of the collegial body, as well information about their education, qualifications, professional background, potential conflicts of interest in public periodic reports.</p>
<p>3.3. Should a person be nominated for members of a collegial body, such nomination should be followed by the disclosure of information on candidate's particular competences relevant to his/her service on the collegial body. In order shareholders and investors are able to ascertain whether member's competence is further relevant, the collegial body should, in its annual report, disclose the information on its composition and particular competences of individual members which are relevant to their service on the collegial body.</p>	YES	
<p>3.4. In order to maintain a proper balance in terms of the current qualifications possessed by its members, the collegial body should determine its desired composition with regard to the company's structure and activities, and have this periodically evaluated. The collegial body should ensure that it is composed of members who, as a whole, have the required diversity of knowledge, judgment and experience to complete their tasks properly. The members of the audit committee, collectively, should have a recent knowledge and relevant experience in the fields of finance, accounting and/or audit for the stock exchange listed companies.</p>	NO	<p>The controlling shareholder of the Company determines a desired composition of the collegial body.</p>
<p>3.5. All new members of the collegial body should be offered a tailored program focused on introducing a member with his/her duties, corporate organization and activities. The collegial body should conduct an annual review to identify fields where its members need to update their skills and knowledge.</p>	YES	

<p>3.6. In order to ensure that all material conflicts of interest related with a member of the collegial body are resolved properly, the collegial body should comprise a sufficient<sup>4</sup> number of independent<sup>5</sup> members.</p>	<p>YES</p>	<p>The Company complies with the recommendations of this item as under the requirements of Recommendation 3.2 two out of three members of the supervisory body can be considered as independent members. The independence of the members of the collegial body elected by the general shareholders' meeting is evaluated under certain criteria established by Company, i.e. according to the member's other actual position held, elected or appointed at related companies; according to the person's individually presented declaration of personal interests (shares held or otherwise acquired voting rights in other companies, shares or voting rights possessed on behalf of the spouse, etc.). Mrs. Inga Žemkauskienė and Mr. Dalius Balceris are regarded as independent members of the supervisory body.</p>
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<sup>4</sup> The Code does not provide for a concrete number of independent members to comprise a collegial body. Many codes in foreign countries fix a concrete number of independent members (e.g. at least 1/3 or 1/2 of the members of the collegial body) to comprise the collegial body. However, having regard to the novelty of the institution of independent members in Lithuania and potential problems in finding and electing a concrete number of independent members, the Code provides for a more flexible wording and allows the companies themselves to decide what number of independent members is sufficient. Of course, a larger number of independent members in a collegial body is encouraged and will constitute an example of more suitable corporate governance.

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

<p>3.7. A member of the collegial body should be considered to be independent only if he is free of any business, family or other relationship with the company, its controlling shareholder or the management of either, that creates a conflict of interest such as to impair his judgment. Since all cases when member of the collegial body is likely to become dependant are impossible to list, moreover, relationships and circumstances associated with the determination of independence may vary amongst companies and the best practices of solving this problem are yet to evolve in the course of time, assessment of independence of a member of the collegial body should be based on the contents of the relationship and circumstances rather than their form. The key criteria for identifying whether a member of the collegial body can be considered to be independent are the following:</p> <ol style="list-style-type: none"> <li>1) He/she is not an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) of the company or any associated company and has not been such during the last five years;</li> <li>2) He/she is not an employee of the company or some any company and has not been such during the last three years, except for cases when a member of the collegial body does not belong to the senior management and was elected to the collegial body as a representative of the employees;</li> <li>3) He/she is not receiving or has been not receiving significant additional remuneration from the company or 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);</li> <li>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);</li> <li>5) He/she does not have and did not have any material business relations with the company</li> </ol>	YES	
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<p>or associated company within the past year directly or as a partner, shareholder, director or superior employee of the subject having such relationship. A subject is considered to have business relations when it is a major supplier or service provider (inclusive of financial, legal, counseling and consulting services), major client or organization receiving significant payments from the company or its group;</p> <p>6) He/she is not and has not been, during the last three years, partner or employee of the current or former external audit company of the company or associated company;</p> <p>7) He/she is not an executive director or member of the board in some other company where executive director of the company or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) is non-executive director or member of the supervisory board, he/she may not also have any other material relationships with executive directors of the company that arise from their participation in activities of other companies or bodies;</p> <p>8) He/she has not been in the position of a member of the collegial body for over than 12 years;</p> <p>9) He/she is not a close relative to an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) or to any person listed in above items 1 to 8. Close relative is considered to be a spouse (common-law spouse), children and parents.</p> <p>3.8. The determination of what constitutes independence is fundamentally an issue for the collegial body itself to determine. The collegial body may decide that, despite a particular member meets all the criteria of independence laid down in this Code, he cannot be considered independent due to special personal or company-related circumstances.</p>	YES	
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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.	YES	
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.	YES	
3.11. In order to remunerate members of a collegial body for their work and participation in the meetings of the collegial body, they may be remunerated from the company's funds. <sup>6</sup> The general shareholders' meeting should approve the amount of such remuneration.	YES	
<b>Principle IV: The duties and liabilities of a collegial body elected by the general shareholders' meeting</b>  <b>The corporate governance framework should ensure proper and effective functioning of the collegial body elected by the general shareholders' meeting, and the powers granted to the collegial body should ensure effective monitoring<sup>7</sup> of the company's management bodies and protection of interests of all the company's shareholders.</b>		
4.1. The collegial body elected by the general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure integrity and transparency of the company's financial statements and the control system. The collegial body should issue recommendations to the company's management bodies and monitor and control the company's management performance. <sup>8</sup>	YES	

