**AB Alita**

# Consolidated financial statements for the year 2007

# Contents

# Company details

## AB Alita

| | |
|---|---|
| Telephone: | +370 315 57243 |
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| Registration No.: | AB 2002-37 |
| Company code: | 149519891 |
| Registered office: | Alytus, Miškininkų 17 |

## Board of Directors

Vytautas Junevičius
Vilmantas Pečiūra
Arvydas Jonas Stankevičius
Darius Vėželis

## Management

Vytautas Junevičius (General Director)
Vilmantas Pečiūra (Finance Director)
Alina Miežiūnienė (Chief Accountant)

## Auditor

KPMG Baltics, UAB

## Banks

SEB Vilniaus Bankas
AB Šiaulių Bankas
AB Bankas Hansabankas
AB DnB NORD Bankas

## Statement on the accounts

The Board of Directors and the Management have today discussed and authorized for issue the consolidated financial statements and the annual report.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union. We consider that the accounting policies used are appropriate and that the consolidated financial statements thus give a true and fair view.

We recommend the consolidated financial statements to be approved at the Annual General Meeting.

Vilnius, 21 April 2008

Board of Directors:

| | |
|---|---|
| Vytautas Junevičius (Chairman) | Vilmantas Pečiūra |
| Arvydas Jonas Stankevičius | Darius Vėželis |

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# Independent auditor's report

## To the shareholders of AB Alita

We have audited the accompanying consolidated financial statements of AB Alita, which comprise the consolidated balance sheet as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 5-31.

### Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatements, 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 consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated 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 principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

## Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of AB Alita as at 31 December 2007 and of its financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

## Report on legal and other regulatory requirements

Furthermore, we have read the Annual Report for the year ended 31 December 2007, set out on pages 32- 88 of the Consolidated Financial Statements, and have not identified any material inconsistencies between the financial information included in the Annual Report and the consolidated financial statements for the year ended 31 December 2007.

Vilnius, 21 April 2008
KPMG Baltics, UAB

Leif Rene Hansen
Danish State Authorised
Public Accountant

Domantas Dabulis
Certified Auditor

AB ALITA
Company code 149519891, Alytus, Miškininkų 17

**Consolidated balance Sheet as of 31 December 2007**

(LTL '000)

| Note | | 2007 | 2006 |
|---|---|---|---|
| | **ASSETS** | | |
| | NON-CURRENT ASSETS | | |
| 3 | Intangible assets | 5,591 | 359 |
| 3.1 | Investment property | 2,510 | 1,024 |
| 4 | Property, plant and equipment | 78,967 | 74,032 |
| 5 | Asociate investments | 66,515 | - |
| 5 | Available-for-sale investments | 21,318 | 18,230 |
| | Loans | - | 4,168 |
| | Total non-current assets | 174,901 | 97,813 |
| | CURRENT ASSETS | | |
| 6 | Inventories | 53,521 | 28,581 |
| 7 | Prepayments and deferred | 1,348 | 860 |
| 8 | Trade accounts receivable | 51,212 | 34,363 |
| 9 | Other accounts receivable | 4,358 | 776 |
| 10 | Cash and cash equivalents | 974 | 3,676 |
| | Total current assets | 111,413 | 68,256 |
| | **TOTAL ASSETS** | 286,314 | 166,069 |
| | **LIABILITIES AND SHAREHODERS' EQUITY** | | |
| 11 | SHAREHOLDERS' EQUITY | | |
| | Share capital | 50,827 | 50,827 |
| | Compulsory reserve | 5,083 | 5,083 |
| | Revaluation reserve | 9,881 | 10,073 |
| | Retained earnings | 24,695 | 24,965 |
| | Total equity attributable to the equity holders of the parent | 90,486 | 90,948 |
| | Minority interest | 1,999 | 1,962 |
| | Total shareholders' equity | 92,485 | 92,910 |
| | NON-CURRENT LIABILITIES | | |
| 14 | Long-term bank loans and leasing liabilities | 63,698 | 3,396 |
| 20 | Deferred income tax liability | 2,094 | 1,742 |
| | Total non-current liabilities | 65,792 | 5,138 |
| | CURRENT LIABILITIES | | |
| 14 | Current portion of LT loans and leasing liabilities | 59,021 | 35,942 |
| | Trade accounts payable | 22,627 | 7,875 |
| | Income tax payable | 393 | 255 |
| 13 | Accrued liabilities | 45,996 | 23,949 |
| | Total current liabilities | 128,037 | 68,021 |
| | **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | 286,314 | 166,069 |

The notes set out on pages 9-31 are an integral part of these consolidated financial statements.

General Director Vytautas Junevičius

**Consolidated statement of Income for the year ended 31 December 2007**

(LTL '000)

| Note | | 2007 | 2006 |
|---|---|---|---|
| 19 | NET SALES | 197,995 | 143,463 |
| 19 | Cost of sales | (128,556) | (85,582) |
| | GROSS PROFIT | 69,439 | 57,881 |
| 17 | Other income | 4,633 | 1,744 |
| 15 | Selling and distribution expenses | (32,985) | (21,017) |
| 16 | General and administrative expenses | (19,867) | (15,480) |
| 17 | Other expenses | (3,007) | (1,172) |
| | OPERATING PROFIT | 18,213 | 21,956 |
| 18 | Financial income | 2,111 | 557 |
| 18 | Financial expenses | (4,985) | (2,039) |
| | Share of profit (loss) of equity accounted investees | (3,922) | - |
| | PROFIT BEFORE INCOME TAX | 11,417 | 20,474 |
| 20 | Income tax | (3,518) | (2,756) |
| | NET PROFIT FOR THE YEAR | 7,899 | 17,718 |
| | Attributable to: | | |
| | Equity holders of the parent | 7,862 | 17,624 |
| | Minority interrest | 37 | 94 |
| | | 7,899 | 17,718 |
| 12 | Basic earnings per share (LTL) | 0.16 | 0.35 |

The notes set out on pages 9-31 are an integral part of these consolidated financial statements

General Director Vytautas Junevičius

AB ALITA

**Consolidated statement of Changes in Equity for the year ended 31 December 2007**

(LTL '000)

| Note | | Share capital | Compulsory reserve | Revaluation reserve | Other reserves | Retained earnings (deficit) | Total equity | Minority interest | Total |
|---|---|---|---|---|---|---|---|---|---|
| | Balance as of 31 December 2005 | 50,827 | 5,083 | 7,929 | - | 14,965 | 78,804 | 1,574 | 80,378 |
| | Increase in value of investments for sale | | | 2,522 | | | 2,522 | | 2,522 |
| | Accounted deferred income tax liability | | | (378) | | | (378) | | (378) |
| | Dividends paid | | | | | (7,624) | (7,624) | | (7,624) |
| | Increase of minority | | | | | | - | 294 | 294 |
| | Net profit for the year | | | | | 17,624 | 17,624 | 94 | 17,718 |
| | Balance as of 31 December 2006 | 50,827 | 5,083 | 10,073 | - | 24,965 | 90,948 | 1,962 | 92,910 |
| | Decrease in value of investments for sale | | | (226) | | | (226) | | (226) |
| | Accounted deferred income tax liability | | | 34 | | | 34 | | 34 |
| | Dividends paid | | | | | (8,132) | (8,132) | | (8,132) |
| 11 | Net profit for the year | | | | | 7,862 | 7,862 | 37 | 7,899 |
| | Balance as of 31 December 2007 | 50,827 | 5,083 | 9,881 | - | 24,695 | 90,486 | 1,999 | 92,485 |

The notes set out on pages 9-31 are an integral part of these consolidated financial statements.

General Director Vytautas Junevičius

Consolidated statement of Cash Flows for the year ended 31 December 2007

(LTL '000)

| | 2007 | 2006 |
|---|---|---|
| **Cash flow from (to) operating activities:** | | |
| Net profit | 7,899 | 17,718 |
| Adjustments to reconcile net profit to net cash provided by operating activities: | | |
| Depreciation and amortisation | 9,428 | 9,254 |
| Change of impairment of trade accounts receivable | (846) | (11) |
| Change of impairment of property, plant and equipment | (1,525) | - |
| Write-off of property, plant and equipment | 1,309 | (235) |
| (Gain) / loss from fixed assets sale | (588) | (128) |
| Change of impairment of inventories | 134 | 99 |
| Write-off of inventories | 414 | 54 |
| Interest expenses | 4,443 | 1,976 |
| Interest income | (172) | (383) |
| (Gain) / loss from investments disposal | (1,792) | 24 |
| Share of profit (loss) of equity accounted investees | 3,922 | - |
| Income tax expense / (income) | 3,158 | 2,756 |
| Deferred income tax liability | 386 | (791) |
| Other | - | (94) |
| | 26,170 | 30,239 |
| Changes in current assets and current liabilities: | | |
| Decrease in inventories | (22,661) | (2,822) |
| Decrease in trade accounts receivable | (13,606) | (11,324) |
| Increase (decrease) in liabilities of subsidiary | - | - |
| (Increase)/decrease in prepayments and deferred cost | (288) | 148 |
| Decrease in other accounts receivable | (3,603) | 78 |
| Increase in trade accounts payable and accrued liabilities | 27,787 | 1,892 |
| Income tax paid | (2,465) | (2,640) |
| Net cash provided by operating activities | 11,334 | 15,571 |
| **Cash flow from (to) investing activities:** | | |
| Acquisition of property, plant and equipment | (8,117) | (2,412) |
| Acquisition of intangible fixed assets | (395) | (147) |
| Acquisition of asociate's shares | (70,437) | - |
| Disposal (acquisition) of subsidiary's shares | (5,033) | 270 |
| Acquisition of investments for sale | (1,522) | (1,646) |
| Sale of property, plant and equipment | 588 | 128 |
| Interest received | 172 | 383 |
| Net cash (used in) investing activities | (84,744) | (3,424) |
| **Cash flow from (to) financing activities:** | | |
| Loans issued for employees | - | (67) |
| Repayment of loans to employees | 4,694 | 5,792 |
| Loans received | 135,326 | 15,179 |
| (Repayment) of loans | (56,737) | (43,447) |
| Interest (paid) | (4,443) | (1,976) |
| Dividends (paid) | (8,132) | (7,624) |
| Net cash (used in) financing activities | 70,708 | (32,143) |
| **Increase (decrease) in cash and cash equivalents** | (2,702) | (19,996) |
| **Cash and cash equivalents in beginning of the year** | 3,676 | 23,672 |
| **Cash and cash equivalents at end of the year** | 974 | 3,676 |

The notes set out on pages 9-31 are an integral part of these consolidated financial statements

General Director Vytautas Junevičius

# Notes

## 1 Reporting entity

AB Alita was established in 1963 and was re-registered as a state enterprise in 1990. In 1995 AB Alita was re-organised to a joint stock company.

Registered address of AB Alita is Miškininkų 17, Alytus, Lithuania.

On 6 January 2004 an agreement on sale of AB Alita shares was signed between the State Property Fund and UAB Invinus. UAB Invinus acquired controlling 83.77 percent shareholding of the Company.

On 10 November 2004 extraordinary shareholders' meeting of AB Invinus and on 11 November 2004 extraordinary shareholders' meeting of AB Alita took place during which a decision to merge AB Invinus to AB Alita and approve the reorganisation terms was made. AB Alita share capital decreased as a result of the reorganisation. Shareholders of AB Alita as at 31 December 2007 were as follows:

| | Nominal value, Litas | Percent |
|---|---|---|
| Private share capital | 50,827,209 | 100 |

The nominal value of one share is LTL 1. All shares are authorised, issued and fully paid registered ordinary shares. The shares of Group are listed in the current list of Vilnius Stock Exchange.

On 8 July 2004 a sales agreement of controlling shareholding comprising 72.93 percent of AB Anykščių Vynas was signed between the State Property Fund and AB Alita. 35,793,407 ordinary registered shares of AB Anykščių Vynas were acquired for 25,610 thousand Litas. During the same year the Group additionally acquired 11,607,163 ordinary registered shares. At present the Group holds 46,577,570 ordinary registered shares, comprising 94.90 per cent, with a nominal value of 1 Litas each.

On 12 April 2007, according the final protocol, AB Alita obtained 100 ordinary registered shares of the wholesale company UAB Daivalda with a nominal value of 100 Litas each. UAB Daivalda holds 100 % shares of UAB Vilkmergės Alus. On 27 April 2007, according the AB Alita Board protocol, the name of UAB Daivalda was changed to UAB Alita Distribution.

The financial statements of AB Alita and AB Anykščių Vynas (hereinafter „the Group") are consolidated from 1 July 2004. The financial statements of the Group consolidate AB Alita, AB Anykščių Vynas, UAB Alita Distribution and UAB Vilkmergės Alus financial statements from 1 April 2007.

The Group produces alcohol beverages, including sparkling wines, alcohol mixes, cider, wines, hard liqueurs, as well as concentrated fruit juice.

## 2.1 Significant accounting policies

### Statement of compliance

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

The financial statements were authorised for issue by the Board of the Group. The shareholders of the Group have a right to amend the financial statements after issue.

### Basis of measurement

The financial statements are presented in thousand Litas; Litas is the national currency and the functional currency of the Group. The financial statements are prepared on the historical cost basis, as modified by the historic indexation of certain property, plant and equipment. Available for sale financial assets are measured at fair value.

### Use of estimates and judgements

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

# Notes

2.1 **Significant accounting policies (cont'd)**

**Use of estimates and judgements (cont'd)**

Judgments made by the management in the application of IFRSs, as adopted by the European Union, that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in Note 2.2 The accounting policies of the Group as set out below have been consistently applied and coincide with those used in the previous year.

**Foreign currency**

Translation of amounts in foreign currencies into the national currency

Transactions in foreign currencies are translated into Litas at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign exchange differences arising on translation are recognised in the income statement.

**Financial instruments**

Non-derivative financial instruments

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

Cash and cash equivalents comprise cash balances and call deposits.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit and loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

Financial instruments are recognized on the day of the transaction. Financial assets are derecognised if the contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are derecognised if the obligations of the Group specified in the contract expire or are discharged or cancelled.

Loans and receivables are non-derivative financial assets and are not quoted in an active market. They are included into current assets except for maturities greater than 12 months. Loans and receivables are subsequently measured at amortised cost using the effective interest rate method, less impairment losses, if any. Short-term receivables are not discounted.

Loans and borrowings and other financial liabilities, including trade payables are subsequently stated at amortised cost using the effective interest rate method basis. Short-term liabilities are not discounted.

The effective interest method is a method of calculating the amortised cost of a financial asset or liability and of allocating interest income and expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Derivative financial instruments

Derivatives are recognized initially at fair value; attributable transaction costs are recognised in the income statement when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for in the income statement.

**Basis of consolidation**

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

# Notes

## 2.1 Significant accounting policies (cont'd)

**Basis of consolidation (cont'd)**

(i) Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an associate, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an associate.

(ii) Transactions eliminated on consolidation

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

**Property, plant and equipment**

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Certain items of property, plant and equipment that have been indexed in accordance with Lithuanian legislation prior to 1 January 2004, the date of transition to IFRSs, are measured on the basis of deemed cost, being the indexed amount at the date of the indexation less indexed accumulated depreciation and impairment losses.

The cost of self-constructed assets includes the cost of materials, direct labor and an appropriate proportion of production overheads.

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

Subsequent costs

The Group recognizes in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item or major overhaul when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognized in the income statement as an expense as incurred.

Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment.

The estimated useful lives are as follows:

| | | |
|---|---|---|
| • Buildings and constructions | 8-80 | years |
| • Plant and machinery | 2-50 | years |
| • Motor vehicles, furniture and fixtures | 4-25 | years |
| • IT equipment | 4-5 | years |

Depreciation methods, residual values and useful lives are reassessed annually.

# Notes

2.1 **Significant accounting policies (cont'd)**

Intangible assets

Intangible assets, comprising computer software and other licenses that are acquired by the Group, are stated at cost less accumulated amortisation and impairment.

Amortisation is charged to the income statement on a straight-line basis. The Group's intangible assets are amortized over 1-3 years.

**Investment property**

Investment properties of the Group consist of investment buildings that are held to earn rentals or for capital appreciation, rather than for use in the production, or supply of goods, or services or for administration purposes, or sale in the ordinary course of business. In accordance with IFRS 40, Investment Property, which the Group adopted on 1 January 2001, investment properties are initially measured at acquisition cost, which is the fair value of the consideration given to acquire them, including transaction costs. Subsequently all investment properties are carried at cost less any accumulated depreciation and any accumulated impairment losses. Management believes that carrying values of investment properties approximate their fair values.

**Leased assets**

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

**Inventories**

Inventories, including work in process, are valued at the lower of cost or net realisable value. Net realisable value is the selling price in the ordinary course of business, less the costs of completion, marketing and distribution.

The cost of inventories is determined based on FIFO (First-In, First-Out) principle.

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

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

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

**Cash and cash equivalents**

Cash and cash equivalents comprise cash balances and call deposits.

**Impairment**

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

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

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

Calculation of recoverable amount

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

# Notes

2.1 **Significant accounting policies (cont'd)**

Calculation of recoverable amount (cont'd)

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

Reversals of impairment

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

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

**Dividends**

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

**Liabilities**

Liabilities are initially recognized at fair value less direct costs related to occurrence of respective loan and other liabilities. Subsequent to initial recognition, liabilities are stated at amortized cost on an effective interest method basis. Short-term liabilities are not discounted.

**Provisions**

A provision is recognized in the balance sheet when the Group has a legal or constructive obligation as a result of past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

**Employee benefits**

The Group does not have any defined contribution and benefit plans and has no share based payment schemes. Post employment obligations to retired employees on a pension are borne by the State.

**Revenue**

Sales of goods

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably. Sales are recognised net of VAT, excise tax and price discounts directly related to the sales.

Revenue from sales of goods is recognised when delivery has taken place and transfer of risks and rewards has been completed.

Services rendered, assets disposed

Revenue from the services rendered is recognized in the income statement as the services are rendered. The revenue recognized is net of discounts provided.

Rental income is recognized in the income statement on a straight-line basis over the term of the lease.

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

No revenue is recognized if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of assets disposed also continuing management involvement with the assets.

# Notes

## 2.1 Significant accounting policies (cont'd)

### Expenses

Operating expenses

Operating expenses comprise costs regarding sales personnel, advertising, administrative staff, management, office premises and office expenses etc., including depreciation and amortisation.

Operating lease payments

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

Finance lease payments

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

### Finance income and expenses

Finance income comprises interest income, gain on the sale of financial assets as well as foreign currency exchange gain. Interest income is recognised as it accrues in the income statement, using the effective interest method.

Finance expenses comprise interest expense, accrued using effective interest rate method, loss on the sale of financial assets as well as foreign currency exchange loss. Component of interest costs of finance lease payments is recognised in the income statement using the effective interest method.

### Income tax

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

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

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

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

### Segment reporting

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

# Notes

## 2.1 Significant accounting policies (cont'd)

### Earnings per share

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

### Contingencies

Contingent liabilities are not recognized in the financial statements, except for contingent liabilities in business combinations. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognized in the financial statements but disclosed when an inflow or economic benefits are probable.