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

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

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

<p>4.2. Members of the collegial body should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders with due regard to the interests of employees and public welfare. Independent members of the collegial body should (a) under all circumstances maintain independence of their analysis, decision-making and actions (b) do not seek and accept any unjustified privileges that might compromise their independence, and (c) clearly express their objections should a member consider that decision of the collegial body is against the interests of the company. Should a collegial body have passed decisions independent member has serious doubts about, the member should make adequate conclusions. Should an independent member resign from his office, he should explain the reasons in a letter addressed to the collegial body or audit committee and, if necessary, respective company-not-pertaining body (institution).</p>	YES	<p>There is no information and no other evidence leading to the fact that members of the Supervisory Board could act not in the interests of the Company or seek and accept any unjustified privileges that might compromise their independence. According to the information available to the Company all members of the Supervisory Board participated in all of the sittings of the Board and each member of the Board devoted sufficient time to perform the duties of a member of the Supervisory Board.</p>
<p>4.3. Each member should devote sufficient time and attention to perform his duties as a member of the collegial body. Each member of the collegial body should limit other professional obligations of his (in particular any directorships held in other companies) in such a manner they do not interfere with proper performance of duties of a member of the collegial body. In the event a member of the collegial body should be present in less than a half<sup>9</sup> of the meetings of the collegial body throughout the financial year of the company, shareholders of the company should be notified.</p>	YES	<p>According to the information available to the Company all members of the Supervisory Board participated in all of the sittings of the Board and each member of the Board devoted sufficient time to perform the duties of a member of the Supervisory Board.</p>
<p>4.4. Where decisions of a collegial body may have a different effect on the company's shareholders, the collegial body should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed on the company's affairs, strategies, risk management and resolution of conflicts of interest. The company should have a clearly established role of members of the collegial body when communicating with and committing to shareholders.</p>	YES	

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

<p>4.5. It is recommended that transactions (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions), concluded between the company and its shareholders, members of the supervisory or managing bodies or other natural or legal persons that exert or may exert influence on the company's management should be subject to approval of the collegial body. The decision concerning approval of such transactions should be deemed adopted only provided the majority of the independent members of the collegial body voted for such a decision.</p>	YES	
<p>4.6. The collegial body should be independent in passing decisions that are significant for the company's operations and strategy. Taken separately, the collegial body should be independent of the company's management bodies<sup>10</sup>. Members of the collegial body should act and pass decisions without an outside influence from the persons who have elected it. Companies should ensure that the collegial body and its committees are provided with sufficient administrative and financial resources to discharge their duties, including the right to obtain, in particular from employees of the company, all the necessary information or to seek independent legal, accounting or any other advice on issues pertaining to the competence of the collegial body and its committees.</p>	YES	

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

<p>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.</p>	YES	<p>The Audit Committee is formed at the Company. The Board, the managing body of the Company, in the execution of its duties partly performs functions of Audit, Remuneration and Appointment Committees set out in the recommendations. The Board selects the candidacy for the position of the Company Manager, the Chief Executive Officer, candidacies for the positions of other chief management staff and proposes the selected candidates to the Company Manager; regularly assesses their experience, professional abilities and strategic management of the Company; receives their reports. The Board approves all budgets of the Company, controls, receives and hears reports of the Chief Executive Officer and other chief management staff on salaries and execution plans of other Company's approved budgets and their use. The Board proposes candidacy of the auditor, candidacy of the independent auditor of the Company and makes proposals to the General Shareholder Meeting to approve of the selected auditors.</p>
<p>4.8. The key objective of the committees is to increase efficiency of the activities of the collegial body by ensuring that decisions are based on due consideration, and to help organize its work with a view to ensuring that the decisions it takes are free of material conflicts of interest. Committees should present the collegial body with recommendations concerning the decisions of the collegial body. Nevertheless the final decision shall be adopted by the collegial body. The recommendation on creation of committees is not intended, in principle, to constrict the competence of the collegial body or to remove the matters considered from the purview of the collegial body itself, which remains fully responsible for the decisions taken in its field of competence.</p>	YES	
<p>4.9. Committees established by the collegial body should normally be composed of at least three members. In companies with small number of members of the collegial body, they could exceptionally be composed of two members. Majority of the members of each committee should be constituted from independent members of the collegial body. In cases when the company chooses not to set up a supervisory board, remuneration and audit committees should be entirely comprised of non-executive directors. Chairmanship and membership of the committees should be decided with due regard to the need to ensure that committee membership is</p>	YES	<p>The Audit Committee has been established which is exceptionally composed of two members. One member of the audit committee is an independent member.</p>

refreshed and that undue reliance is not placed on particular individuals.		
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.	YES	The Company's Board has approved the Regulations of the Audit Committee formed at 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.	YES	

<p>4.12. Nomination Committee. 4.12.1. Key functions of the nomination committee should be the following:</p> <ul style="list-style-type: none"> <li>• Identify and recommend, for the approval of the collegial body, candidates to fill board vacancies. The nomination committee should evaluate the balance of skills, knowledge and experience on the management body, prepare a description of the roles and capabilities required to assume a particular office, and assess the time commitment expected. Nomination committee can also consider candidates to members of the collegial body delegated by the shareholders of the company;</li> <li>• 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;</li> <li>• Assess on regular basis the skills, knowledge and experience of individual directors and report on this to the collegial body;</li> <li>• Properly consider issues related to succession planning;</li> <li>• Review the policy of the management bodies for selection and appointment of senior management.</li> </ul> <p>4.12.2. Nomination committee should consider proposals by other parties, including management and shareholders. When dealing with issues related to executive directors or members of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) and senior management, chief executive officer of the company should be consulted by, and entitled to submit proposals to the nomination committee.</p>	YES	Description of the Committee's functions is presented in item 4.7.
<p>4.13. Remuneration Committee. 4.13.1. Key functions of the remuneration committee should be the following:</p> <ul style="list-style-type: none"> <li>• Make proposals, for the approval of the collegial body, on the remuneration policy for members of management bodies and executive directors. Such policy should address all forms of compensation, including the fixed remuneration, performance-based remuneration schemes, pension arrangements, and termination payments. Proposals considering performance-based remuneration schemes should be accompanied with recommendations on the related objectives and evaluation criteria, with a view to properly aligning the pay of executive director and members of the management bodies with the long-term interests of the shareholders and the objectives set by the collegial body;</li> <li>• 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</li> </ul>	YES	Remuneration Committee is not formed, but its main functions are carried out by the Company's Board.