### Related parties

Related parties are defined as shareholders, employees, members of the management board, their close relatives and companies that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with the reporting entity, provided the listed relationship empowers one of the parties to exercise the control or significant influence over the other party in making financial and operating decisions.

### *Emission rights*

The EU Emission Allowance Trading Scheme was established by Directive 2003/87/EC and commenced on 1 January 2005. The first phase runs for the three-year period from 2005 to 2007; the second will run for five years from 2008 to 2012 to coincide with the first Kyoto Commitment Period. The scheme works on a 'Cap and Trade' basis. EU Member States' governments are required to set an emission cap for each phase for all 'installations' covered by the Scheme. This cap is established in the National Allocation Plan (NAP), which is issued by the relevant authority in each Member State. The NAP describes the amount of yearly emissions (measured in tones of carbon dioxide equivalents) permitted per installation for each phase for which allowances will be allocated on an annual basis.

Member States are required to allocate allowances to installations by 28 February each year according to the NAP (a certain number of allowances are kept in reserve for new installations).

Member States must ensure that by 30 April of the following year at the latest, that the operator of each installation surrenders a number of allowances equal to the total emissions from that installation during the preceding calendar year.

When the Group has sufficient allowances to meet its obligations, the net approach is applied, the amount of the provision is equal to the costs of the assets and neither the asset nor the provision is presented on the balance sheet.

In case the Group is 'short' of allowances, the liability is recognised on the balance sheet being the best estimate of the expenditure (economic resources) required to settle the emission obligation.

### Standards, interpretations and amendments to published standards that are not yet effective

New standards, amendments to standards and interpretations are not yet effective or not yet adopted by the EU for the year ended 31 December 2007, and have not been applied in preparing these financial statements:

- Revised IFRS 2 Share-based Payment (effective from 1 January 2009). The revised Standard will clarifies the definition of vesting conditions and non-vesting conditions. Based on the revised Standards failure to meet non-vesting conditions will generally result in treatment as a cancellation. The revised IFRS 2 is not relevant to the operations as the Group does not have any share-based compensation plans.

- Revised IFRS 3 Business Combinations (effective for annual periods beginning on or after 1 July 2009). The scope of the revised Standard has been amended and the definition of a business has been expanded. Revised IFRS 3 is not relevant to the Group.

- IFRS 8 Operating Segments (effective from 1 January 2009). The Standard requires segment disclosure based on the components of the entity that management monitors in making decisions about operating matters. Operating segments are components of an entity about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The Group has not yet completed its analysis of the impact of the revised Standard.

# Notes

## 2.1 Significant accounting policies (cont'd)

**Standards, interpretations and amendments to published standards that are not yet effective (cont'd)**

- The revised IAS 1 Presentation of Financial Statements (effective from 1 January 2009). The revised Standard requires information in financial statements to be aggregated on the basis of shared characteristics and introduces a statement of comprehensive income. Items of income and expense and components of other comprehensive income may be presented either in a single statement of comprehensive income with subtotals, or in two separate statements (a separate income statement followed by a statement of comprehensive income). The Group is currently evaluating whether to present a single statement of comprehensive income, or two separate statements.

- Revised IAS 23 Borrowing Costs (effective from 1 January 2009). The revised Standard will require the capitalization of borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. The Group has not yet completed its analysis of the impact of the revised Standard.

- Revised IAS 27 Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 July 2009). In the revised Standard the term minority interest has been replaced by non-controlling interest, and is defined as "the equity in a subsidiary not attributable, directly or indirectly, to a parent". The revised Standard also amends the accounting for non-controlling interest, the loss of control of a subsidiary, and the allocation of profit or loss and other comprehensive income between the controlling and non-controlling interest. The revised IAS 27 is not relevant to the Group operations.

- IFRIC 11 IFRS 2 – Group and Treasury Share Transactions (effective for annual periods beginning on or after 1 March 2007). The Interpretation requires a share-based payment arrangement in which an entity receives goods or services as consideration for its own equity-instruments to be accounted for as an equity-settled share-based payment transaction, regardless of how the equity instruments needed are obtained. It also provides guidance on whether share-based payment arrangements, in which suppliers of goods or services of an entity are provided with equity instruments of the entity's parent, should be accounted for as cash-settled or equity-settled in the entity's financial statements. IFRIC 11 is not relevant to the Group operations as the Company has not entered into any share-based payments arrangements.

- IFRIC 12 Service Concession Arrangements (effective from 1 January 2008). The Interpretation provides guidance to private sector entities on certain recognition and measurement issues that arise in accounting for public-to-private service concession arrangements. IFRIC 12 is not relevant to the Group operations as the Company has not entered into any service concession arrangements.

- IFRIC 13 Customer Loyalty Programmes (effective for annual periods beginning on or after 1 July 2008). The Interpretation explains how entities that grant loyalty award credits to customers who buy other goods or services should account for their obligations to provide free or discounted goods or services ('awards') to customers who redeem those award credits. Such entities are required to allocate some of the proceeds of the initial sale to the award credits and recognise these proceeds as revenue only when they have fulfilled their obligations. The Group does not expect the Interpretation to have any impact on the financial statements.

- IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements (hereinafter MFR) and their interactions (effective for annual periods beginning on or after 1 January 2008). The interpretation addresses:
  1) when refunds or reductions in future contributions should be regarded as available in accordance with paragraph 58 of IAS 19;
  2) how a MFR might affect the availability of reductions in future contributions; and
  3) when a MFR might give rise to a liability.
  No additional liability need be recognised by the employer under IFRIC 14 unless the contributions that are payable under the minimum funding requirement cannot be returned to the Group. The Group has not yet completed its analysis of the impact of the new interpretation.

# Notes

## 2.2 Estimates and assumptions

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

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

### Fair value of financial instruments

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

Carrying amount of trade amounts receivable, amounts payable and short-term credit lines is close to their fair value. The fair value of the long-term debt is based on the quoted market price for the same or similar issues or on the current rates available for debt with the same maturity profile. The fair value of non-current loans, borrowings and other payables with variable interest rates approximates their carrying amounts.

The Group principal financial instruments not carried at fair value are trade and other receivables, trade and other payables, long and short-term borrowings.

Carrying amount of trade amounts receivable, other financial property, amounts payable and short-term credit lines is close to their fair value.

The settlement period with suppliers is from 10 to 30 days, and credit terms of purchasers are from 15 to 70 days.

The fair values of financial assets and liabilities together with the carrying amounts shown in the balance sheet are summarized as follows:

| | 2007 | | 2006 | |
|---|---|---|---|---|
| | Book value | Fair value | Book value | Fair value |
| Investments available for sale | 21,318 | 21,318 | 18,230 | 18,230 |
| Prepayments | 1,348 | 1,348 | 860 | 860 |
| Trade debtors | 51,212 | 51,212 | 34,363 | 34,363 |
| Other amounts receivable | 4,358 | 4,358 | 776 | 776 |
| Cash | 974 | 974 | 3,676 | 3,676 |
| Total | 57,892 | 57,892 | 39,675 | 39,675 |
| Loans | 122,719 | 122,719 | 39,338 | 39,338 |
| Trade creditors | 22,627 | 22,627 | 7,875 | 7,875 |
| Other amounts payable | 46,389 | 46,389 | 24,204 | 24,204 |
| Total | 191,735 | 191,735 | 71,417 | 71,417 |

### Impairment losses on receivables

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

The management evaluates probable cash flows from the debtors based on historical loss experience related to the debtors with a similar credit risk. Methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

# Notes

## 2.3 Financial risk management

The Group has exposure to the following risks:

- credit risk,
- liquidity risk,
- market risk.

This note presents information about the Group exposure to each of the above risks, the Group objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these annual accounts.

The Board of Directors has responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Groups, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Credit risk

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

Due to the specifics of its operations, the Group has significant concentration of credit risk (over 90% of total turnover) with few major counterparties MAXIMA LT, UAB, UAB Palink, UAB Rivona and UAB Aibės Logistika being its major wholesale buyers.

The Group's procedures are in force to ensure on a permanent basis that sales are made to customers with an appropriate credit history. The Group provides payment discounts to the clients that pay in advance.

The Group does not guarantee obligations of other parties. The maximum exposure to credit risk is represented by the carrying amount of each financial asset. Consequently, the Group considers that its maximum exposure is reflected by the amount of trade receivables (Note 8) and other current assets, net of impairment losses recognized at the balance sheet date.

The maximum exposure to credit risk at the reporting date was:

| in tLTL | Carrying amount | |
|---|---|---|
| | 2007 | 2006 |
| Trade receivables | 51,212 | 34,363 |
| Other receivables | 4,358 | 776 |
| Cash and cash equivalents | 974 | 3,676 |
| **Total** | **56,544** | **38,815** |

Trade accounts receivable according to major customers:

| | 2007 | | 2006 | |
|---|---|---|---|---|
| | amount | % | amount | % |
| 1 customer | 12,861 | 25.1% | 10,128 | 29.5% |
| 2 customer | 7,560 | 14.8% | 30 | 0.1% |
| 3 customer | 6,921 | 13.5% | 3,262 | 9.5% |
| 4 customer | 2,522 | 4.9% | 2,630 | 7.7% |
| 5 customer | 2,094 | 4.1% | 2,545 | 7.4% |
| 6 customer | - | 0.0% | 9,624 | 28.0% |
| Other customers | 19,254 | 37.6% | 6,144 | 17.9% |
| Total | 51,212 | | 34,363 | |

# Notes

2.3 Financial risk management (cont'd)

Credit risk (cont'd)

Trade accounts receivable according to geographic regions (in LTL '000):

| | 2007 | 2006 |
|---|---|---|
| Domestic market | 50,425 | 33,719 |
| Euro country | 650 | 554 |
| United Kingdom | 18 | - |
| USA | 119 | 90 |
| **Total** | **51,212** | **34,363** |

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Market risk

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

Interest rate risk

The Group's borrowings are subject to variable interest rates related to LIBOR.
As at 31 December 2007, the Group did not use any financial instruments to hedge its exposure to the cash flow risk related to debt instruments with variable interest rates or price risk related to debt instruments with fixed interest rates.

Variable interest rate financial liabilities were as follows (in LTL '000):

| | | 2007 | 2006 |
|---|---|---|---|
| Long-term loans | EUR | 73,833 | 27,853 |
| Credit lines | LTL | 39,363 | 11,485 |
| Credit lines | EUR | 5,110 | - |
| Overdraft | LTL | 1,751 | - |
| Leasing liabilities | LTL | 2,662 | - |
| **Total** | | **122,719** | **39,338** |

A change in average annual interest rate for the Group's borrowings by 0,5 percentage point would have increased the interest expenses and the profit for the year ended 31 December 2007 would have decreased by approximately 600 thousand Litas.

# Notes

2.3 **Financial risk management (cont'd)**

Currency risk

Major currency risks of AB Alita occur due to the fact that the Group borrows foreign currency denominated funds as well as being involved in imports and exports. The Group does not use any financial instruments to manage its exposure to foreign exchange risk.

| | 2007 | 2006 |
|---|---|---|
| 1 EUR = | 3.4528 LTL | 3.4528 LTL |
| 1 USD = | 2.3572 LTL | 2.6304 LTL |
| 1 LVL = | 4.9567 LTL | 4.9537 LTL |

The Group's exposure to foreign currency risk was as follows:

| | 2007 | | | | 2006 | | | |
|---|---|---|---|---|---|---|---|---|
| | LTL | EUR | USD | LVL | LTL | EUR | USD | LVL |
| Cash and cash equivalents | 749 | 223 | 2 | - | 3,511 | 165 | - | |
| Trade and other accounts receivable | 54,767 | 744 | 59 | - | 34,429 | 643 | 67 | |
| Financial liabilities | (43,776) | (78,943) | - | - | (11,485) | (27,853) | - | - |
| Payables | (16,528) | (5,816) | - | (283) | (5,906) | (1,875) | - | (94) |
| Total foreign currency risk exposure | (4,788) | (83,792) | 61 | (283) | (19,549) | (28,920) | 67 | (94) |

The functional currency of the Group is Litas (LTL). The Group faces foreign currency risk on purchases and borrowings as well as on sales and amounts receivable that are denominated in currencies other than Litas and EUR. The risk related to transactions in EUR is considered to be insignificant as the Lithuanian Litas is pegged to EUR at a fixed rate. The Group does not have any material exposure to other foreign currencies as at 31 December 2006 and 31 December 2007.

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital and proposes the level of dividends to ordinary shareholders based on the Group's financial results and strategic plans.

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

There were no changes in the Group's approach to capital management during the year.

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**Notes to the consolidated financial statements**
**for the year ended 31 December 2007**
(LTL '000 unless otherwise stated)

## 3. Intangible assets

| | Trademark | Software | Other intangible assets | Total |
|---|---|---|---|---|
| COST | | | | |
| Balance as of 1 January 2006 | | 715 | 584 | 1,299 |
| Additions | | 33 | 113 | 146 |
| Disposals and write-offs | | | (23) | (23) |
| Balance as of 31 December 2006 | - | 748 | 674 | 1,422 |
| ACCUMULATED DEPRECIATION AND IMPAIRMENT: | | | | |
| Balance as of 1 January 2006 | | 345 | 403 | 748 |
| Depreciation for the year | | 211 | 128 | 339 |
| Disposals and write-offs | | | (24) | (24) |
| Balance as of 31 December 2006 | - | 556 | 507 | 1,063 |
| **BOOK VALUE as of 31 December 2006** | **-** | **192** | **167** | **359** |
| COST | | | | |
| Balance as of 1 January 2007 | | 748 | 674 | 1,422 |
| Acquired in business combinations | 5,305 | 41 | 4 | 5,350 |
| Additions | | 279 | 116 | 395 |
| Disposals and write offs | | (6) | (23) | (29) |
| Balance as of 31 December 2007 | 5,305 | 1,062 | 771 | 7,138 |
| ACCUMULATED AMORTIZATION AND IMPAIRMENT: | | | | |
| Balance as of 1 January 2007 | | 556 | 507 | 1,063 |
| Amortization for the year | 200 | 222 | 91 | 513 |
| Disposals and write offs | | (6) | (23) | (29) |
| Impairment during the year | | | | - |
| Balance as of 31 December 2007 | 200 | 772 | 575 | 1,547 |
| **BOOK VALUE as of 31 December 2007** | **5,105** | **290** | **196** | **5,591** |

## 3.1 Investment property

| | Total |
|---|---|
| COST | |
| Balance as of 1 January 2006 | 3,703 |
| Additions | |
| Disposals and write offs | |
| Balance as of 31 December 2006 | 3,703 |
| ACCUMULATED DEPRECIATION AND IMPAIRMENT: | |
| Balance as of 1 January 2006 | 2,641 |
| Depreciation for the year | 38 |
| Disposals and write offs | - |
| Balance as of 31 December 2006 | 2,679 |
| **BOOK VALUE as of 31 December 2006** | **1,024** |
| COST | |
| Balance as of 1 January 2007 | 3,703 |
| Additions | - |
| Disposals and write offs | - |
| Balance as of 31 December 2007 | 3,703 |
| ACCUMULATED DEPRECIATION AND IMPAIRMENT: | |
| Balance as of 1 January 2007 | 2,679 |
| Depreciation for the year | 39 |
| Disposals and write offs | - |
| Recovery of impairment | (1,525) |
| Balance as of 31 December 2007 | 1,193 |
| **BOOK VALUE as of 31 December 2007** | **2,510** |

The investment property comprises café and hotel in Palanga. The café is located in a 2 storey building with a cellar and the area of the café is 757,36 m2. The area of the hotel is 226,06 m2.

The rental income of the investment properties amounted to LTL 53 thousand in 2007 (LTL 61 thousand in 2006).

(LTL '000 unless otherwise stated)

The depreciation charge of the investment property for the year ended 31 December 2007 amounts to LTL 39 thousand (LTL 38 thousand in 2006) and has been included into general and administrative expenses.

In the beginning of 2008 the independent asset valuators carried out the preliminary evaluation of the investment property. According to this evaluation, the management decided to restore the impairment of the cafe building in Palanga booked as at December 31, 2003 by the amount of LTL 1,525 thousand ( it was LTL 2,037 thousand or 55% of the acquisition cost of the property). According to the understanding of the Group Managers, the value of the investment property reflected in the Balance Sheet as at December 31, 2007 corresponds to the fair value of this property.

Public services are payed by leaseholder, there were no repairs in 2007.

There were no restrictions on disposal of investment properties or use of income of disposals as at 31 December 2007.

No material contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance or enhancement existed at the year-end.

## 4. Property, plant and equipment

| | Land | Buildings | Vehicles and equipment | Other tangible fixed assets | Construction in progress and prepayments | Total |
|---|---|---|---|---|---|---|
| COST | | | | | | |
| Balance as of 1 January 2006 | 28 | 71,424 | 104,153 | 16,314 | 2,056 | 193,975 |
| Additions | - | - | 1,535 | 589 | 674 | 2,798 |
| Disposals and write offs | - | (236) | (2,247) | (531) | (269) | (3,283) |
| Transfers between captions | - | 462 | 867 | (458) | (871) | - |
| Balance as of 31 December 2006 | 28 | 71,650 | 104,308 | 15,914 | 1,590 | 193,490 |
| ACCUMULATED DEPRECIATION AND IMPAIRMENT: | | | | | | |
| Balance as of 1 January 2006 | | 24,584 | 74,939 | 12,538 | 1,652 | 113,713 |
| Depreciation for the year | | 1,586 | 6,045 | 1,207 | - | 8,838 |
| Disposals and write offs | | (182) | (1,976) | (474) | - | (2,632) |
| Transfers between captions | | - | - | - | - | - |
| Impairment change for the year | | (41) | (137) | (14) | (269) | (461) |
| Balance as of 31 December 2006 | | 25,947 | 78,871 | 13,257 | 1,383 | 119,458 |
| **BOOK VALUE as of 31 December 2006** | 28 | 45,703 | 25,437 | 2,657 | 207 | 74,032 |
| COST | | | | | | |
| Balance as of 1 January 2007 | 28 | 71,650 | 104,308 | 15,914 | 1,590 | 193,490 |
| Acquired in business combinations | 1,608 | 1,919 | 2,846 | 629 | - | 7,002 |
| Additions | | - | 4,074 | 1,444 | 2,457 | 7,975 |
| Disposals and write offs | | (1,208) | (2,732) | (1,452) | (1,355) | (6,747) |
| Transfers between captions | | 108 | 1,265 | (798) | (507) | 68 |
| Balance as of 31 December 2007 | 1,636 | 72,469 | 109,761 | 15,737 | 2,185 | 201,788 |
| ACCUMULATED DEPRECIATION AND IMPAIRMENT: | | | | | | |
| Balance as of 1 January 2007 | | 25,947 | 78,871 | 13,257 | 1,383 | 119,458 |
| Depreciation for the year | | 1,580 | 6,096 | 1,200 | - | 8,876 |
| Disposals and write offs | | (542) | (1,675) | (568) | - | (2,785) |
| Transfers between captions | | - | (24) | (32) | - | (56) |
| Impairment change | | | | | | - |
| for the year | | - | (454) | (865) | (1,353) | (2,672) |
| Balance as of 31 December 2007 | - | 26,985 | 82,814 | 12,992 | 30 | 122,821 |
| **BOOK VALUE as of 31 December 2007** | 1,636 | 45,484 | 26,947 | 2,745 | 2,155 | 78,967 |

No borrowing costs were capitalised during 2007 and 2006 since no assets qualified for the borrowing costs capitalisation criteria.

The Group signed a contract in 2007 according to which the production equipment of LTL 474 thousand will be acquired in 2008. At the end of 2007 the advance of LTL 169 thousand was paid.

(LTL '000 unless otherwise stated)

Property, plant and equipment with the book value of LTL 54,195 thousand as at 31 December 2007 (LTL 57,513 thousand as at 31 December 2006) has been pledged for credit lines (Note 14).

The Group's property, plant and equipment with the net book value of LTL 62,737 thousand as at 31 December 2007 are insured against natural calamities, fire, and other damages.

Depreciation

The depreciation charge for the year ended 31 December 2007 amounts to LTL 8,876 thousand (LTL 8,838 thousand in 2006). An amount of LTL 946 thousand (LTL 842 thousand in 2006) has been included into selling and distribution expenses, LTL 1,585 thousand (LTL 1,234 thousand in 2006) has been included into general and administrative expenses and the rest of the amount is split between cost of sales in the statement of income and finished goods in the balance sheet.

Impairment change

In 2007 the reversed value impairment consisted of: LTL 2,626 thousand related to the sold part of the boiler-house equipment . The impairment was booked in the previuos year for them.

## 5. Non-current financial asset

**Acquisitions of subsidiaries**

On 12 April 2007 AB Alita obtained 100 ordinary registered shares of the wholesale company UAB Alita Distribution wich holds 100 % shares of UAB Vilkmergės Alus. The financial statements of the Group consolidate UAB Alita Distribution and UAB Vilkmergės Alus financial statements from 1 April 2007.

The acquisition of subsidiary had the following effecton the Group's assets and liabilities.

| | Pre-acquisition carrying amount | 0 Value adjustments | Recognised value after acquisition |
|---|---|---|---|
| Intangible assets | 46 | 5,305 | 5,351 |
| Property, plant and equipment | 7,002 | | 7,002 |
| Inventories | 2,826 | | 2,826 |
| Trade and other receivables | 3,102 | | 3,102 |
| Cash and cash equivalents | 748 | | 748 |
| Loans and borrowings | (4,792) | | (4,792) |
| Trade and other payables | (8,457) | | (8,457) |
| Total identified assets and liabilities, net | 475 | - | 5,780 |
| Goodwill on acquisition | | | - |
| Consideration paid, satisfied in cash | | | 5,780 |
| Cash acquired | | | (747) |
| Net cash outflow | | | 5,033 |

The values of assets, liabilities recognesed on acuisition are their estimated fair value. Intangible assets recognised on acquisition represent trade marks acquired in a business combination.

Had the Group obtained the shares of UAB Alita Distribution on 1 January of 2007, the earned profit would have decreased by LTL 461 thousand.

**Asociate investments**

In September 2007 AB Alita acquired 41,52 % block of shares of Belgrade brewery „Beogradska Industrija Piva" , which consists of 3,781,012 ordinary registered shares with a nominal value of 600 RSD each (equivalent value appr. 26,28 LTL ), for 70,437 thousand Litas. This investment is booked in the consolidated financial statements following the equity method.

During the fourth quarter the associated entity suffered a loss of LTL 9.447 thousand. Part of the loss related to the Group amounted to LTL 3.922 thousand resulting in decrease of the consolidated profit of the Group. .

Main items of balance sheet and profit and loss account could be specified as follows:

| | |
|---|---|
| Fixed assetss | 160,284 |
| Current assets | 29,935 |
| Total assets | 190,219 |
| Equity | 73,917 |
| Long-term liabilities | 48,630 |
| Short-term liabilities | 67,672 |
| Total equity and liabilities | 190,219 |
| The result for the 4 Q 2007 | (9,447) |

(LTL '000 unless otherwise stated)

The financial statements as at 31 December 2007 of the associated company were audited by an independent auditor. The auditor's report included a qualified opinion re non-accrued redundancy compensations amounting to 2,284 thousand Litas. Had the redundancy compensations been accrued, the liabilities of the associated company would have increased by 2,284 thousand Litas and respectively the equity would have decreased by the same amount. Without further qualification of our opinion, significant uncertainties, related to legal disputes the associated company is participating as the plaintiff and the respondent, were emphasized in the auditor's report. Besides, difficulties, the associated company is facing with, related to generation of sufficient cash flows and settlement with creditors in due time in 2007, were noted. These circumstances, in the opinion of the auditors of the associated company, resulted in significant uncertainties of the company as a going concern.

**Available-for-sale investments**

Available-for-sale investments consist of the following:

| | 2007 | 2006 |
|---|---|---|
| AB Šiaulių Bankas shares | 9,693 | 6,379 |
| Other securities | - | 1 |
| Total | 9,693 | 6,380 |
| Impairment in the beginning of the year | (1) | (751) |
| Available-for-sale investments written-off | 1 | 750 |
| Additional impairment | | - |
| Impairment at the end of the year | - | (1) |
| Increase in value in the beginning of the year | 11,851 | 9,328 |
| Increase (decrease) in value during the year | (226) | 2,523 |
| Increase in value at the end of the year | 11,625 | 11,851 |
| Total | 21,318 | 18,230 |

In 2007 due to increase of the share capital of AB Šiaulių Bankas AB Alita received 489,546 free of charge ordinary registered shares, for the same period disposed 711,045 ordinary registered shares and acquired 1,750,081 ordinary registered shares of LTL 4,025 thousand. As at 31 December 2007 AB Alita held 6,179,000 ordinary registered shares with a nominal value of 1 Litas each. Change (decrease) in value of AB Šiaulių Bankas shares comprising LTL -226 thousand was registered in the Company's accounting as at 31 December 2007. The decision to decrease the value was made based on the market value of the shares which comprised 3,45 Litas per share. Decrease in value of AB Šiaulių Bankas shares is booked in equity (see note 11).

## 6. Inventories

Inventories consist of:

| | 2007 | 2006 |
|---|---|---|
| Raw materials | 3,861 | 1,870 |
| Packing materials | 6,281 | 6,021 |
| Auxiliary materials and supplies | 1,420 | 1,180 |
| Work-in-process | 6,607 | 12,462 |
| Finished goods: | | |
| - alcoholic beverages | 4,054 | 4,924 |
| - apple products | 24,462 | 4,629 |
| Goods for resale | 8,747 | 69 |
| | 55,432 | 31,155 |
| Write-off of inventories to the net realisable value in the beginning of the year | (2,574) | (2,491) |
| Sold and used for own needs | 800 | 16 |
| Write-off during the year | (137) | (99) |
| Write-off of inventories to the net realisable value at the end of the year | (1,911) | (2,574) |
| Total | 53,521 | 28,581 |

Write off of inventories is booked for:

| | 2007 | 2006 |
|---|---|---|
| Work-in-process | 390 | 390 |
| Plastic crates | 1,192 | 1,968 |
| Other auxiliary materials and supplies | 329 | 216 |
| Total | 1,911 | 2,574 |

Write-down to net relizable value is booked in general and administrative expenses (16 note).

The Group has insured inventories amounting to LTL 39,950 thousand against natural calamities, fire, and other damages and inventories are pledged for the loan banks (see note 14).

## 7. Prepayments

Prepayments consists of:

| | 2007 | 2006 |
|---|---|---|
| Prepayments to local suppliers | 628 | 269 |
| Prepayments to foreign suppliers | 147 | 203 |
| Other taxes prepaid | 72 | - |
| Other prepayments | 501 | 388 |
| Total | 1,348 | 860 |

(LTL '000 unless otherwise stated)

## 8. Trade accounts receivable

Trade accounts receivable consist of:

| | 2007 | 2006 |
|---|---|---|
| Trade accounts receivable | 52,330 | 36,200 |
| Receivable for heating (discussed below) | | |
| Impairment in the beginning of the year | (1,837) | (1,848) |
| Doubtful accounts receivable recovered | 2 | 12 |
| Write off | 843 | |
| Impairment during the year | - | (1) |
| Impairment in business combinations | (126) | - |
| Impairment at the end of the year | (1,118) | (1,837) |
| Total | 51,212 | 34,363 |

During the year 2007, doubtful debts amounting to 843 thousand Litas were written off as the companies were registered out of the Register Center and therefore there is no possibility to recover the debts.

During 2007, UAB Anykščių Šiluma paid delayed interest charges amounting to 80 thousand Litas; in 2006, 120 thousand Litas of delayed interest charges were paid. Due to slow payment there is a risk that UAB Anykščių Šiluma will not have sufficient working capital to pay to AB Anykščių Vynas. Therefore, an impairment loss of 744 thousand Litas was recorded.

## 9. Other accounts receivable

Other accounts receivable consist of:

| | 2007 | 2006 |
|---|---|---|
| Import VAT | 494 | - |
| Import excise | 2,528 | |
| Loans issued | 220 | 586 |
| Other accounts receivable | 1,246 | 320 |
| Total | 4,488 | 906 |
| Impairment in the beginning of the year | (130) | (130) |
| Additions during the year | - | - |
| Impairment at the end of the year | (130) | (130) |
| Total | 4,358 | 776 |

Import excise and import VAT receivable as at 31 December 2007 is recorded both as an asset and a liability (Note 13). In accordance with the prevailing legislation, import excise and import VAT incurred is recorded as a payable to the Customs Department. However, until the 16th of next month payment of import excise due to the Customs Department the amount paid is refundable or might be anulled by the State Tax Inspectorate, the central tax administrator in Lithuania. Due to this, the import excise and the import VAT amount recorded as a liability is also an asset to the Group.

## 10. Cash and cash equivalents

Cash and cash equivalents consist of:

| | 2007 | 2006 |
|---|---|---|
| Cash in banks | 898 | 3,648 |
| Cash on hand | 76 | 28 |
| Total | 974 | 3,676 |

## 11. Shareholders' equity

Share capital

The share capital comprises 50,827,209 ordinary shares with a nominal value of 1 Litas each and the total share capital of 50,827,209 Litas, fully paid. The holders of the ordinary shares are entitled to one vote per share in the shareholders' meeting and are entitled to receive dividends as declared from time to time and to capital repayment in case and to a share of residual assets. One ordinary share gives a right to one vote at the shareholders' meeting.

Legal reserve

The legal reserve is a compulsory reserve under Lithuanian legislation. Annual contributions of 5% of the retained earnings available for distribution are required until the legal reserve and the share premium reach 10% of the authorized capital.

Revaluation reserve

| | 2007 | 2006 |
|---|---|---|
| Increase in value of AB Šiaulių Bankas shares | 11,625 | 11,851 |
| Deferred income tax to equity | (1,744) | (1,778) |
| Total | 9,881 | 10,073 |

Profit distribution

The Board of the Group will propose for the shareholders to pay 2,541 thousand Litas dividends (8,132 thousand Litas dividends were paid for 2006). The proposal shall be approved by the General Shareholders' Meeting.

## 12. Basic earnings per share

Basic earnings per share are calculated as follows:

| | 2007 | 2006 |
|---|---|---|
| Net profit, attributable to the shareholders | 7,862 | 17,624 |
| Number of shares (thousands) | 50,827 | 50,827 |
| Earnings per share (LTL) | 0.15 | 0.35 |

AB Alita has no dilutive potential shares or convertibles. The diluted earnings per share are the same as the basic earnings per share.

## 13. Accrued liabilities

Accrued liabilities are listed below:

| | 2007 | 2006 |
|---|---|---|
| Excise duty | 20,620 | 12,184 |
| Value added tax (VAT) | 10,580 | 5,519 |
| Packaging tax | 3,927 | 1,371 |
| Import excise (Note 9) | 2,528 | - |
| Import VAT (Note 9) | 494 | - |
| Advances received | 960 | 2,164 |
| Salaries | 640 | 491 |
| Accrued social security tax | 523 | 372 |
| Withholding income tax | 169 | 121 |
| Vacation pay | 1,745 | 1,003 |
| Other accrued liabilities | 3,810 | 724 |
| Total | 45,996 | 23,949 |

Lithuania has an excise tax imposed on alcohol production. The excise tax was calculated for denatured alcohol and alcoholic beverages at a rate of LTL 3,200 for a hectoliter (HLT) of pure ethanol until 31 december 2007. The excise tax for wines depends on the wine category, and is calculated in LTL for a hectoliter. From 1 January 2008 the excise tax rate for alcoholic beverages increased by 20 percent, for bear -in 10 percent. Excise tax rates are provided in the table below:

| Beverage | Alcohol content by volume | Excise tax rates until 31 December 2007 (LTL for hectolitre) | Excise tax rates from 1 January 2008 (LTL for hectolitre) |
|---|---|---|---|
| Sparkling wine | 11% | 150 Lt/HLT | 180 Lt/HLT |
| Sparkling wine drink | 7-8% | 40 Lt/HLT | 48 Lt/HLT |
| Sparkling drink | 9.50% | 150 Lt/HLT | 180 Lt/HLT |
| Cocktails | 5-6 % | 3200 Lt/100%/HLT | 3840 Lt/100%/HLT |
| Cider | 6% | 40 Lt/HLT | 48 Lt/HLT |
| Hard liqueurs | 37.5-50 % | 3200 Lt/100%/HLT | 3840 Lt/100%/HLT |
| Fortified wine | 21% | 230 Lt/HLT | 276 Lt/HLT |
| Wine | 10.50% | 150 Lt/HLT | 180 Lt/HLT |
| Fruit wine | 18-19 % | 230 Lt/HLT | 276 Lt/HLT |
| Bear until 1 mln LTR | 4,7-9,5 % | 3,50 Lt/HLT 1% | 3,85 Lt/HLT 1% |
| Bear from 1 mln LTR | 4,7-9,5 % | 7,00 Lt/HLT 1% | 7,70 Lt/HLT 1% |

## 14. Long-term and short-term bank loans and leasing liabilities

| | 2007 | 2006 |
|---|---|---|
| Long-term loans | 61,985 | 3,396 |
| Long-term leasing liabilities | 1,713 | - |
| Total long-term liabilities | 63,698 | 3,396 |
| Current portion of long-term loan | 11,848 | 24,457 |
| Credit line | 44,473 | 11,485 |
| Overdraft | 1,751 | - |
| Curent portion of long-term leasing liabilities | 949 | |
| Total short-term liabilities | 59,021 | 35,942 |

The Group has a long-term loan balance amounting to LTL 3,396 thousand which must be repaid fully till May 31, 2008. In 2007 the average annual variable rate of the loan was 5.08%. In 2007 a new long-term loan was taken in EUR and its repayment term is the year 2012, the average variable rate of the loan was 7.25% in 2007.

As at December 31, 2007, the limit of the credit lines of the Group amounts to LTL 56,308 thousand, the actually used part is LTL 44,473 thousand. The average variable rate of the loans was from 4.82 to 6.52%.The Group has a limit of the overdraft amounting to LTL 4,500 thousand as well, the used part as at 31 December 2007 is LTL 1,751 thousand and the average variable rate was 4,35 - 6,51 %.

To secure long-term loans and credit lines, the Company has pledged tangible non-current assets with the residual value of LTL 54,195 thousand as at December 31, 2007, inventories of LTL 32,118 thousand, all the current and future Company funds in the banks, trademarks.

(LTL '000 unless otherwise stated)

0

| | Future payments | Interest | Present value of payment |
|---|---|---|---|
| Less than one year | 1,071 | 122 | 949 |
| Between one and five years | 1,816 | 103 | 1,713 |
| More than five years | | | - |
| Total | 2,887 | 225 | 2,662 |

## 15. Selling and distribution expenses

Selling and distribution expenses consist of:

| | 2007 | 2006 |
|---|---|---|
| Advertising | 16,851 | 15,246 |
| Warehousing | 7,853 | 1,783 |
| Sales and marketing departments' expenses | 4,785 | 1,992 |
| Transportation and logistics | 2,442 | 1,539 |
| Other | 1,054 | 457 |
| Total | 32,985 | 21,017 |

## 16. General and administrative expenses

General and administrative expenses consist of:

| | 2007 | 2006 |
|---|---|---|
| Salaries, wages and social security | 6,310 | 4,469 |
| Tax expenses (other than income tax) | 4,712 | 2,045 |
| Maintenance and repairs | 1,848 | 2,080 |
| Depreciation and amortisation | 1,879 | 1,635 |
| Redundancy compensations | 56 | 303 |
| Other employee related cost | 139 | 445 |
| Write-off of inventories | 414 | 54 |
| Reversed impairment of property, plant and equipment | (1,525) | - |
| Professional services | 356 | 228 |
| Insurance expenses | 315 | 201 |
| Bank fees | 71 | 73 |
| Other payments to employee | 139 | 445 |
| Charity | 638 | 1,183 |
| Change in write down for obsolete and slow moving inventories | 134 | 99 |
| Other | 4,381 | 2,220 |
| Total | 19,867 | 15,480 |

The Group employed 816 employees as at 31 December 2007 (570 employees as at 31 December 2006).