<p>total compensation obtained by executive directors and members of the management bodies from the affiliated companies;</p> <ul style="list-style-type: none"> <li>• Make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies;</li> <li>• Assist the collegial body in overseeing how the company complies with applicable provisions regarding the remuneration-related information disclosure (in particular the remuneration policy applied and individual remuneration of directors);</li> <li>• Make general recommendations to the executive directors and members of the management bodies on the level and structure of remuneration for senior management (as defined by the collegial body) with regard to the respective information provided by the executive directors and members of the management bodies.</li> </ul> <p>4.13.2. With respect to stock options and other share-based incentives which may be granted to directors or other employees, the committee should:</p> <ul style="list-style-type: none"> <li>• Consider general policy regarding the granting of the above mentioned schemes, in particular stock options, and make any related proposals to the collegial body;</li> <li>• Examine the related information that is given in the company's annual report and documents intended for the use during the shareholders meeting;</li> <li>• Make proposals to the collegial body regarding the choice between granting options to subscribe shares or granting options to purchase shares, specifying the reasons for its choice as well as the consequences that this choice has.</li> </ul> <p>4.13.3. Upon resolution of the issues attributable to the competence of the remuneration committee, the committee should at least address the chairman of the collegial body and/or chief executive officer of the company for their opinion on the remuneration of other executive directors or members of the management bodies.</p>		
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<p>4.14. Audit Committee.</p> <p>4.14.1. Key functions of the audit committee should be the following:</p> <ul style="list-style-type: none"> <li>• Observe the integrity of the financial information provided by the company, in particular by reviewing the relevance and consistency of the accounting methods used by the company and its group (including the criteria for the consolidation of the accounts of companies in the group);</li> <li>• At least once a year review the systems of internal control and risk management to ensure that the key risks (inclusive of the risks in relation with compliance with existing laws and regulations) are properly identified, managed and reflected in the information provided;</li> <li>• 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;</li> <li>• Make recommendations to the collegial body related with selection, appointment, reappointment and removal of the external auditor (to be done by the general shareholders' meeting) and with the terms and conditions of his engagement. The committee should investigate situations that lead to a resignation of the audit company or auditor and make recommendations on required actions in such situations;</li> <li>• 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;</li> <li>• Review efficiency of the external audit process and responsiveness of management to recommendations made in the external auditor's management letter.</li> </ul> <p>4.14.2. All members of the committee should be furnished with complete information on particulars of accounting, financial and other operations of the company. Company's management should inform the audit committee of the methods used to account for significant and unusual transactions where the</p>	YES	Audit committee is formed.
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<p>accounting treatment may be open to different approaches. In such case a special consideration should be given to company's operations in offshore centers and/or activities carried out through special purpose vehicles (organizations) and justification of such operations.</p> <p>4.14.3. The audit committee should decide whether participation of the chairman of the collegial body, chief executive officer of the company, chief financial officer (or superior employees in charge of finances, treasury and accounting), or internal and external auditors in the meetings of the committee is required (if required, when). The committee should be entitled, when needed, to meet with any relevant person without executive directors and members of the management bodies present.</p> <p>4.14.4. Internal and external auditors should be secured with not only effective working relationship with management, but also with free access to the collegial body. For this purpose the audit committee should act as the principal contact person for the internal and external auditors.</p> <p>4.14.5. The audit committee should be informed of the internal auditor's work program, and should be furnished with internal audit's reports or periodic summaries. The audit committee should also be informed of the work program of the external auditor and should be furnished with report disclosing all relationships between the independent auditor and the company and its group. The committee should be timely furnished information on all issues arising from the audit.</p> <p>4.14.6. The audit committee should examine whether the company is following applicable provisions regarding the possibility for employees to report alleged significant irregularities in the company, by way of complaints or through anonymous submissions (normally to an independent member of the collegial body), and should ensure that there is a procedure established for proportionate and independent investigation of these issues and for appropriate follow-up action.</p> <p>4.14.7. The audit committee should report on its activities to the collegial body at least once in every six months, at the time the yearly and half-yearly statements are approved.</p>		
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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.		
<b>Principle V: The working procedure of the company's collegial bodies</b>  <b>The working procedure of supervisory and management bodies established in the company should ensure efficient operation of these bodies and decision-making and encourage active co-operation between the company's bodies.</b>		
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	
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 <sup>11</sup> .	YES	

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

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	
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-ordinating dates of the meetings, their agendas and resolving other issues of corporate governance. Members of the company's board should be free to attend meetings of the company's supervisory board, especially where issues concerning removal of the board members, their liability or remuneration are discussed.	YES	
<b>Principle VI: The equitable treatment of shareholders and shareholder rights</b>  <b>The corporate governance framework should ensure the equitable treatment of all shareholders, including minority and foreign shareholders. The corporate governance framework should protect the rights of the shareholders.</b>		
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	
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	
6.3. Transactions that are important to the company and its shareholders, such as transfer, investment, and pledge of the company's assets or any other type of encumbrance should be subject to approval of the general shareholders' meeting. <sup>12</sup> All shareholders should be furnished with equal opportunity to	YES	