Salaries, wages and bonuses including personal income tax and social insurance tax in the financial statements distributed as follows:

| | | |
|---|---|---|
| To cost of sales | 9,187 | 7,880 |
| To selling and distribution expenses | 7,429 | 2,754 |
| To general and administrative expenses | 6,505 | 6,180 |
| Total | 23,121 | 16,814 |

## 17. Other income (expenses)

Other income (expenses) consist of:

| | 2007 | 2006 |
|---|---|---|
| Income from disposed asset | 2,635 | 857 |
| Services rendered | 1,292 | 688 |
| Income from disposed non current asset | 624 | 129 |
| Other income | 82 | 70 |
| Total | 4,633 | 1,744 |
| Cost of asset sold | 2,159 | 754 |
| Cost of services rendered | 811 | 416 |
| Other expenses | 37 | 2 |
| Total | 3,007 | 1,172 |

(LTL '000 unless otherwise stated)

## 18. Financial income (expenses)

Financial income (expenses) consist of:

| | 2007 | 2006 |
|---|---|---|
| Interest income | 93 | 323 |
| Gain from available-for-sale investments disposal | 1,792 | 53 |
| Currency exchange gain (loss), net | 8 | (7) |
| Other financial income | 218 | 181 |
| Total | 2,111 | 550 |
| Interest expenses on loans | (4,443) | (1,976) |
| Other financial expenses | (542) | (56) |
| Total | (4,985) | (2,032) |

## 19. Information according to business and geographic segments

Segment information for the year ended 31 December 2007 is presented below:

| | Wholesale alkoholic drinks | Alkoholic products | Apple products | Unallocated | Total |
|---|---|---|---|---|---|
| Net sales by segment | 57,522 | 121,640 | 17,919 | 914 | 197,995 |
| Cost of sales | (37,144) | (72,724) | (11,624) | (719) | (122,211) |
| Depreciation and amortisation | - | (5,467) | (878) | - | (6,345) |
| Gross profit | 20,378 | 43,449 | 5,417 | 195 | 69,439 |
| Other income | 676 | | | 3,957 | 4,633 |
| Operating expenses | (12,196) | (32,534) | (4,794) | (1,770) | (51,294) |
| Other expenses | (914) | | | (2,093) | (3,007) |
| Removal of impairment | | | | 1,525 | 1,525 |
| Depreciation and amortisation | (400) | (2,323) | (342) | (18) | (3,083) |
| Operating result | 7,544 | 8,592 | 281 | 1,796 | 18,213 |
| Financial income | 33 | | | 2,078 | 2,111 |
| Financial expenses | (163) | - | - | (4,822) | (4,985) |
| Share of profit (loss) of equity accounted investees | | | | (3,922) | (3,922) |
| Income tax income (expenses) | - | - | - | (3,518) | (3,518) |
| **Net result for the year before minority interest** | 7,414 | 8,592 | 281 | (8,388) | 7,899 |
| Minority interest | - | - | - | (37) | (37) |
| **Net result for the year related to shareholders** | 7,414 | 8,592 | 281 | (8,425) | 7,862 |
| *Segment assets* | | | | | |
| Non-current assets | 8,266 | 53,705 | 5,919 | 107,011 | 174,901 |
| Inventories | 8,671 | 18,586 | 24,944 | 1,320 | 53,521 |
| Other current assets | 17,047 | 37,187 | - | 3,658 | 57,892 |
| **Total segments assets** | 33,984 | 109,478 | 30,863 | 111,989 | 286,314 |
| *Segment liabilities* | | | | | |
| Trade accounts payable | 2,503 | 4,300 | - | 15,824 | 22,627 |
| Other liabilities | 32,077 | 34,056 | - | 105,069 | 171,202 |
| **Total segment liabilities** | 34,580 | 38,356 | - | 120,893 | 193,829 |
| Acquisitions of non-current assets | 2,149 | 1,814 | 50 | 76,458 | 80,471 |

(LTL '000 unless otherwise stated)

## 19. Information according to business and geographic segments

Segment information for the year ended 31 December 2006 is presented below:

| | 0 Wholesale alkoholic drinks | Alkoholic products | Apple products | Unallocated | Total |
|---|---|---|---|---|---|
| Net sales by segment | - | 122,700 | 16,075 | 4,688 | 143,463 |
| Cost of sales | - | (66,104) | (9,365) | (3,616) | (79,085) |
| Depreciation and amortisation | - | (5,261) | (1,236) | - | (6,497) |
| Gross profit | - | 51,335 | 5,474 | 1,072 | 57,881 |
| Other income | | | | 1,744 | 1,744 |
| Operating expenses | - | (28,891) | (3,783) | (1,105) | (33,779) |
| Other expenses | | | | (1,172) | (1,172) |
| Depreciation and amortisation | - | (2,325) | (304) | (89) | (2,718) |
| Operating result | - | 20,119 | 1,387 | 450 | 21,956 |
| Financial income | | | | 557 | 557 |
| Financial expenses | - | - | - | (2,039) | (2,039) |
| Income tax income (expenses) | - | - | - | (2,756) | (2,756) |
| **Net result for the year** | - | **20,119** | **1,387** | **(3,788)** | **17,718** |
| Minority interest | - | - | - | (94) | (94) |
| **Net result for the year** | - | **20,119** | **1,387** | **(3,882)** | **17,624** |
| *Segment assets* | | | | | |
| Non-current assets | - | 40,248 | 6,846 | 50,719 | 97,813 |
| Inventories | - | 19,822 | 12,795 | (4,036) | 28,581 |
| Other current assets | - | 256 | - | 39,419 | 39,675 |
| **Total segments assets** | - | **60,326** | **19,641** | **86,102** | **166,069** |
| *Segment liabilities* | | | | | |
| Trade accounts payable | - | 4,515 | 15 | 3,345 | 7,875 |
| Other liabilities | - | - | 962 | 64,322 | 65,284 |
| **Total segment liabilities** | - | **4,515** | **977** | **67,667** | **73,159** |
| Acquisitions of non-current assets | - | 1,192 | 331 | 2,798 | 4,321 |

**Geographic segments**

| | 2007 | 2006 |
|---|---|---|
| Revenue from domestic market customers | 173,206 | 123,194 |
| Revenue from foreign customers | 24,789 | 20,269 |
| Total | 197,995 | 143,463 |

All the Company's asset are located in Lithuania, except asociate's investments in Serbia.

(LTL '000 unless otherwise stated)

## 20. Deferred income tax

| | 2007 | 2006 |
|---|---|---|
| Current tax | 3,134 | 3,546 |
| Correction of previous year profit tax | (3) | |
| Change in deferred tax | 387 | (790) |
| Total income tax expense | 3,518 | 2,756 |

The reconciliation of effective tax rate is as follows:

| | 2007 | | 2006 | |
|---|---|---|---|---|
| Profit before tax | | 11,417 | | 20,474 |
| Income tax using standard tax rate | 18.0% | 2,055 | 19.0% | 3,890 |
| Non-taxable income | -0.4% | (42) | -0.2% | (34) |
| Non-deductible expenses | 5.7% | 652 | 1.9% | 385 |
| Charity and sponsorship (deductible twice) | -1.9% | (216) | -1.0% | (195) |
| Recognition of previously unrecognized tax losses | 0.0% | - | -5.1% | (1,048) |
| Recognition of previously unrecognized temporary differences | -5.3% | (603) | -0.2% | (42) |
| Impact of change of tax rates on temporary differences | 0.6% | 72 | -1.0% | (200) |
| Not recognised taxable loses | 6.9% | 791 | 0.0% | - |
| Not recognised temporary differences in equity | 7.1% | 812 | 0.0% | - |
| Previous year corrections | 0.0% | (3) | 0.0% | - |
| Total | 30.8% | 3,518 | 13.5% | 2,756 |

The caclulation of deferred tax is as follows:

| | 2007 | | 2006 | |
|---|---|---|---|---|
| | Temporary differences | Deferred tax | Temporary differences | Deferred tax |
| Stock | 3,278 | 492 | 760 | 137 |
| Investments to associate | 3,922 | 588 | 1,715 | 257 |
| Non current asset | 657 | 99 | 4,900 | 735 |
| Amounts receivable | 876 | 131 | 1,721 | 258 |
| Tax loss carry forward | 5,335 | 800 | 2,869 | 430 |
| Vacation accrual | 1635 | 245 | 1003 | 173 |
| Other | | | | |
| Adjustment of realizable value of deferred tax | | (1,603) | | (726) |
| Deferred tax asset total | | 752 | | 1,264 |
| Non current asset | (7,350) | (1,103) | (8,188) | (1,228) |
| Investments available for resale | (11,625) | (1,744) | (11,851) | (1,778) |
| Deferred tax liability total | | (2,846) | | (3,006) |
| Net deferred tax | | (2,094) | | (1,742) |

The current profit tax rate for the year ended 31 December 2007 was 15% (2006: 15%). According to the amended Lithuanian tax legislation, for the taxable periods starting from 1 January 2006 to 31 December 2007, companies' profits subject to corporate income tax were levied by additional social tax at a rate of 4% during 2006 and at a rate of 3% during 2007. The social tax was imposed in addition to the corporate income tax of 15%. The deferred tax asset is calculated as at 31 December 2007 according to the rate of 15% .

Part of deferred tax liability of 1,744 tLTL as at 31 December 2007 is recorded in equity against the revaluation reserve formed on AB Šiaulių Bankas shares.

The change in deferred tax could be presented as follows:

| | 2007 | 2006 |
|---|---|---|
| Deferred tax asset (liability) as at 1 January | (1,742) | (2,154) |
| Change in deferred tax booked in income statement | (386) | 790 |
| Change in deferred tax booked in elquity | 34 | (378) |
| Deferred tax asset (liability) as at 31 December | (2,094) | (1,742) |

(LTL '000 unless otherwise stated)

## 21. Transactions with related parties

**Loans issued to the shareholders of the Group**

| | 2007 | 2006 |
|---|---|---|
| Long term part of loans | - | 4,168 |
| Current portion of long-term loans | - | 520 |
| Total loans | - | 4,688 |

During 2007 the Group's management was paid LTL 1,583 thousand salaries (LTL 1,217 thousand in 2006) and LTL 6,812 thousand dividends (LTL 6,387 thousand in 2006).

## 22. Contingent liabilities

In 2007 the Group granted a guarrantee for the amount of EUR 1,000 thousand to the Privatization Agency of the Republic of Serbia from the available limit of the guarrantee amont of EUR 3,600 thousand and LTL 3,090 thousand to the Kaunas territorial customs for the import procedures from the guarrantee limit of LTL 7,000 thousand.

The Group does not have other significant contingent liabilities except for pledged assets and other obligations to banks, mentioned in note 14.

In connection with the credit liabilities to the bank, the Group has certain loan covenants in place. During the term of the loan contract, the ratio of shareholders' equity and assets recorded in the consolidated balance sheet must be at least 30 per cent. The Debt Service Coverage Ratio should be not less than 1,1 and Interest Sevice Coverage Ratio should be not less than 3. As at 31 December 2007, these ratios were 32%, 6 and 0,9 respectively.The Company's management is confident that Debt Service Coverage non - compliance is temporary and will be rectified in the near future.

In accordance with the National Allocation Plan for 2008-2012, AB Anykščių Vynas has been provided with 14,934 $CO_2$ emission allowances (2,986 per year) for the system boiler house, oilcake dryer.
As at 31 December 2007 The Company rents land plots from the State. The annual rent fee in 2007 amounted to 110 thousand Litas. The environmental obligations (cleaning, restoration, etc.) are incumbent on the rented state land. No provision is included in the financial statements as at 31 December 2007 as the management was not able to estimate timing and amount of such works.

According to the agreement of acquisition of shares of the brewery Belgrade Beogradska Industria Piva dated September 2007, AB Alita oblidged to invest an amount of 17.6 mLitas to the associated company for acquisition of new technologies. The way of investment will be chosen and coordinated with the bank.

## 23. Subsequent events

No significant events occured after the balance sheet date, which would require adjustments to these financial statements.

# JSC „ALITA“

# THE ANNUAL REPORT OF 2007

THE CONTENTS



## 1. THE GENERAL INFORMATION ABOUT THE ISSUER.

**The reporting cycle, for which the Annual Report is prepared.**

The Annual Report is prepared for the year of 2007.

**The Issuer and his contact data.**

| | |
|---|---|
| The name | „Alita“ |
| The legal-organizational form | The Joint-Stock Company |
| The registration date and place | December 10, 1990, the Alytus Branch of the State Registry Center |
| The re-registration date and place | April 14, 1995, the Alytus Branch of the State Registry Center |
| The Register number | AB 95-1. |
| The Company Registry Code 149519891 | |
| The address of the residence | Miškininkų 17, Alytus, LT- 62200. |
| Telephone number | (8-315) 5 72 43 |
| Fax. number | (8-315) 7 94 67 |
| E-mail: | alita@alita.lt |
| Website: | www.alita.lt |

The subsidiaries of theJSC „Alita“ and their contact data:

| | |
|---|---|
| The name | „Anykščių Vynas“ |
| The legal form | The Joint-Stock Company |
| The Registration date and place | November 21, 1990, the Utena Branch of the State Company Registry Center. |
| The re-registration date and place | July 28, 2004, the Utena Branch of the State Company Registry Center. |
| The Register number | BĮ 97-340 |
| The Company Registry Code 254111650 | |
| The address of the residence: | Dariaus ir Girėno str. 8, Anykščiai, LT- 29131. |
| Telephone number | (8-381) 50233 |
| Fax. number | (8-381) 50350. |
| E-mail: | info@anvynas.lt |
| Website: | www.alita.lt |

| | |
|---|---|
| The name | „Alita Distribution“ |
| The legal form | The Private Joint-Stock Company |
| The Registration date and place | January 18,2002, Marijampolė Municipality. |
| The re-registration date and place | July 18, 2004, the Vilnius Municipality. |
| The Register number | AB 2002-751 |

| | |
|---|---|
| The Company Registry Code | 151461114 |
| The address of the residence: | Goštauto str. 12, Vilnius, LT-01108. |
| Telephone number | (8-5) 268 36 30 |
| Fax. number | (8-5) 268 36 36. |
| E-mail: | info@alitadistribution.lt |
| Website: | www.alitadistribution.lt |

The PJSC „Vilkmergės Alus" belongs to the PJSC „Alita Distribution"

| | |
|---|---|
| The name | „Vilkmergės Alus" |
| The legal form | The Private Joint-Stock Company |
| The Registration date and place | July 13, 1993, the Vilnius Municipality. |
| The Register number | AB 93-861 |
| The Company Registry Code | 122016951 |
| The address of the residence: | Antakalnio III village, the Livonija Local Authorities, Ukmergė District, LT-20101. |
| Telephone number | (8-340) 63 770 |
| Fax. number | (8-340) 63 788. |
| E-mail: | info@vilkmergesalus.lt |
| Website: | www.vilkmergesalus.lt |

**1.3. The main activities of the Issuer.**

The principal activities of the JSC „Alita" and JSC „Anykščių Vynas" are: the production and sale of the alcoholic drinks and concentrated juice.
The activity of the PJSC „Vilkmergės Alus": the beer production.
The activity of the PJSC „Alita Distribution": the wholesale and retail of the alcoholic drinks.

**1.4. The information on the transactions with the brokers of the securities of the public turnover.**

In November 18, 2003 the Company signed a contract with the JSC bank „Hansabankas", represented by the Security Safekeeping Department on the transfer of the Issuer's securities accounting. Savanorių pr. 19, LT-03502, Vilnius, tel.: (8-5) 268 44 85, fax.: (8-5) 268 41 70.

On July 29, 2004, the JSC „Anykščių Vynas" and the JSC „Hansabankas" made a contract No. 2004-06-30/001 to keep the Company issued securities accounting and personal securities accounts. The JSC „Hansabankas is located in Savanorių pr. 19, LT-03502 Vilnius. Tel.: (8-5) 268 44 85. Fax.: (8-5) 268 41 70.

**1.5. The data about the Issuer's securities trade.**

The securities of the JSC „Alita" were entered in the list of the Vilnius Stock Exchange on May 25, 1998. On December 2007, there were 50 827 209 of the JSC „Alita" ordinary registered shares of the nominal value of one Litas in the the current trading list of the VSE, the total nominal value of which amounted to 50 821 209 of LTL. The ISIN Code of these securities is LT0000118655 (The abbr. is ALT1L).

The information about the self-acting fulfilment of the VSE prices and turnover of the sold transactions during 01 01 2006 – 31 12 2007 is given in the table below:

| The year and the quarter | The price, LTL | | The turnover | | The last trading days of the period | | | The total turnover | |
|---|---|---|---|---|---|---|---|---|---|
| | Max. | Min. | Max. | Min. | Price, LTL | Turnover, LTL | Date | Unit | LTL |
| 2006 I | 3,39 | 2,80 | 665 945,86 | 0 | 2,96 | 6 216,40 | 2006.03.31 | 803 511 | 2 460 339,15 |
| 2006 II | 3,00 | 2,20 | 156 788,35 | 0 | 2,39 | 14 808,44 | 2006.06.30 | 636 941 | 1 529 584,93 |
| 2006 III | 3,12 | 2,39 | 331 765,72 | 0 | 3,02 | 0 | 2006.09.29 | 573 593 | 1 626 096,31 |
| 2006 IV | 4,30 | 3,01 | 148 241,10 | 0 | 4,29 | 52 632,25 | 2006.12.29 | 650 202 | 2 245 955,03 |
| 2007 I | 4,95 | 3,60 | 287 135,35 | 0 | 4,18 | 17 653,60 | 2007.03.30 | 1 000 554 | 4 270 635,28 |
| 2007 II | 4,47 | 3,75 | 259 635,00 | 0 | 4,45 | 0 | 2007.06.29 | 353 766 | 1 462 269,39 |
| 2007 III | 4,55 | 4,06 | 234 376,50 | 0 | 4,22 | 4 220,00 | 2007.09.28 | 289 366 | 1 233 437,14 |
| 2007 IV | 4,30 | 3,95 | 147 130,20 | 0 | 4,20 | 13 084,14 | 2007.12.28 | 293 788 | 1 235 278,55 |

The capitalization of the JSC „Alita" securities in 2007 is given in the table below:

| The date | The capitalization, LTL | The price of a share, LTL |
|---|---|---|
| 2007.03.30 | 212 457 733,62 | 4,18 |
| 2007.06.29 | 226 181 080,05 | 4,45 |
| 2007.09.28 | 2 144 910 831,98 | 4,22 |
| 2007.12.28 | 213 474 277,80 | 4,20 |

The Company did not sell the ordinary registered shares in the other Stock Exchanges except the VSE.

The data about the outside Stock Exchange transactions of the JSC „Alita" ordinary registered shares are given in the table below:

| The year and the quarter | The price, LTL | | The total turnover of the quarter, Unit | |
|---|---|---|---|---|
| | Maximum | Minimum | Cash payment | Indirect payment |
| 2006 I | 0 | 0 | 0 | 19 416 |
| 2006 II | 0 | 0 | 0 | 9 000 |
| 2006 III | 0 | 0 | 0 | 0 |
| 2006 IV | 0 | 0 | 0 | 0 |
| 2007 I | 0 | 0 | 0 | 0 |
| 2007 II | 0 | 0 | 0 | 0 |
| 2007 III | 0 | 0 | 0 | 0 |
| 2007 IV | 0 | 0 | 0 | 0 |

On July 3, 1995, the JSC „Anykščių Vynas" ordinary registered shares were included in the Vilnius Stock Exchange Current List. On December 31, 2007, there were 49 080 535 ordinary registered shares of the JSC „Anykščių Vynas". The total nominal value of the shares is 49 080 535 of LTL. The ISIN Code of these shares is LT0000112773 (the abbr. is ANK1L).

The information about the self-acting fulfilment of the VSE prices and turnover of the sold transactions during 01 01 2006 – 31 12 2007 is given the table below:

| The year and the quarter | The price, LTL | | The turnover | | The last trading days of the period | | | The total turnover | |
|---|---|---|---|---|---|---|---|---|---|
| | Max. | Min. | Max. | Min. | | Max. | Min. | Max. | Min. |
| 2006 I | 0,89 | 0,74 | 49 914,72 | 0 | 0,75 | 0 | 2006.03.31 | 363 373 | 305 809,83 |
| 2006 II | 0,78 | 0,61 | 6 681,97 | 0 | 0,70 | 0 | 2006.06.30 | 51 142 | 34 826,41 |
| 2006 III | 0,87 | 0,70 | 107 459,27 | 0 | 0,81 | 4 194,18 | 2006.09.29 | 383 091 | 300 858,82 |
| 2006 IV | 1,27 | 0,81 | 158 822,94 | 0 | 1,27 | 45 824,24 | 2006.12.29 | 769 515 | 783 549,41 |
| 2007 I | 1,65 | 0,98 | 180 235,53 | 0 | 1,15 | 3 812,25 | 2007.03.30 | 1 679 910 | 2 282 976,19 |
| 2007 II | 1,19 | 0,99 | 20 483,93 | 0 | 1,18 | 2 401,71 | 2007.06.29 | 251 578 | 275 470,29 |
| 2007 III | 1,27 | 1,06 | 24 788,70 | 0 | 1,21 | 19 960,10 | 2007.09.28 | 178 986 | 206 551,08 |
| 2007 IV | 1,27 | 1,07 | 17 074,94 | 0 | 1,07 | 1 635,51 | 2007.12.28 | 119 226 | 141 425,95 |

The capitalization of the JSC „Alita" securities in 2007 is given in the table below:

| The date | The capitalization, LTL |
|---|---|
| 2007 03 31 | 56 442 615,25 |
| 2007 06 30 | 57 915 031,30 |
| 2007 09 30 | 59 387 447,35 |
| 2007 12 30 | 52 516 172,45 |

The data about the outside Stock Exchange transactions of the JSC „Anykščių Vynas" ordinary registered shares is given in the table below:

| The year and the quarter | The price, LTL | | The total turnover of the quarter, Unit. | |
|---|---|---|---|---|
| | Maximum | Minimum | Cash payment | Indirect payment |
| 2006 I | - | - | - | - |
| 2006 II | - | - | - | 18 463 |
| 2006 III | - | - | - | - |
| 2006 IV | - | - | - | - |
| 2007 I | - | - | - | - |
| 2007 II | - | - | - | - |
| 2007 III | - | - | - | - |
| 2007 IV | - | - | - | 2 961 |

The PJSC „Alita Distribution" and the PJSC „Vilkmergės Alus" do not trade the shares openly.

## 2. THE OTHER INFORMATION ABOUT THE ISSUER.

### 2.1. The structure of the Issuer's authorized capital.

The authorized capital of the JSC „Alita", registered in the Register of Enterprises, is 50 827 209 of LTL.

The structure of the authorized capital of the JSC „Alita" is according to the types of the shares:

| The type of a share | The number of the shares | The nominal value (LTL) | The total nominal value (LTL) | The part in the authorized capital (%) |
|---|---|---|---|---|
| Ordinary registered shares | 50 827 209 | 1 | 50 827 209 | 100,00 |
| **Total:** | **50 827 209** | - | **50 827 209** | **100,00** |

All the JSC „Alita“ shares are paid-up.

The Company did not issue securities that unmark the participation in the authorized capital.

In the reporting year the Company did not acquire its own shares.

In 2007 there were no announced proposals from the third parties to buy the ordinary registered shares of the JSC „Alita“. The Joint-Stock Company „Alita“ also did not announce proposals to buy the securities of the other Issuers.

The structure of the authorized capital of the JSC „Anykščių Vynas“ is according to the types of the shares:

| The type of a share | The number of the shares | The nominal value (LTL) | The total nominal value (LTL) | The part in the authorized capital (%) |
|---|---|---|---|---|
| Ordinary registered shares | 49 080 535 | 1 | 49 080 535 | 100,00 |
| **Total:** | **49 080 535** | - | **49 080 535** | **100,00** |

On January 1, 2007 the JSC „Alita“ owned 46 577 570 u. or 94.90% of the ordinary registered shares of its subsidiary the JSC „Anykščių Vynas“, the nominal value of which is 1 LTL. In 2007 the JSC „Alita“ neither sold, nor acquired the JSC „Anykščių Vynas“ shares. On December 31, 2007, 2 502 965 u. or 5,1% of the JSC „Anykščių Vynas“ shares belonged to the other small shareholders. On December 31, 2007, 394 shareholders had the shares of the JSC „Anykščių Vynas“. In the reporting year the nominal values of the JSC „Anykščių Vynas“ share and the authorized capital did not change. In 2007 the JSC „Anykščių Vynas“ made a profit of 0.7 mln. of LTL. In 2007 the JSC „Anykščių Vynas“ had no subsidiaries. During the reporting financial year the JSC „Anykščių Vynas“ did not acquire its own shares and in general it has no shares at all. The JSC „Anykščių Vynas“ had no shares of the other companies and did not acquire them. The Company has no subsidiaries and agencies.

On April 12, 2007, the JSC „Alita“ obtained 100% of the share block of the alcohol wholesale trading firm the PJSC „Daivalda“. On April 27, 2007 the name of the wholesale trading firm PJSC „Daivalda“ was renamed into the PJSC „Alita Distribution“. Since 2003 the Company has exceptional rights to the distribution of the production of the PJSC „Vilkmergės Alus“. According to the purchase–selling contract the PJSC „Daivalda“ acquired 79% of the PJSC „Vilkmergės Alus“ shares. It obtained the rest 21% in March, 2007. In April, 2007 the JSC „Alita“ purchased the shares of the PJSC „Daivalda“. There were great changes in the Company. The PJSC „Daivalda“ changed the name of the Company into the PJSC „Alita Distribution“ and it became the production distributor of the JSC „Alita“ and JSC „Anykščių Vynas“.

On June 6, 2007, the consortium of the JSC „Alita and the Swedish finance-investment Company „United Nordic Beverages“ won the privatization competition of the Serbian brewery „Beogradska Industrija Piva“ belonging to the state and the right to acquire 51.9% of the company shares. On September 17, 2007, the JSC „Alita“ and the Swedish Company „United Nordic Beverages“ consortium transfered the sum of 21,4 mln. for the share block of 51.9% of EUR of the Belgrad brewery „Beogradska Industrija Piva“ to the Privatization Agency of the Republic of Serbia. 80% of the controlling block of shares in the consortium belongs to the JSC „Alita“

On January 1, 2007 the JSC „Alita“ had 4 650 418 u. or 4.26 % of the ordinary registered shares of the JSC „Šiaulių Bankas“. In 2007 when the JSC „Šiaulių Bankas“ increased the authorized capital, the JSC „Alita“ got 489 546 u. of the ordinary registered shares free of charge. During 2007 the JSC „Alita“ sold 711 045 and acquired 1 750 081 of the ordinary registered shares of the

JSC „Šiaulių Bankas". At the end of the year the JSC „Alita" had 6 179 000 u. or 3.84% of the ordinary registered shares of the JSC „Šiaulių Bankas"

The Company has its agency in Latvia. The Contact data of the agency is:

| | |
|---|---|
| The name | „Alita" |
| The legal form | Agency |
| The registration date and place | December 1, 2006, Riga. |
| The Register number | P 000715 |
| The Company Register code | 40006011900 |
| The address of the residence | Ūnijas iela 74-1d, LV-1084, Riga |
| The telephone number | (371) 7 283 153 |
| Fax. number | (371) 7 240 425 |
| E-mail | alita@alita.lv |

**2.2. The restrictions of the securities tranfer.**

There are no restrictions of the securities transfer of the JSC „Alita" and the JSC „Anykščių Vynas".

**2.3. The shareholders.**

The total number of the JSC „Alita" shareholders was 589 on December 31, 2007.

The shareholders, who had more then 5% of the Company authorized capital on December 31, 2007:

| Shareholder's name, surname (company name, type, address of the residence, Company Register Code) | Number of the nominal shares owned by a shareholder (u.) | Available part of the authorised capital | The given part of votes on the ground of owned shares | The part of votes belonging to a shareholder together with acting persons (%) |
|---|---|---|---|---|
| Vytautas Junevičius | 21 293 235 | 41,89 | 41,89 | 83,77 |
| Arvydas Jonas Stankevičius | 8 511 333 | 16,75 | 16,75 | 83,77 |
| Darius Vėželis | 6 386 693 | 12,57 | 12,57 | 83,77 |
| Vilmantas Pečiūra | 6 386 693 | 12,57 | 12,57 | 83,77 |

These persons are acting together.

**2.4. The shareholders who has the special control rights and the description of these rights.**

There are no such shareholders.

**2.5. All the restrictions of the voting rigthts.**

There are no restrictions.

## 2.6. The shareholders' inter-agreements about which the Issuer knows and for which the securities tranfer and (or) voting rights may be restricted.

There are no such inter-agreements.

## 2.7. The personnel.

The data about the JSC „Alita" personnel during 2006-2007. Specialists and employees

| The workers group | The average listed number of the workers | | Education | | | | | | | | The average wage, Lt (without paid-out compensations) Higher | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Higher | | Further | | Secondary | | Unfinished secondary | | | |
| | 2006 | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 | 2007 |
| Managers | 5 | 5 | 5 | 5 | - | - | - | - | - | - | 18 028 | 17 083 |
| Specialists and employees | 121 | 115 | 70 | 70 | 51 | 45 | - | - | - | - | 1 692 | 1 927 |
| Workers | 203 | 212 | 2 | 1 | 73 | 87 | 128 | 124 | 0 | 0 | 1 652 | 1 808 |
| Total: | 329 | 332 | 77 | 76 | 124 | 132 | 128 | 124 | 0 | 0 | 1 918 | 2 079 |

The data about the JSC „Anykščių Vynas" staff in 2006 and 2007 is given in the table below:

| The workers group | The average listed number of the workers | | Education | | | | | | | | The average wage, Lt (without paid-out compensations) | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Higher | | Further | | Secondary | | Unfinished secondary | | | |
| | 2006 | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 | 2007 |
| Managers | 2 | 2 | 2 | 2 | - | - | - | - | - | - | 5 647 | 6 457 |
| Specialists and employees | 94 | 87 | 50 | 48 | 43 | 38 | 1 | 1 | - | - | 1 717 | 1 900 |
| Workers | 172 | 180 | 2 | 2 | 37 | 38 | 124 | 125 | 9 | 15 | 1 128 | 1 285 |
| Total: | 268 | 269 | 54 | 52 | 80 | 76 | 125 | 126 | 9 | 15 | 1 253 | 1 416 |

The data about the personnel of the PJSC „Alita Distribution“ in the II-IV quarters of 2007.

| The workers group | The average listed number of the workers | Education | | | | The average wage, Lt (without paid-out compensations) |
|---|---|---|---|---|---|---|
| | | Higher | Further | Secondary | Unfinished secondary | |
| | 2007 | | | | | |
| Managers | 6 | 6 | - | - | - | 5 326 |
| Specialists and employees | 72 | 28 | 43 | 1 | - | 3 054 |
| Workers | 101 | 2 | 14 | 64 | 21 | 1 613 |
| Total: | 179 | 36 | 57 | 65 | 21 | 2 317 |

The data about the personnel of the PJSC „Vilkmergės Alus“ in the II-IV quarters of 2007.

| The workers group | The average listed number of the workers | Education | | | | The average wage, Lt (without paid-out compensations) |
|---|---|---|---|---|---|---|
| | | Higher | Further | Secondary | Unfinished secondary | |
| | 2007 | | | | | |
| Managers | 2 | 2 | - | - | - | 3 910 |
| Specialists and employees | 10 | 3 | 7 | - | - | 1 931 |
| Workers | 24 | 1 | 10 | 11 | 2 | 1 421 |
| Total: | 36 | 6 | 17 | 11 | 2 | 1 684 |

**2.8. The order of the amendment of the Issuer‘s Regulations.**

The Issuer‘s Regulations can be amended in the General Meeting when 2/3 of the shares of the shareholders take part in the meeting and they won the majority of the votes and when the shareholders, who have the shares that give them more then ½ of all the votes, take part in the meeting.

**2.9. The Issuer‘s bodies.**

The structure of the JSC „Alita“ management bodies consists of:
The General Meeting,
The Board (of 4 members elected for 4 years)
The Company Manager (elected and recalled by the Company Board).

The composition of the JSC „Alita“ Board since 11 11 2004 till the day of the report preparation: positions, names and surnames, data on the participation in the authorized capital.

| Name, surname | Position | Available part of the authorised capital, % | The vote part according to the owned shares* |
|---|---|---|---|
| Vytautas Junevičius | Chairman | 41.89 | 41.89 |
| Vilmantas Pečiūra | Member | 12.57 | 12.57 |
| Arvydas Jonas Stankevičius | Member | 16.75 | 16.75 |
| Darius Vėželis | Member | 12.57 | 12.57 |

*The Company Board as together acting persons had 83.77% of votes in 31 12 2007.

During the reporting year the Board held 16 meetings. During the Board meetings the questions of the day were discussed – the strategy of the Company was formed, the production activity, the activity results of the separate quarters, the data of the Financial Accountability were analized.

### 2.10. The members of the collegial bodies, the Company Manager, the Chief Financier

The administration

| Name, surname | Position | Available part of the authorised capital, % | The vote part according to the owned shares* |
|---|---|---|---|
| Vytautas Junevičius | General Director, since 1994 | 41,89 | 41,89 |
| Alina Miežiūnienė | Accountant-General, since 2005 | - | - |

The additional data about the Board Chairman, Administration Manager and the Finance Director (Chief Financier).

| Name, surname | Position | Education (Profession) | The former working places during 10 years and occupation there | Data about the previous convictions for the economic crimes |
|---|---|---|---|---|
| Vytautas Junevičius | The Chaiman of the Board, the Administration Manager | Higher (engineer economist) | Since 1994 is the JSC „Alita“ General Director | No |
| Alina Miežiūnienė | Accountant-General | Higher (accounting and audit, economist) | Since 1997 was the bookkeeper of the JSC „Alita“, since 1998 administrator of the accounting system, since 2000 is the Deputy Accountant-General, since 2005 is the Accountant-General. | No |

The data about the participation in the activities of the other companies and organizations

| Name, surname | **The company, office, organization name, position** | **The part of the company capital and vote, %** |
|---|---|---|
| *Vytautas Junevičius* | PJSC „Šiaulių banko investicijų valdymas“<br>PJSC „Aunuva“<br>JSC „Anykščių vynas“, Chairman of the Board<br>JSC „Šiaulių bankas“ Member of the Board | 5,6<br>50 |
| *Vilmantas Pečiūra* | JSC „Beogradska Industrija Piva“, Chairman of the Board<br>JSC „Anykščių vynas“ Member of the Board | - |
| *Arvydas Jonas Stankevičius* | PJSC „Lieda“<br>PJSC „Alytaus vaistinė“<br>JSC „Anykščių vynas“ Member of the Board | 40<br>40 |
| *Darius Vėželis* | JSC „Anykščių vynas“ Member of the Board<br>JSC „Beogradska Industrija Piva“, Member of the Board | - |
| *Alina Miežiūnienė* | JSC „Beogradska Industrija Piva“, Member of the Board | - |

In 2007 the Board of the subsidiary company – the JSC „Anykščių Vynas“ – consisted of the same members as of the JSC „Alita“.In 2007 the Board held 8 meetings where the questions of the day were discussed – the credit raising, the analysis of the results of the activity and other problems.

The Board and the Supervisory Board are not formed in the PJSC „Alita Distributions“ and „PJSC „Vilkmergės Alus“.

The information about the payoffs and loans to the members of the management bodies of the the JSC „Alita“ Company group.

| The indices | The payoffs in 2007 , thou. of LTL | | The payoffs in the II-IV quarters in 2007, thou. of LTL | |
|---|---|---|---|---|
| | JSC „Alita“ | JSC „Anykščių vynas“ | PJSC „Alita distribution“ | PJSC „Vilkmergės alus“ |
| The calculated sums related to the working terms to the Managers in a year. | 1 025 | 203 | 288 | 67 |
| The other significant sums calculated to the Managers in a year (bonuses). | 6 812 | - | - | - |
| The average number of the Managers in a year. | 5 | 2 | 6 | 2 |
| The calculated sums related to the working terms to the Managers, falling to one person | 205 | 102 | 48 | 33 |
| The received sums of the Managers (Members of the Board) from the companies where the Issuer‘s part in the authorized capital is more than 20%. | - | - | - | - |

During the reporting period the members of the management bodies did not receive any loans, guarantees or vouchers by which the execution of their obligations were ensured.

**2.11.The significant transactions.**

There were no significant transactions whose one party was the Issuer.

**2.12. The transactions of the Issuer and the members or employees of his body.**

There were no significant transactions of the Issuer or the members or employees of his body.

**2.13. The transactions of the concerned parties.**

There were no significant transactions of the concerned parties.

**2.14. The information how the Codex of the Company Management is followed.**

The information how the Codex of the Company Management is followed can be found on page 59.

**2.15. The data about the information that was made public.**

The Company, acting according to the law acts regulating the Stock Exchange during last 12 months, published this information in the OMX Company News Service system of the information disclosure and distribution of the Vilnius Stock Exchange and in the JSC „Alita" website www.alita.lt/investuotojams :

**20 02 2007, the interim results of the activity.**
The interim consolidated net profit of the JSC „Alita" of 2006 amounts to 17 606 thousand of LTL (5 099 thousand of EUR), last year the interim consolidated net profit amounted to 18 243 thousand of LTL (5 284 thousand of EUR).
The consolidated sale incomes of 2006 amount to 143 463 thousand of LTL (41 550 thousand of EUR), in 2005 – 136 494 thousand of LTL (39 531 thousand of EUR).

**21 02 2007, CORRECTION: The interim results of the activity of 2006.**
The interim consolidated net profit of the JSC „Alita" of 2006 amounts to 17 606 thousand of LTL (5 099 thousand of EUR), last year the interim consolidated net profit amounted to 18 156 thousand of LTL (5 258 thousand of EUR).
The consolidated sale incomes of 2006 amount to 143 463 thousand of LTL (41 550 thousand of EUR), in 2005 – 136 494 thousand of LTL (39 531 thousand of EUR).

**09 03 2007, regarding the decision to obtain the block of shares.**
The Board of the JSC „Alita" decided to acquire 100% of the block of shares of the alcoholic wholesale company the PJSC „DAIVALDA" that owns the PJSC „Vilkmergės Alus".

**21 03 2007, the convocation of the JSC „Alita"General Meeting .**
On April 27, 2007 the JSC „Alita" General Meeting is called on the Board's initiative and it will take place in the Company hall (Miškininkų 17, Alytus). The registration starts at 11 o'clock. The shareholders must have an identification paper, the asignees must have an identification paper and a letter of authorization approved according to the law. The accounting day of the General Meeting is April 20, 2007. The shareholders can have a look at the Company papers related to the agenda of the General Meeting and meeting resolution drafts in the Company headquarters from April 16, 2007.

Agenda of the General Meeting

1. The report on the Company's activities in 2006.
2. The auditor's opinion.
3. The approval of the Company's Financial Statement in 2006.
4. The approval of the profit (loss) appropriation for 2006.
5. The approval of the Consolidated Financial Statement in 2006.

6. The selection of the firm of auditors for 2007-2008 financial years and the establishment of the terms of of the remuneration for the audit services.

**12 04 2007, The acquired block of the shares**

The JSC „Alita" acquired 100% of shares of the alcoholic wholesale plant the PJSC „DAIVALDA" that owns the PJSC „Vilkmergės alus".

**16 04 2007, the draft resolutions of the General Meeting**

The Company Board will submit the shareholders to approve these draft resolutions:

1. The report of 2006 was heard.
2. The auditor's report was heard.
3. To approve the Company Financial Accountability of 2006.
4. To approve the profit (loss) appropriation for 2006

The profit (loss) brought forward of the previous financial year at the end of the year: 6 206 thousand of LTL (1 797 thousand of EUR).

The net profit (loss) of the year: 15 624 thousand of LTL (4 525 thousand of EUR).

The total distributable profit (loss) at the end of the financial year: 21 830 thousand of LTL. (6 322 thousand of EUR).

The profit appropriation: the part of the profit set to pay dividends: 8 132 thousand of LTL. (2 355 thousand of EUR).

The profit (loss) brought forward at the end of the financial year is transfered to next financial year: 13 698 thousand of LTL. (3 967 thousand of EUR).