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

familiarize with and participate in the decision-making process when significant corporate issues, including approval of transactions referred to above, are discussed.		
6.4. Procedures of convening and conducting a general shareholders' meeting should ensure equal opportunities for the shareholders to effectively participate at the meetings and should not prejudice the rights and interests of the shareholders. The venue, date, and time of the shareholders' meeting should not hinder wide attendance of the shareholders. Prior to the shareholders' meeting, the company's supervisory and management bodies should enable the shareholders to lodge questions on issues on the agenda of the general shareholders' meeting and receive answers to them.	YES	
6.5. It is recommended that documents on the course of the general shareholders' meeting, including draft resolutions of the meeting, should be placed on the publicly accessible website of the company in advance <sup>13</sup> . It is recommended that the minutes of the general shareholders' meeting after signing them and/or adopted resolutions should be also placed on the publicly accessible website of the company. Seeking to ensure the right of foreigners to familiarize with the information, whenever feasible, documents referred to in this recommendation should be published in English and/or other foreign languages. Documents referred to in this recommendation may be published on the publicly accessible website of the company to the extent that publishing of these documents is not detrimental to the company or the company's commercial secrets are not revealed.	YES	
6.6. Shareholders should be furnished with the opportunity to vote in the general shareholders' meeting in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.	YES	

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

6.7. With a view to increasing the shareholders' opportunities to participate effectively at shareholders' meetings, the companies are recommended to expand use of modern technologies in voting processes by allowing the shareholders to vote in general meetings via terminal equipment of telecommunications. In such cases security of telecommunication equipment, text protection and a possibility to identify the signature of the voting person should be guaranteed. Moreover, companies could furnish its shareholders, especially foreigners, with the opportunity to watch shareholder meetings by means of modern technologies.	NO	Effective legal acts of Lithuania do not foresee such a voting form and the Company is not technically ready to use such technological means.
<b>Principle VII: The avoidance of conflicts of interest and their disclosure</b>  <b>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.</b>		
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	
7.2. Any member of the company's supervisory and management body may not mix the company's assets, the use of which has not been mutually agreed upon, with his/her personal assets or use them or the information which he/she learns by virtue of his/her position as a member of a corporate body for his/her personal benefit or for the benefit of any third person without a prior agreement of the general shareholders' meeting or any other corporate body authorized by the meeting.	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	
<b>Principle VIII: Company's remuneration policy</b>  <b>Remuneration policy and procedure for approval, revision and disclosure of directors' remuneration established in the company should prevent potential conflicts of interest and abuse in determining remuneration of directors, in addition it should ensure publicity and transparency both of company's remuneration policy and remuneration of directors.</b>		
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	In the manner prescribed by the laws, the Company, in its periodic reports, announces the aggregate amount of remuneration paid to the Company Manager and chief management staff. The Company follows an approved policy that the system of bonuses and other employment-related payments should not be publicly announced and that such information should be classified as comprising a commercial secret.
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.	NO	Explanations are presented in item 8.1.
8.3. Remuneration statement should leastwise include the following information: <ul style="list-style-type: none"> <li>• Explanation of the relative importance of the variable and non-variable components of directors' remuneration;</li> <li>• Sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration;</li> <li>• Sufficient information on the linkage between the remuneration and performance;</li> <li>• The main parameters and rationale for any annual bonus scheme and any other non-cash benefits;</li> <li>• A description of the main characteristics of supplementary pension or early retirement schemes for directors.</li> </ul>	NO	Explanations are presented in item 8.1.
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	Explanations are presented in item 8.1.

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	Explanations are presented in item 8.1.
<p>8.7. Remuneration statement should also contain detailed information on the entire amount of remuneration, inclusive of other benefits, that was paid to individual directors over the relevant financial year. This document should list at least the information set out in items 8.7.1 to 8.7.4 for each person who has served as a director of the company at any time during the relevant financial year.</p> <p>8.7.1. The following remuneration and/or emoluments-related information should be disclosed:</p> <ul style="list-style-type: none"> <li>• The total amount of remuneration paid or due to the director for services performed during the relevant financial year, inclusive of, where relevant, attendance fees fixed by the annual general shareholders meeting;</li> <li>• The remuneration and advantages received from any undertaking belonging to the same group;</li> <li>• The remuneration paid in the form of profit sharing and/or bonus payments and the reasons why such bonus payments and/or profit sharing were granted;</li> <li>• If permissible by the law, any significant additional remuneration paid to directors for special services outside the scope of the usual functions of a director;</li> <li>• Compensation receivable or paid to each former executive director or member of the management body as a result of his resignation from the office during the previous financial year;</li> <li>• Total estimated value of non-cash benefits considered as remuneration, other than the items covered in the above points.</li> </ul> <p>8.7.2. As regards shares and/or rights to acquire share options and/or all other share-incentive schemes, the following information should be disclosed:</p> <ul style="list-style-type: none"> <li>• The number of share options offered or shares granted by the company during the relevant financial year and their conditions of application;</li> <li>• 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;</li> <li>• The number of share options unexercised at the end</li> </ul>	NO	Explanations are presented in item 8.1.