To assign for the dividends 0,16 of LTL. (0,046 of EUR) for one share and to pay in one month from the day of the resolution of the profit appropriation.

5. To approve the Consolidated Financial Accountability of 2006
6. To select the PJSC „KPMG Baltics" as the Company auditor for 2007-2008 financial year.

**17 04 2007, The audited Annual Financial Accountability and the Annual Report of 2006.**

The audited Annual Financial Accountability and the Annual Report of 2007 are presented

**27 04 2007,The resolutions of the General Meeting**

On April 27, 2007 the General Meeting took place and passed these resolutions:

1. The report of 2006 was heard.
2. The auditor's report was heard.
3. To approve the Company Financial Statement of 2006.
4. To approve the profit (loss) appropriation for 2006

The profit (loss) brought forward of the previous financial year at the end of the year: 6 206 thousand of LTL (1 797 thousand of EUR).

The net profit (loss) of the year: 15 624 thousand of LTL (4 525 thousand of EUR).

The total distributable profit (loss) at the end of the financial year: 21 830 thousand of LTL (6 322 thousand of EUR).

The profit appropriation: the part of the profit set to pay dividends: 8 132 thousand of LTL (2 355 thousand of EUR).

The profit (loss) brought forward at the end of the financial year is transfered to next financial year: 13 698 thousand of LTL (3 967 thousand of EUR).

To assign for dividends 0,16 of LTL (0,046 of EUR) for one share and to pay in one month from the day of the resolution of the profit appropriation.

5. To approve the Consolidated Financial Statement of 2006
6. To select the PJSC „KPMG Baltics" as the Company auditor and to fix the payment of 65 thousand of LTL (18,8 thousand of EUR) without the VAT for the audit of one year financial year.

**04 05 2007, the interim results of the activity in the first quarter of 2007.**

The interim consolidated net profit of the JSC „Alita"of the first quarter amounts to 1 641 thousand of LTL (475 thousand of EUR) and comparing with the same period of the previous year it increased 20%. The consolidated sale incomes of the first quarter of 2007 amount to 29 129 thousand of LTL (8 436 thousand of EUR) and comparing with the same period of 2006 it increased 14%.

**22 05 2007, the report of the first quarter of 2007.**
The non-audited Consolidated Financial Accountability of the first quarter of 2007 is presented.

**25 05 2007, the JSC „Alita" prospectus-report of 2007.**
We present the prospectus-report for the year of 2007.

**2007 06 08, the JSC „Alita" has won the competition to acquire the drink production company in Serbia.**
The consortium of the biggest producer of the sparkling wine in the country the JSC „Alita" and the Swedish financial-investment company won the privatization competition of the Serbian brewery „Beogradska Industrija Piva" owned by the state and they won the right to acquire 51.9% of the shares of this company. The controlling block of shares in the consortium belongs to the JSC „Alita", the intended acquisition would be financed with the loans from the Lithuanian banks. The Lithuanian and Swedish consortium bid EUR 21.4 million for the shares of the oldest Serbian brewery and promised to invest EUR 5.1 million in three years. The Company attorney who can deliver the additional information is the Finance and Administration Director Vilmantas Pečiūra, tel.: 8-315 57200.

**25 07 2007, regarding the signing of the contract to acquire shares.**
On July 24, 2007, the consortium of the JSC „Alita" and the Swedish company „United Nordic Beverages" signed the contract with the Privatization Agency of the Republic of Serbia to acquire 51.9% of shares of the Belgrad brewery „Beogradska Industrija Piva". 80% of the controlling block of shares in the consortium belong to the JSC „Alita". According to the contract the consortium will pay EUR 21,4 million for the shares. The transaction will be over on the receipt of the consent of the Competition Committee of the Republic of Serbia. We intend to get the consent in a month.

**13 08 2007, the interim results of the first-half of the year of 2007.**
In the first half-year of 2007 the interim non-audited consolidated results of the JSC „Alita" are: the net profit according to the TFAS amounted to 3 993 thousand of LTL (1 156 thousand of EUR), the incomes from the sale amounted to 77 548 thousand of LTL (22 459 thousand of EUR). In 2006 the consolidated non-audited net profit of the Company of the first half-year was 4 559 thousand of LTL (1 320 thousand of EUR), the consolidated incomes from the sale amounted to 58 437 thousand of LTL (16 925 thousand of EUR).

**27 08 207, the Interim Consolidated Financial Accountability of six months of 2007.**
We present the JSC „Alita" Interim Consolidated Report of the Financial Accountability of 2007. You can find this report in the Company website: http://www.alita.lt/investuotojams .

**30 08 2007, the JSC „Alita" announce the Interim Consolidated Report of six months of 2007.**
ATTACHED HERETO: The Interim Consolidated Report and the Interim Consolidated Financial Accountability of six months of 2007.

**17 09 2007, the JSC "Alita" made a payment for the block of shares of the "Beogradska Industrija Piva".**
The consortium of the JSC "Alita" and the Swedish Company "United Nordic Beverages" transferred all the sum of 21.4 mln of EUR to the Privatization Agency of the Republic of Serbia for 51.9% of the block of shares of the Belgrad brewery "Beogradska Industrija Piva". 80% of the block of shares in the consortium belong to the JSC "Alita". The Company attorney who can deliver the additional information is the Finance and Administration Director Vilmantas Pečiūra, tel.: +370-315 57200.

**20 09 2007, the report of the first quarter of the year of 2007 (revised).**
We deliver the non-audited consolidated financial accountability of the first quarter of 2007 and the approval of the responsible persons.

**18 10 2007, CORRECTION: the JSC „Alita“ announces the Interim Consolidated Report of six months of 2007.**
CORRECTED: 5, 6 and 7 pages of the interim report and the approval of the responsible persons.
ADDED: The interim consolidated report and the interim consolidated financial accountability of six months of 2007 of the JSC „Alita“.

**08 11 2007, the interim results of the activity of nine months.**
The interim consolidated net profit of nine months of 2007 of the JSC „Alita“ amounts to 6 507 thousand of LTL (1 885 thousand of EUR) and in comparing with the same period of last year it decreased 19%.
The consolidated incomes of the sale of nine months of 2007 amount to 128 089 thousand of LTL (37 097 thousand of EUR) and in comparing with the same period of 2006 they increased 40%.

**19 11 2007, the Interim Consolidated Financial Accountability of nine months of 2007.**
We present the JSC „Alita“ Interim Consolidated Financial Accountability of nine months of 2007.
You can find this information in the Company website: http://www.alita.lt/investuotojams .

**25 02 2008, The interim results of the activity of 2007.**
The JSC „Alita“ interim consolidated net profit of 2007 according to the TFAS amounts to 7.9 mln. of LTL (2.3 mln. of EUR). It is 9.8 mln. of LTL (2.8 mln. of EUR) less than last year.
The consolidated incomes of the sale of 2007 according to interim data amount to 198.0 mln. of LTL (57.3 mln. of EUR) and in comparing with the same period of 2006 they increased 54.5 mln. of LTL (15.8 mln. EUR).
The forecasted consolidated net profit decreased because of the part of the loss of the new acquired Belgrad brewery „Beogradska Industrija Piva“ that was losing and it amounted to 3.9 mln. of LTL (1.1 mln. of EUR) and because of the big investments to acquire new enterprises and to the expansion of their activities.The increase of the incomes of the sale was influenced by the sale of the JSC „Alita“ and the JSC „Anykščių Vynas“ and partially the incomes of the sale of the new acquired plants in Lithuania.
The accredited person to deliver the information: D. Vėželis, tel.: 8-315 57243.

**28 02 2008, the Non-audited Interim Consolidated Financial Accountability of 2007.**
The JSC „Alita non-audited minterim consolidated financial accountability of 2007.

### 2.16. The risk factors related to the Issuer‘s activity.

It is possible to indicate these principal risk factors that had the influence on the Company economic-financial activity in 2007 or able to have an influence in future:

**Economical factors:**

The JSC „Alita“ and its subsidiaries make the production which is competitive and the sale increases in the recent years. The Company works in two geoghraphical segments – the local and foreign markets. The biggest part of all the production is sold in the local market (In 2007 the JSC „Alita“ and the JSC „Anykščių Vynas“ sold 85.1% of all the production). Almost all the apple production (apple concentrated juice, apple aroma, dried pomace) is sold abroad. During the reporting year a lot of efforts were devoted to the HoReCa channel which enables to be nearer the objective costumer. There is no economical risk concerning the supply of the raw material, complement parts, production space, workforce and financial resources. The season has a great influence only on the volumes of the apple production because the production depends on the natural conditions and the sale volumes depend on the production volumes and prices in the European market. The Company workers deepen their knowledge and raise their qualifications constantly. The qualification and competence of the management personnel is proper. The Company purchases the raw material and spare parts from the different suppliers, so there is no dependence on one supplier. The Company has no monopoly customer. In the reporting year, when the Company acquired the wholesale company the PJSC „Alita Distribution", the delivery of the goods improved. There are no essential problems with the payments to the suppliers and customers.

You can find out about the remainder of the consolidated long-term loan, the used credit line and the reimbursed sums of the loans, on page 26.

The risk factors of the foreign Exchange, liquidity, credits are analized in the notes of the Financial Accountability.

The Company audit was performed by the audit company PJSC „KPMG Baltics" which gave the implicit comments that the Financial Accountability in all the aspects reflects the right state of the Company on December 31, 2007 and the activity results of 2007 and the cash flow according to the International Standards of the Financial Accountability accepted in the European Union.

**Political risk factors:**

The Government decisions to increase the excise to the production and the introduction of the packing deposit for the plastic packing may have the negative influence on the Company activities.

**Social factors:**

The wage is paid to the workers in time throughout. There were no strikes. The level of the wage increases. The JSC „Alita" and the JSC „Anykščių Vynas signed the collective agreement with the trade union and it is in force till June-July, 2008.

**Technical-technological factors:**

The most of the technological machines is reconstructed or new, a lot of attention is paid to the development of the technological processes, automation and improvement of the production quality.There are no risk factors to the technological processes.

**Ecological factors:**

The main sources of the environment pollution are the boilers. In 2007 the boilers in the JSC „Alita" and the JSC „Anykščių Vynas" used 3436 thousand $nm^3$ of natural gas, 239 thousand $nm^3$ of natural gas were used in the apple pomace driers. The boiler of the PJSC „Vilkmergės Alus" used 105.5 thousand litres of fuel. The quotas of the pollution emission from the stationary sources and surface outflows from the rain water water treatment plants were not surpassed in 2007. In 2007 all the means from the environment improvement plan were carried out. 194 thousand of LTL were spent to implement them.

In 2007 the Company paid 34 thousand of LTL of taxes for the environment pollution from the stationary and mobile pollution sources and water pollution from the equipment of the water treatment plant. The JSC „Alita" group counted up to 3927 thousand of LTL (for the glass packing) of the packing tax and 138 thousand of LTL (for the PET, plastic, paper, metal and the other packing) of the packing waste handling.

In 2007 there were no fines for the nature pollution, restriction of the production activities or stoppage because of the environment damage. There were no additional ecological risk factors and also no accidents in 2007.

Supposedly, the social, technical-technological and ecological factors would have no great influence on the Company economic-financial actitivity in 2008.

**2.17. The production stoppage or decrease, which influenced or has an essential influence on the Issuer's activities during the last 2 financial (economic) years.**

There was no production stoppage during the last 2 years.

## 3. THE IMPORTANT EVENTS OF THE YEAR.

The reporting year in the Company activity distinguished for the effective development. On April 12, 2007 the JSC „Alita"acquired the wholesale company the PJSC „Daivalda" which owns 100% of the PJSC „Vilkmergės Alus" shares. The PJSC „Daivalda" was renamed into the PJSC „Alita Distribution". The latter began to distribute the production of the JSC „Alita" and the JSC „Anykščių Vynas". The acquisition of this company allowed to reform the work of the Sale Department radically and this enabled to achieve the good selling results.

On June 8, 2007, the consortium of the JSC „Alita" and the Swedish financial-investment Company „United Nordic Beverages" won the privatization competition of the Serbian brewery „Beogradska Industrija Piva" owned by the state and they won the right to acquire 51.9% of the shares of this company and on September 17, 2007, the Company obtained 51.9% of the controlling block of shares of Belgrad brewery „Beogradska Industrija Piva". 80% of the controlling block of shares in the consortium belong to the JSC „Alita".

There would be no expansion without the successful work of the Company group.The JSC „Alita" and the JSC „Anykščių Vynas" are two Lithuanian companies with the old wine production traditions and the JSC „Alita" is the only Company in Lithuania which has the antecedent tradiction of making the product „Samanė" and the cognac having the only Lithuanian name „Alita". The main attitude of the activities of these Companies are to produce a qualitative product, to reach the professional heights, to raise still greater objectives. The Lithuanian customer is the priority of the Companies. We are glad that our efforts to offer the drinks of the highest quality are appreciated by the Lithuanian population.

The Company produces the brandy „Alita" eleven years already. It is the most buyable brandy in Lthuania. In order to strengthen its position in the brandy market in the country the Company „Alita" launched a new brandy „Alita Boutique". Presenting this brandy to the buyers the Company continues the implementing of its objectives – to present the drink lovers the quality beyond dispute, exceptional taste and style. The other evidence of the production evaluation is that it is already a custom to serve round all the most distinguished guests a cup of the „Alita" sparkling wine „Klasikinis" equal to champaigne.

Only seven years ago the JSC „Alita" began to produce vodka but it stands out against the JSC „Stumbras" and the JSC „Vilniaus Degtinė" that have the old production traditions. In 2007 the Company specialists created a new vodka production technology „Octal" that tests lasted almost three years. The „Octal" technology consists of eight consequent stages of the vodka production. But the most important are to saturate vodka with oxygen and the multiplex filtration in the temperature below zero. According to Algirdas Pateckas, drink expert, the „Premium Gera" produced according to the „Octal" technology distinguishes for the soft taste which is obtained after the treatment of the drink with cold, and the saturation of the vodka with oxygen is the exceptional case of this technology. After the development of the „Octal" technology the appearance of the drink was renewed – the bottle design was made, repeating the trademark of the vodka, the cap protecting from the adulteration was taken.

The vodka „Ledo" produced by the subsidiary Company JSC „Anykščių Vynas" keeps abreast with the popularity of the vodka „Premium Gera". Especially soft vodka „Ledo" is produced by using the technology of the long-lasting cold. The thoroughly prepared water and the ethyl alcohol „Liuks" of the highest quality ensure the exclusive quality of the product. Cooled in the low temperature below zero and aged for some days it is filtrated by the carbonic filters still cold slowly and it is cleaned specifically thoroughly. Breathing the cold of an iceberg the vodka becomes especially clear with the soft taste and aroma.

Without the main thing – the real customer appreciation – the official production evaluation is not less important. In the reporting year the vodka „Premium Gera" produced by „Alita" has won even 4 medals. The gold medal was awarded in the International Competition „Drinkexpo 2007" in Sankt Petersburg, the bronze medals were awarded in the competitions „Prodexpo 2007" and „Wine & Spirits Competition 2007" in Moscow and in the competition „International Spirits Challenge 2007" in London.

The more impressive awards are of the vodka „Ledo". The gold medals were given in the International Competitions „Moscow Wine & Spirits Competition 2007" in Moscow and „Drinkexpo 2007" in Sankt Petersburg, the silver medal was won in the Competition „International Wine & Spirits Competiton 2007" in London and the bronze medal was given in the Competition „Prodexpo 2007" in Moscow, and it got a diploma in the Competition „International Spirits Challenge 2007".

In 2007 the sparkling wine „Alita was awarded the bronze medal in the exhibition „Prodexpo 2007" in Moscow. The kind of brandy „Pelyno" and the natural black currant wine „Voruta" received the bronze medals in the competition „Lithuanian Year Product" (that is arranged by the Lithuanian Industrial Confederation and the Ministry of Economics of the Republic of Lithuania).

It is pleasant that the Company production is bought abroad increasingly. The JSC „Alita" was elected as the best exporter of the last year by the Lithuanian Industrial for the second time in turn.The name „The Year Exporter of Lithuania" is given to the companies in view of the number of the workers, volume and quantity of export, in comparing with the volume of the production and services and yearly growth. Besides, the work efficiency, investments, implementing and usage of the standards of the international management and quality are taken into consideration. It is more easy to get the name of the best exporter for the first time than to retain it but we succeeded in doing so.

The JSC „Alita" develops its Quality Management System according to the requirements of EN ISO 9001:2000 standards constantly. The quality management is the obligation never to be satisfied. „Very well" is not enough well. It is always possible and necessary to develop the quality. The quality term is applied not only to the final product but also how the Company presents its production, how fast and in what way it responses to the customer complaints. Today's Quality System is based with eight management principles in order to satisfy and surpass the customer needs.

The work of each organization influences not only the quality of the production, but it also influences the environment, people and worker health. In order to control their work, the production influence on the environment better, the Companies work according to the requirements of the Environment Management System EN ISO 1400:2004 standards. It is proved apparently in all the small, average and big companies of the whole world that the increased environment protection helps to save. When a company takes care of the environment protection before the problems arise the costs decrease and competitive ability increases.

In 2007 636 contracts were made and signed with our customers and suppliers, supplying the Company with the main and aid materials, equipment and services of promotion, marketing, consultation and other different services. All the customer claims are registered in the Company and the decisions are made on every case. In 2007 there were 3 claims to the suppliers of the aid materials and 1 claim to the insurance company because of the damage compensation during the insured incident. The total sum of the presented and satisfied claims is 14,1 thousand of LTL.

## 3.INFORMATION TECHNOLOGIES

The information technologies, computers, the use of the internet have a special importance in today's commerce. A lot of work was done in the above mentioned fields both in the current year and previous year.

The JSC „Alita“, trying to remain one of the leaders of the most computerized companies in Lithuania, changed the „MS Office 2000“ into the „MS Office 2007“. The Company installed the „MS Exchange 2007“ software and prepared two new servers to work with this software. In oder to ensure the data safety the antispam software „GFI Mailessentials 12“ and antivirus software „Mailsecurity 10“ were installed.

In 2007 the JSC „Alita“ and the JSC „Anykščių Vynas“ started to install the usable accounting software „MBS Axapta“ and since January 1, 2008, the software began to be used in the company the PJSC „Vilkmergės Alus“ owned by the wholesale the PJSC „Alita Distribution“ which belongs to the Company. It will be observed that a big part of the complicated installation was done by the JSC „Alita“ economic workers together with the manager of the information system. We have used the service of the PJSC „Columbus IT Partner“ minimum. In 2008 we are planning to install this software in the PJSC „Alita Distribution“.

In order to improve the computer network the JSC „Alita“ reconstructed the bottling division of the wine production shop and the compressor building. The computer network was installed in the divisions of the production of the concentrated juice and the strong grain drink production.

Updating the usable software the Company purchased 12 stationary and 5 mobile computers for the JSC „Alita“, 5 computers for the JSC „Anykščių Vynas“, 7 stationary, 10 mobile and 30 hand computers, intended to the managers, for the PJSC „Alita Distribution“, 7 computers for the PJSC „Vilkmergės Alus“. In 2007 total investment in the information technologies amounted to 553.9 thousand of LTL, including 411.7 thousand of LTL to the JSC „Alita“, 27.4 thousand of LTL to the JSC „Anykščių Vynas“, 97.9 thousand of LTL to the PJSC „Alita Distribution“ and 16.9 thousand of LTL to the PJSC „Vilkmergės Alus“.