<p>of the financial year; their exercise price, the exercise date and the main conditions for the exercise of the rights;</p> <ul style="list-style-type: none"> <li>• All changes in the terms and conditions of existing share options occurring during the financial year.</li> </ul> <p>8.7.3. The following supplementary pension schemes-related information should be disclosed:</p> <ul style="list-style-type: none"> <li>• When the pension scheme is a defined-benefit scheme, changes in the directors' accrued benefits under that scheme during the relevant financial year;</li> <li>• 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.</li> </ul> <p>8.7.4. The statement should also state amounts that the company or any subsidiary company or entity included in the consolidated annual financial statements of the company has paid to each person who has served as a director in the company at any time during the relevant financial year in the form of loans, advance payments or guarantees, including the amount outstanding and the interest rate.</p>		
<p>8.8. Schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements should be subject to the prior approval of shareholders' annual general meeting by way of a resolution prior to their adoption. The approval of scheme should be related with the scheme itself and not to the grant of such share-based benefits under that scheme to individual directors. All significant changes in scheme provisions should also be subject to shareholders' approval prior to their adoption; the approval decision should be made in shareholders' annual general meeting. In such case shareholders should be notified on all terms of suggested changes and get an explanation on the impact of the suggested changes.</p>	NOT APPLICABLE	Such a scheme is not applied.
<p>8.9. The following issues should be subject to approval by the shareholders' annual general meeting:</p> <ul style="list-style-type: none"> <li>• Grant of share-based schemes, including share options, to directors;</li> <li>• Determination of maximum number of shares and main conditions of share granting;</li> <li>• The term within which options can be exercised;</li> <li>• The conditions for any subsequent change in the exercise of the options, if permissible by law;</li> <li>• All other long-term incentive schemes for which directors are eligible and which are not available to other employees of the company under similar terms.</li> </ul> <p>Annual general meeting should also set the deadline within which the body responsible for remuneration of directors may award compensations listed in this article to individual directors.</p>	NOT APPLICABLE	Such form for pay-off is not applied.



8.10. Should national law or company's Articles of Association allow, any discounted option arrangement under which any rights are granted to subscribe to shares at a price lower than the market value of the share prevailing on the day of the price determination, or the average of the market values over a number of days preceding the date when the exercise price is determined, should also be subject to the shareholders' approval.	NOT APPLICABLE	Such form for pay-off is not applied.
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.	NOT APPLICABLE	Such form for pay-off is not applied.
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.	NOT APPLICABLE	Such form for pay-off is not applied.
<b>Principle IX: The role of stakeholders in corporate governance</b>  <b>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.</b>		
9.1. The corporate governance framework should assure that the rights of stakeholders that are protected by law are respected.	YES	

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.	YES	
9.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.	YES	
<b>Principle X: Information disclosure and transparency</b>  <b>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.</b>		

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

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	
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	
10.7. It is recommended that the company's annual reports and other periodical accounts prepared by the company should be placed on the company's website. It is recommended that the company should announce information about material events and changes in the price of the company's shares on the Stock Exchange on the company's website too.	YES	
<b>Principle XI: The selection of the company's auditor</b>		
<b>The mechanism of the selection of the company's auditor should ensure independence of the firm of auditor's conclusion and opinion.</b>		
11.1. An interim and annual audit of the company's financial statements and annual report should be conducted by an independent firm of auditors in order to provide an objective opinion on the company's financial statements.	YES	Annual financial statements and annual report of the Company are audited by the independent audit company.
11.2. It is recommended that the company's supervisory board and, where it is not set up, the company's board should propose a candidate firm of auditors to the general shareholders' meeting.	YES	
11.3. It is recommended that the company should disclose to its shareholders the level of fees paid to the firm of auditors for non-audit services rendered to the company. This information should be also known to the company's supervisory board and, where it is not formed, the company's board upon their consideration which firm of auditors to propose for the general shareholders' meeting.	YES	