## 5. THE STAFF

On December 31, 2007 there were 816 workers, 251 (31%) of them were specialists and employees, 565 (69%) of them were workers in the JSC „Alita“ and its subsidiaries the JSC „Anykščių Vynas“, the PJSC „Alita Distribution“ and the PJSC „Vilkmergės Alus“.

The workers improve their knowledge and raise their qualification constantly. In 2007 138 specialists and employees participated in different trainings, 19 workers studied in the higher schools. Total 87.5 thousand of LTL were spent for the specialist and worker training.

In 2007 the average number of the workers in the JSC „Alita“ was 332. At the end of the year there were 327 workers, 120 (16.7%) of them were specialists and employees and 207 (63.3%) of them were workers.
121 people worked in the direct production, 117 worked in the servicing divisions, in the subdivisions of the unindustrial personnel (commercial subdivisions, rest-house, builders), 39 people worked in the marketing and production sale offices, 16 people and 34 employees ascribed to the other administration workers.

47% of all the workers are women, 53% are men. 23% of the workers have a higher education, 40% have further education.

In 2007 75 specialists and employees were trained in different trainings, 5 people studied in the higher schools. Total 60.3 thousand of LTL were spent for the specialist, employee and the other worker training.

The average month wage of one worker amounted to 2079 LTL in 2007, it is 8.4% more than last year.

In 2007 the average worker number in the JSC „Anykščių Vynas“ was 261 people. At the end of the year there were 258 workers, 48 (18.6%) of them were specialists and employees and 210 (81.4%) of them were workers.

In 2007 30 the workers improved their qualification knowledge in different courses and seminars. 4 people studied in the higher schools. Total 11.1 thousand of LTL were spent for the worker training.

The average month wage of one worker amounted to 1416 LTL, it is 13.0% more than last year.

There were 212 workers in the PJSC „Alita Distribution" in 2007, 88 (42%) of them were specialists and employees, 124 (58%) of them were workers.

30 people raised their qualifications in different courses and seminars in 2007. 10 people studied in the higher schools, Total 15.0 thousand of LTL were spent for the worker training.

36 workers worked in the PJSC „Vilkmergės Alus" on December 31, 2007, 12 (33%) of them were specialists and employees, and 21 (67%) of them were workers.

3 people improved their qualification knowledge in the courses and seminars. Total 1.1 thousand of LTL were spent for the worker training.

## 6.MARKETING AND SALES

The year of 2007 was the year of significant changes in the JSC „Alita". The Company not only expanded but it changed the scheme of the goods distribution radically, determining the immediate contacts with the retailers and the better service of the customer. In 2007 the new system of underlying assortment and the item exposition on the shelves was developed and implemented. The PJSC „Alita Distribution" is responsible for the implementation of it in the retail companies and the PJSC „Rinkodaros ir Prekybos Partneriai" is responsible for the implementation in the chains of the retailers. The JSC „Alita" managers are responsible for the control of the realization of this system.
The aim of the system of the underlying assortment and the item exposition on the shelves are not only to ensure the maximum product distribution and the suitable item exposition on the shelves, but also to get acquainted with the customer needs, to systematize them and ensure the improvement of the service quality.

The Sales Department of the JSC „Alita" refused the functions of the direct cooperation with Horeca (hotels, restaurants and cafe) fully and transferred them to the PJSC „Alita Distribution", in order to achieve the more effective activity and to use the direct contacts in this goods distribution channel. In pursuance of the shake-up the number of the managers, who implement system control of the underlying assortment and the item exposition on the shelves, was reduced to 7. In order to achieve the more effective results of cooperation with the bigger chains of the retailers, the JSC „Alita" introduced the positions of the export manager, manager of the important customers and assistant sales manager in the Sales department.

The JSC „Alita" group paid a big attention to the quality of the production, to innovations in the market and strengthening of the accepted trademarks. The chosen strategy of marketing and selling, the introduction of the system of the item exposition on the shelves and the shake-up of the Sales Department gave the positive results. It is proved by the increased sale of the sparkling wine, alcoholic cocktails, cider, fruit wine and brandy, liqueur and the taken parts of the market.

The sale volumes of the JSC „Alita" and the JSC „Anykščių Vynas" in 2007 and the comparison with 2006 are given in the table below. **(The sale of the PJSC „Alita Distribution" and the PJSC „Vilkmergės Alus" are not given because these companies were acquired in the reporting year).**

**The JSC „Alita“ and the JSC „Anykščių Vynas“ Sales in 2006-2007**

| | The production group | 2006 | | 2007 | | The comparisson of sales of 2007 and 2006, HL, % |
|---|---|---|---|---|---|---|
| | | Quantity, HL | Total, thou. of LTL | Quantity, HL | Total, thou. of LTL | |
| 1 | Sparkling wine | 32 398,3 | 29 520,6 | 35 711,0 | 33 612,7 | 110,2 |
| 2 | Carbonated flavoured wine drinks | 35 793,8 | 13 448,5 | 28 955,4 | 12 061,3 | 80,9 |
| | Total sparkling wine: | 68 192,1 | 42 969,1 | 64 666,4 | 45 674,0 | 94,8 |
| 3 | Alcoholic cocktails | 34 064,3 | 13 603,7 | 36 844,4 | 14 337,2 | 108,2 |
| 4 | Ciders | 13 976,7 | 3 031,0 | 11 308,2 | 2 210,1 | 80,9 |
| 5 | Wine | 42 117,6 | 11 066,6 | 56 704,4 | 13 757,9 | 134,6 |
| 6 | Vodka | 58 471,2 | 20 358,8 | 67 739,3 | 28 212,1 | 115,9 |
| 7 | Brandy, cognac | 18 729,7 | 23 867,1 | 21 287,9 | 26 640,6 | 113,7 |
| 8 | The other strong drinks, total | 10 194,9 | 7 903,9 | 10 006,6 | 7 930,7 | 98,2 |
| | *incl. Whisky* | *291,5* | *301,0* | *35,9* | *37,7* | *12,3* |
| | *Kinds of brandy* | *6 594,8* | *5 310,8* | *5 858,9* | *5 151,8* | *88,8* |
| | *Liqueurs* | *2 110,0* | *1 471,0* | *2 183,2* | *1 499,0* | *103,5* |
| | *Strong grain drinks* | *191,6* | *263,1* | *262,2* | *344,9* | *136,8* |
| | *The other fortified drinks* | *1 007,0* | *558,0* | *1 666,4* | *897,3* | *165,5* |
| 9 | Apple concentrated juice, ton. | 2 722,9 | 13 878,7 | 3 116,7 | 16 048,2 | 114,5 |
| 10 | Apple aroma, ton. | 328,2 | 676,7 | 438,6 | 883,6 | 133,6 |
| 11 | Dried pomace, ton. | 1 951,5 | 1 496,5 | 1 235,3 | 986,8 | 63,3 |
| 12 | Raw material and semimanufactures | 39 235,1 | 3828,6 | 50 850,1 | 6 165,8 | 129,6 |
| 13 | The other sale and services | | 782,1 | | 987,8 | |
| | Total sales: | | 143 462,8 | | 163 834,8 | |

**The sparkling wine**

In 2007 the sale of the sparkling wine increased 3 313 HL or 10% in comparing with 2006.
The educative campaign, emphasizing the advantages of the sparkling wine, in comparing with carbonated drinks, the active New Year promotion campaign, the launch of the new sparkling wine „Alita“,silver and the export increase 22% determined the sale of the sparkling wine. It is nice, that the foreign buyers began to purchase the sparkling wine „Auksinis“ and „Alita“ semi-dry in 1.5, 3.0 ang 6.0 L bottles.

**Carbonated wine drinks**

The selling of the carbonated drinks was 6 838 HL less than in the previous year. According to the Department of Statistics of the LR the whole market of the carbonated wine drinks decreased 2.5% in 2007, in comparing with the year of 2006. The market volume decrease is the main factor that determined the production sale of this drink group.

**Ciders**

In 2007 the cider sale of the JSC „Alita“ and the JSC „Anykščių Vynas“ decreased 2 669 HL in comparing with 2006. But in future we hope for the better results because the acquired subsidiary company the PJSC „Alita Distribution“ has its own trademark „Extrim“ and the biggest part of the sale is the cider „Extrim“. According to AC Nielsen data this cider occupies 12% of the

Lithuanian cider market. In comparing with 2006 the sale volumes of the cider „Extrim" inrceased 36%. We are planning to make an investment into the strengthening of this trademark in 2008 and we also hope that this product sale will increase next year.

**Alcoholic cocktails**

In 2007 we have sold 2 780 HL of the alcoholic cocktails or 8% more in comparing with 2006. The JSC „Alita" remains not only one of the leaders in the market of the alcoholic cocktails in Lithuania but we increased the export of this product group for 4%. In 2007 two new cocktails of a new taste were introduced into the „Mix" cocktail group. In response to the competitor actions the new three taste „Mix Barline" cocktails were peresented to customers. The trademark „Mix" was sold in order to promote the project of the „Tango TV" birthday. In summer there was the biggest dance music event „Mix Pure Future" in the open air in Trakai. We also promoted the event „MTV B-Day" in Riga. The promotion block of this event allowed to promote the trademark „Mix" in Latvia successfuly. In 2007 we sold 922 HL of the alcoholic cocktails in Latvia or 74% more than in 2006.

**Wine**

The year of 2007 was favourable for the fruit wine sale. Total volume of the sale increased 14 587 HL or 34.6%. The production sale was determined partially by the renovation of the assortment. In 2007 some new fruit wines of the special technology were presented to the customers: „Viesulas" white and red in the JSC „Alita" , „Monikutės vasara" and „Monikutės naktys, „Svetelių" apple and fruit, „Debesėlis" white and red, „Žvejų" and natural black currant wine „Voruta" in the JSC „Anykščių Vynas".The occupied part of the market during the reporting year increased 4% and amounted to 36.8% of the whole market.The market part of the other local producers decreased 5.2%. It is a great pleasure that the products of this group are accepted abroad increasingly. In 2007 we exported 35% of wine more than in 2006.

**Vodka**

In 2007 the sale of vodka increased 9 268 HL in comparing with 2006 and it is 16%. Though the JSC „Alita" and the JSC „Anykščių Vynas" are not the enterprises with deep vodka making traditions but their vodka „Premium Gera" and „Ledo", made according to the new special technologies with the treatment of cold, are well-known and appreciated by the customers. The renewed vodka shaping, the formation of the trademark image and trust in it, the promotion campaigns allowed to compete with the production of the JSC „Stumbras" and the JSC „Vilniaus Degtinė" successfuly. The sale increase of the vodka „Ledo" was particularly effective – 79% more of this product was sold in 2007 than in 2006. It will be observed that the vodka export increased 1.6 times. Though the export part is not big, it is expected, that the commercial relations with the new buyers will develop successfuly and the export will increase still more in 2008.

**Brandy, cognac**

The sale strategy – every year to sale more brandy – remains the same. In 2007 the sale of brandy (and cognac) increased 2 558 HL in comparing with 2006. The increase amounts to 14%. The more impressive is the export growth of brandy – in 2007 brandy was exported 2.6 times more than in 2006. In order to retain and expand the sale of brandy the new brandy „Alita Boutique" was presented to the customers, the packing of the brandy „Forum" was renewed in the reporting year – it was bottled into the branded bottle, the new original label was designed. The shaping of the brandy „Alita" is scheduled in 2008. The drink will be bottled into the bottles of the exceptional design, decorated with the original labels, new caps. All that allow to hope the the most saleable brandy „Alita" in Lithuania will remain the leader of brandies.

**The other strong drinks**

The sale of the strong drinks did not change in 2007 in comparing with 2006, i.e it decreased only 188 HL. The decrease was determined by the results of the whisky sale (266 HL were sold less in 2007 in comparing with 2006). The sale of this drink was very low and it was decided to sell the rest and to stop the production.Though the sale of the kinds of brandy and whisky decreased but the sale of liqueurs, strong grain drinks and the other fortified drinks increased. In 2007 the liqueur sale increased 3.5%, strong grain drinks increased 36.8%, and the other fortified drinks even 65.5% more than in 2006.

In 2007 a lot of attention was paid to the increase of the „TOPI" trademark knowing. In order to retain the market and to increase the sale the packing of the choclolate liqueurs and the shaping were renewed, a new Chocolate cherry liqueur was introduced. Increasingly more liqueur is sold in the other countries - in the reporting year the export increased 2.9 times in comparing with last year.

Though the sale of the strong grain drinks in total is not very big, the increase of the above mentioned sale shows that this antecedent production tradition the only drink in the whole world made by the JSC „Alita", is well-liked by the customer. Especially significant fact is that this drink was also sold abroad: the sale was renewed in Japan, we began to export it to Ireland, Great Britain, Estonia.

The sale increase of the other fortified drinks was determined by the successful sale of fortified drink „Amant". In 2007 this drink was sold 1.7 times more than in 2006. The export increase is more impressive – in the reporting year the sale of this drink production group increased 3,3 times than last year.

In 2007 the total production export amounts to 24.3 mln. of LTL and it is 20% more then in the year of 2006. The export volume is 14.8% of all the sale. Individually, the export of the alcoholic products increaased 1.3 mln of LTL or 24%., the apple products are sold for 2.7 mln of LTL or 19% more. The Company exports its production to Ireland, Austria, Great Britain, Estonia, Spain, Japan, the USA, Latvia, Poland, Finland, Sweede, Germany. The most successfull cooperation is with the Prebaltic countries – more than 80% of the alcoholic production is sold in these countries. We cooperate with the AS Mediato and AS Liviko Companies. The AS Liviko is the biggest export partner of the JSC „Alita" alcoholic cocktails already for some years. At present we began to work with the biggest traders in Estonia as the AS Maxima Estonia, Prisma, ETK. The negotiations are going on with the ferry company Tallink. We cooperate with the Maxima Latvia SIA, SIA Greis Logistika, SIA Latalko in Latvia. During 2007 our production dug in these chains of Latvia – Lukoil, Plus Punkts, Aibė, Antaris, BAF, Nelda, Baltstor, Prisma Latvia, etc. In 2008 we are planning to begin our work with the chains of RIMI and IKI. Poland is an important and promising new market. We already began the cooperation with the TVA Trading Sp.z.o.o. buyer. At present we negotiate of the production distribution with Holland, Germany, Japan, and one company in Estonia. And all this allows us to hope that the export volume will increase still more in 2008.

The PJSC „Alita Distribution" distributes all the production of the JSC „Vilkmergės Alus". Though the competition in the beer market is hard but having our own distributor and the foreseen investments in the production modernization allow us to hope 20% increase of the sale in 2008.

The year of 2007 was the year of the intensive activity development. After the the JSC „Alita" acquired the Company shares the Company had to prepare for the significant sale increase: the number of the workers increased, more trucks and cars were bought, the bigger premises for the production storage were leased. The sale volume of this Company amounted to 10.9 mln. of LTL in the second quarter, and it amounted to 27.3 mln. of LTL in the fourth quarter. The Company has its own trademark „Extrim" which is patented in Lithuania and the permission is given to patent it in all the EU. The cider occupies the biggest part of the sale among the goods with this trademark, and it occupies about 12% of all the Lithuanian market. Its sale increases every year. In comparing with 2006 the cider sale increased about 36%. The PJSC „Alita Distribution" has the exceptional rights for the distribution of the PJSC „Vilkmergės Alus" production. The produced beer by this Company occupied the significant part of the PJSC „Alita Distribution" sales.

Being a hard competition, the perfect quality of the production is the constant without which the successful Company activity is impossible. The JSC „Alita", the JSC „Anykščių Vynas", the PJSC „Vilkmergės Alus" a lot of attention pay to the security of the production quality. The PJSC „Alita Distribution" makes strict contracts with the companies whose production it is selling, the severe sanctions are foreseen to the delivery of unqualitative goods: the goods can be returned, destructed without paying and charged with big fines for the lost sales. The delivered goods are under strict control in the warehouses of the Company. All this alloows to hope that the sale will increase in 2008.

**THE PRODUCTION**

In 2007 the development of the production and technological proccesses continued. Although the technology, equipment, work organization already meet the requirements of the EU today, the Companies understanding clearly that the technical progress is the prospect of the firm, paid a lot of attention to the investments – for the installation of the new technologies, modernization of the machines. The Company allocated 8 117 thousand of LTL to the investment into the long-term assets in 2007, including 5 117 thousand of LTL to the JSC „Alita". We can mention the following as the most important work done by the JSC „Alita": the renovation of the shop of the sparkling wine production, during which the unused utility rooms were demolished and the machines of the bottling line put instead. The warehouse was built in the place free from the machines.The software of the packing line of the sparkling wine was improved with the help of the Italian programmers. Now, after the emergency stop it is possible to begin the packing work more quickly. The installed conditioning equipment during the renovation improved the conditions of the workers of the bottling and perfection division. The division of the souvenir production was moved to the new built modern premises.The pipe line and tank renovation was done in the fermentation division, the system fitted to store the vodka semimanufactures. The heat insullation was performed to a part of the cooling tanks. The work of automation and programme of the insullated cooling tanks allows to store the production in the norms of the fixed temperatures. All this improves the product quality, reduce the energy cost of the cold neccessary for the production cooling. The new built restroom, shops and sanitation unit improved the domestic conditions of the workers.

The reconstruction went on in the wine production shop as the premises, equipment and machines of the product preparation (coupage) division were suited to the strong drink production. The new mounted chlorofluorocarbon compressor, the installed and connected cooling tank to the new automatic vodka production line enabled to master the „Octal „ technology of the vodka production. Five new Italian pumps meeting the requirements of the ATEX were purchased and mounted. The German lifter was mounted and it is intended to service the whole production preparation division on the first floor and equipment on the roof. The automatic bottling machine of a new generation, connected to the bottle washer, was installed in the division of wine bottling and perfection. The very important work is the modernization of the labeller, fitting it for the perfection of the vodka bottle of the new design „Octal" technology. The new laser number printer of the production party was also installed which helps to keep the high level of the quality, prevent from the production falsification. The automatic cleaning valves and position sensor were installed in the measurement tanks in the botling division. They allow to ensure that the tank cleaning solutions do not get into the product.

The repair of the effects of the evaporation plant and the main controller and the renew of the software made in the division of the concentrated juice production allow to ensure the quality of the filtrated juice and to control the filtration capacity. The new mounted stationary service platforms, intended to the truck covering during the load of the dried pomace, lightened the pomace loading, ensured the work safety.

The extra warehouse of the production was built instead of packing store attic in the Logistics Department of the Company, the part of the store-house floor covering was renewed, the domestic rooms of the workers were renovated. The truck parking was renewed with 4 trucks. The tanker was purchased to transport the ethyl alcohol and the other alcoholic and non-alcoholic drinks. The inner transport was renewed with 4 new dysel and 5 electroloaders and the mobile platform. This ensured the better service of the customer, increased the work effectiveness, the work conditions of the workers became better.

After the renovation of the electric power network in the Company server room, the installed the cooling-conditioning ensured the safe work of the computer hardware. The new passing post in the administration building allows to calculate the working time of all the workers exactly and the working conditions of the guard post became better.

The bottling lines were rearranged, the equipment readjusted for the production packing into the polythene film in the bottling division in the JSC „Anykščių Vynas". After the reconstruction in the boiler, the product warehouse was built in the former premises of the water heating boilers.

In 2007 the production assortment was renewed with 34 new drinks, the production of 40 prospectless drinks was stopped. Total 217 names of various alcoholic drinks were proposed to the customer. They are sparkling wines, carbonated drinks, alcoholic cocktails, ciders, fruit-berry wines and grape wines, vodka, kinds of brandy, liqueurs, beer. The non-alcoholic production is apple and berry concentrated juice, apple aroma, dried apple pomace.

**The production volumes of the JSC „Alita", the JSC „Anykščių Vynas" and the PJSC „Vilkmergės Alus" in 2006-2007.**

| | The production group | Unit | 2006 | 2007 |
|---|---|---|---|---|
| 1 | Sparkling grape wine | HL | 33 073 | 34 905 |
| 2 | Carbonated wine drinks | HL | 36 322 | 29 815 |
| | Total sparkling wines: | HL | 69 395 | 64 720 |
| 3 | Alcoholic cocktails | HL | 34 479 | 37 853 |
| 4 | Ciders | HL | 15 217 | 11 308 |
| 5 | Wine | HL | 41 262 | 57 937 |
| 6 | Vodka | HL | 59 262 | 65 278 |
| 7 | Brandy, cognac | HL | 19 054 | 20 864 |
| 8 | Kiti stiprūs gėrimai | HL | 10 261 | 9 769 |
| 9 | Ciders (unbottled) | HL | 38 800 | 44 400 |
| | Total alcoholic production: | HL | 287 730 | 312 129 |
| 10 | Beer | HL | | 36 135* |
| 11 | Apple concentrated juice (70 Bx.) | Ton | 6 103 | 4 196 |
| 12 | Apple aroma | Ton | 454 | 290 |
| 13 | Dried pomace | Ton | 1 952 | 1 236 |

*The production of April-December months, 2007.

In 2007 the total volume of the alcoholic production in hectolitres increased 8 % (in comparing with 2006) but the production of the apple concentrated juice decreased 31 %, the apple aroma – 36 %, the dried pomace – 37 % than last year. The decrease of the apple production was determined especially by the bad harvest last year.

The price of the purchased raw material and materials play a great role in the production cost. The Purchasing Department regulates the price of the purchased stock and quality problems knowingly. In order to supply the Companies with the qualitative raw material, the long-term supply contracts are signed with the regular and respectable suppliers in Lithuania and the other countries The long-term cooperation agreements with the suppliers and big quantities of the purchased stocks (making the contracts of the JSC „Alita" and the JSC „Anykščių Vynas", the PJSC „Vilkmergės Alus" and the PJSC „Alita Distribution" at the same time) allow to reduce the purchasing prices and to get the better supply terms, to save money. In total the Purchasing Department made 280 purchasing contracts in 2007, 200 of them were made with the Lithuanian suppliers, 81 of them were made with the foreign suppliers (13 of them with the raw material, 58 of them with the spare part and aid material suppliers) and 9 of them were made for the transport services. Though the purchasing procedures of the third countries are more complicated and risky than the European Union, in order to find alternative suppliers, the raw material and materials were also bought from these countries. The contract signing with the Ukrainian Concern „Ukrspirit" for the purchase of the ethyl alcohol was especially important. Having some alternative suppliers of the ethyl alcohol we were able to save some money.

A special attention is paid to the production quality. In 2007 the production quality was controlled by the workers of the Production Technological Laboratory who work according to the methodical instructions of ISO 9001 and MS RVASVT quality management systems. The workers of the Production Technological Laboratory examine the new wine testing methods, they use the changes of the technological and control methods in their work. The JSC „Alita" technologists introduced the new „Octal" vodka production technology treating the production with cold and adding oxygen. The new filtration system of the alcoholic cocktails allows to ensure the stability of these products. The concentrated juice production division began to use the new enzymes and the thermic treatment allowed to increase the output of the natural juice and to decrease the cost. The other novelty – the partial juice clarification using the clarifying substances – allowed to produce the concentrated juice of the better quality.

## 8. THE FINANCE.

The consolidated balance sheet and the consolidated profit and loss account are presented on pages 5-6 of the consolidated financial statements for the year 2007.

In 2007 the Company received 7 899 thousand of LTL of the consolidated net profit. In comparing with 2006 the result is 9 819 thousand of LTL worse. If we compare the year of 2007 with 2006, the gross profit increased 11 558 thousand of LTL. The net profit reduced because of the new acquired and working to the bad the Belgrad brewery „Beogradska Industrija Piva" part of the loss which amounted to 3 922 thousand of LTL and because of the big investments for the acquisition of the new plants and their development.

**The JSC „Alita" consolidated and the JSC „Alita" indices:**

| | Consolidated | | Company | |
|---|---|---|---|---|
| | 31 12 2006 | 31 12 2007 | 31 12 2006 | 31 12 2007 |
| Debt-property ratio | 0,79 | 2,10 | 0,69 | 1,72 |
| General debt ratio | 0,44 | 0,68 | 0,41 | 0,63 |
| Current liquidity ratio | 1,00 | 0,87 | 0,8 | 0,8 |
| Property turnover ratio | 0,86 | 0,69 | 0,74 | 0,45 |
| Gross profitability, % | 40% | 35% | 44% | 43% |
| Net profitability, % | 12% | 4% | 14% | 13% |
| EBITDA profitability, % | 22% | 14% | 24% | 23% |
| Profit, per share (LTL) | 0,35 | 0,16 | 0,31 | 0,31 |

The balance sheet and the profit and loss account are presented on pages 5-6 of the financial statements for the year 2007.

On December 31, 2007 the property value amounted to 258.7 mln. of LTL. In comparing with the same period of the last year we can see that the property increased 110.4 mln. of LTL (because of the investments in the subsidiaries and associated companies, investments for the purchase, reserves and debts of the subsidiarines) . The Company long-term assets amount to 70%, the short term assets amount to 30%.

amounted to 37% of the whole owners' property and obligations. The long-term obligations increased from 4.6 mln. of LTL to 63.8 mln. of LTL and amounted to 25%. (On December 31, 2006 they were 3%). The short term obligations were equal to 99.8 mln. of LTL and amounted to 39%. In total the long-term and short term obligations were equal to 163.6 mln. of LTL and amounted to 63%.

In 2007 the JSC „Alita" received 15 652 thousand of LTL of the net profit. In comparing with 2006, the result almost did not change, i.e. 28 thousand of LTL better. In comparing the year of 2007 with the last year both the gross profit and the activity profit increased: the gross profit is 2 368 thousand of LTL or 4.9%, the activity profit is 1 10 thousand of LTL or 5.3%. These good results were determined by the increased sale, introduced novelties and harmonious work of the collective.
In the reporting year the sale and distribution costs increased 2 452 thousand of LTL or 14.3%. The main reason of the increase of the costs is the increased sale volumes to 6.7% and the increased competition in the market, so the sale incentives costs increased. The general and administration costs almost did not change – they increased only 17 thousand of LTL.

## 9. THE COMPANY AND THE SOCIETY.

The JSC „Alita" plays a big role in the social and cultural life of the country and town. In 2007 the budget received 198.4 mln. of LTL in the form of different taxes. The taxes divided in the following way:

| The name of the tax | Thou. of LTL |
|---|---|
| Excise | 143 501 |
| Added value tax | 36 554 |
| Profit tax | 2 612 |
| Packing tax | 3 927 |
| National insurance contribution of 31% | 5 282 |
| National insurance contribution of 3% from wages | 512 |
| Income-tax from wages | 3 796 |
| Income-tax from dividends | 1 208 |
| Other taxes | 1 005 |
| **Total** | **198 397** |

The JSC „Alita" and the JSC „Anykščių Vynas" made the collective agreements where the means for the social care were foreseen giving the allowances to the Company workers. In 2007 the JSC „Alita" gave 78.6 thousand of LTL and the JSC „Anykščių Vynas" gave 28.5 thousand of LTL to the different payouts. Every year the Company gives funds for the worker social and cultural program. The workers receive the first vaid, physiotherapy, odontology services in the medical post. There is a canteen, food shops in the Company, there are conditions for physical culture and sports. During the vacation the Company workers and their families can use the resort in Ryliškės.

The Company gives a part of the profit to support art, sports and the other collectives who have a right to get support and charity. The JSC „Alita" dedicated 599.2 thousand of LTL, the JSC „Anykščių Vynas" dedicated 31.0 thousand of LTL, the PJSC „Vilkmergės Alus" gave 8.0 thousand of LTL. The Company also pays a lot of attention to the promotion during the cultural events and at the same time it propagates and strengthens the Lithuanian culture.

## 10.THE COMPANY PLANS AND FORECASTS

In 2008 the Company is planning to reach turnover of LTL 220.2 million.

In 2008 the Company is planning to invest an amount of LTL 18.1 million.

THE SUPPLEMENT TO THE CONSOLIDATED ANNUAL REPORT

# THE JSC „ALITA“ REPORT

## ABOUT THE COMPLIANCE WITH THE GOVERNANCE CODE FOR THE COMPANIES LISTED ON THE REGULATED MARKET

The JSC „ALITA“, following Article 21 paragraph 3 of the Law on Securities of the Republic of Lithuania and item 20.5 of the Trading Rules of the Vilnius Stock Exchange, discloses its compliance with the Governance Code, approved by VSE for the companies listed on the regulated market and its specific provisions.

| PRINCIPLES/RECOMMENDATIONS | YES/NO /NOT APPLICABLE/ | COMMENTARY |
|---|---|---|
| **Principle I: Basic Provisions**<br><br>**The overriding objective of a company should be to operate in common interests of all the shareholders by optimizing over time shareholder value.** | | |
| 1.1. A company should adopt and make public the company's development strategy and objectives by clearly declaring how the company intends to meet the interests of its shareholders and optimize shareholder value. | Yes | The Company publishes the policy of the Company development and objectives in the Company website press openly. |
| 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 | The activity of the Board of the Company is concentrated on the implementing of the strategic objectives, the increase of the shareholders property |
| 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 | Every quarter the Board analyses and evaluates the information on the activity organization, financial state and economic activity presented by the Manager of the Company and makes the decisions that are useful for the Company and the shareholders. |
| 1.4. A company's supervisory and management bodies should ensure that the rights and interests of persons other than the company's shareholders (e.g. employees, creditors, suppliers, clients, local community), participating in or connected with the company's operation, are duly respected. | Yes | The hot information is published in the websites of the Vilnius Stock Exchange and the Company, in the Republic press. The Company takes an active part in the town events, cooperates with the suppliers and creditors, organizes actions for the buyers, makes inquiries and evaluates the remarks and responses of the customers about the Company activities and production. |
| **Principle II: The corporate governance framework**<br><br>**The corporate governance framework should ensure the strategic guidance of the company, the effective oversight of the company's management bodies, an appropriate balance and distribution of functions between the company's bodies, protection of the shareholders' interests.** | | |
| 2.1. Besides obligatory bodies provided for in the Law on Companies of the Republic of Lithuania – a general shareholders' meeting and | No | There is no Supervisory Board in the Company, but mainly its functions are carried out by the Board. |

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| 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. | | |
| 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 | These functions in the Company are performed by the Collegial Management Body – the Board. |
| 2.3. Where a company chooses to form only one collegial body, it is recommended that it should be a supervisory body, i.e. the supervisory board. In such a case, the supervisory board is responsible for the effective monitoring of the functions performed by the company's chief executive officer. | No | There is only one collegial body and it is the Board. |
| 2.4. The collegial supervisory body to be elected by the general shareholders' meeting should be set up and should act in the manner defined in Principles III and IV. Where a company should decide not to set up a collegial supervisory body but rather a collegial management body, i.e. the board, Principles III and IV should apply to the Board as long as that does not contradict the essence and purpose of this body[1]. | Yes | The collegial body elected by the General Meeting is the Board, and it presents recommendations to the Manager and which meets the Principles III and IV of the Company Management Codex as long as that does not contradict the Regulations of the Board work |
| 2.5. Company's management and supervisory bodies should comprise such number of board (executive directors) and supervisory (non-executive directors) board members that no individual or small group of individuals can dominate decision-making on the part of these bodies.[2] | Yes | The Company Board consists of four members as it is approved in the Regulations of the JSC "Alita". |

[1] Provisions of Principe 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 Gazete*, 2003, No 123-5574) are different. For instance, item 3.1 of the Code concerning oversight of the management bodies applies to the extent it concerns the oversight of the chief executive officer of the company, but not of the board itself; item 4.1 of the Code concerning recommendations to the management bodies applies to the extent it relates to the provision of recommendations to the company's chief executive officer; item 4.4 of the Code concerning independence of the collegial body elected by the general meeting from the company's management bodies is applied to the extent it concerns independence from the chief executive officer.

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

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| 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. | No | The non-executive directors (of the Supervisory Board) were not elected in the Company. |
| 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 departure from these recommendations, it should furnish information on the measures it has taken to ensure impartiality of the supervision. | Yes | The chairman of the Board and the Director of the Company is one and the same person. |
| **Principle III: The order of the formation of a collegial body to be elected by a general shareholders' meeting**<br><br>**The order of the formation a collegial body to be elected by a general shareholders' meeting should ensure representation of minority shareholders, accountability of this body to the shareholders and objective monitoring of the company's operation and its management bodies[3]** | | |
| 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 Board of the Company, elected in the General Meeting, allow the small shareholders to be interested in and comment on the activities and management of the Company. |

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

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| 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. | Yes | The candidates are discussed in the Company Board and given to the General Meeting. The information about the candidates is put in the papers of the General Meeting and the shareholders are able to get acquainted with it beforehand according to the Law on Companies of the Republic of Lithuania. The data on the members of the Board is compiled, specified and presented in the Annual Company Report. |
| 3.3. Should a person be nominated for members of a collegial body, such nomination should be followed by the disclosure of information on candidate's particular competences relevant to his/her service on the collegial body. In order shareholders and investors are able to ascertain whether member's competence is further relevant, the collegial body should, in its annual report, disclose the information on its composition and particular competences of individual members which are relevant to their service on the collegial body. | Yes | The Board candidate informs the General Meeting about his/her education, working experience and expertise. The Board composition, the education of the members, working activity is given in the Annual Report. |
| 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. | Yes | The members of the collegial body have the proper qualification, long-term expertise in the company management and versatile knowledge and experience to fulfill their tasks properly. |

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|---|---|---|
| 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. | No | All the members of the Company Board are informed about the work, organization and changes in the Board meetings. |
| 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[4] number of independent[5] members. | No | There are no independent members in the composition of the Board |

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

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

| | | |
|---|---|---|
| 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:<br>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;<br>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;<br>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);<br>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);<br>5)He/she does not have and did not have any | No | There are no independent members in the composition of the Board |

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| material business relations with the company or associated company within the past year directly or as a partner, shareholder, director or superior employee of the subject having such relationship. A subject is considered to have business relations when it is a major supplier or service provider (inclusive of financial, legal, counseling and consulting services), major client or organization receiving significant payments from the company or its group;<br>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;<br>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;<br>8) He/she has not been in the position of a member of the collegial body for over than 12 years;<br>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.<br>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. | | |

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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. | No | The Company does not apply the evaluation and disclosure practice of the independence of the Board members yet. |
| 3.10. When one or more criteria of independence set out in this Code has not been met throughout the year, the company should disclose its reasons for considering a particular member of the collegial body to be independent. To ensure accuracy of the information disclosed in relation with the independence of the members of the collegial body, the company should require independent members to have their independence periodically re-confirmed. | No | There were no criteria of independence set out. |
| 3.11. In order to remunerate members of a collegial body for their work and participation in the meetings of the collegial body, they may be remunerated from the company's funds[6]. The general shareholders' meeting should approve the amount of such remuneration. | No | There are no independent members of the collegial body in the Company. |

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

**The corporate governance framework should ensure proper and effective functioning of the collegial body elected by the general shareholders' meeting, and the powers granted to the collegial body should ensure effective monitoring[7] of the company's management bodies and protection of interests of all the company's shareholders.**

[6] It is notable that currently it is not yet completely clear, in what form members of the supervisory board or the board may be remunerated for their work in these bodies. The Law on Companies of the Republic of Lithuania (*Official Gazette*, 2003, No 123-5574) provides that members of the supervisory board or the board may be remunerated for their work in the supervisory board or the board by payment of annual bonuses 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 should be the *only* form of the company's compensation to members of the supervisory board or the board. So it seems that the Law contains no prohibition to remunerate members of the supervisory board or the board for their work in other forms, besides bonuses, although this possibility is not expressly stated either.

[7] See Footnote 3.

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| 4.1. The collegial body elected by the general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure integrity and transparency of the company's financial statements and the control system. The collegial body should issue recommendations to the company's management bodies and monitor and control the company's management performance.[8] | Yes | The Company collegial body is the Board which presents the General Meeting to confirm the recommendations and proposals on the Company annual report and financial accountability, the project of the profit-sharing |
| 4.2. Members of the collegial body should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders with due regard to the interests of employees and public welfare. Independent members of the collegial body should (a) under all circumstances maintain independence of their analysis, decision-making and actions (b) do not seek and accept any unjustified privileges that might compromise their independence, and (c) clearly express their objections should a member consider that decision of the collegial body is against the interests of the company. Should a collegial body have passed decisions independent member has serious doubts about, the member should make adequate conclusions. Should an independent member resign from his office, he should explain the reasons in a letter addressed to the collegial body or audit committee and, if necessary, respective company-not-pertaining body (institution). | Yes | The Company Board acts in good faith, in the interest of the Company and not in their own or third party interests. |

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

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| 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[9] of the meetings of the collegial body throughout the financial year of the company, shareholders of the company should be notified. | Yes | The Company follows this recommendation. The members of the Board perform their duties well. |
| 4.4. Where decisions of a collegial body may have a different effect on the company's shareholders, the collegial body should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed on the company's affairs, strategies, risk management and resolution of conflicts of interest. The company should have a clearly established role of members of the collegial body when communicating with and committing to shareholders. | Yes | The Board treated the Company shareholders fairly and impartially. The shareholders were informed according to the set Company regulations, there were no conflicts of interests. |
| 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. | Yes | The Company regulations state that the Board makes a decision on the long-term assets that balance value is more than 1/20 of the Company's authorized capital, investment, transfer, rental, soak and mortgage, voucher and reassurance, and to acquire long-term assets for the price higher than 1/20 of the authorized capital. The Board makes decisions to establish the Company subsidiaries and agencies or to stop their work, to appoint a manager of the Company, etc. |

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

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| 4.6. The collegial body should be independent in passing decisions that are significant for the company's operations and strategy. Taken separately, the collegial body should be independent of the company's management bodies[10]. Members of the collegial body should act and pass decisions without an outside influence from the persons who have elected it. Companies should ensure that the collegial body and its committees are provided with sufficient administrative and financial resources to discharge their duties, including the right to obtain, in particular from employees of the company, all the necessary information or to seek independent legal, accounting or any other advice on issues pertaining to the competence of the collegial body and its committees. | No | The Chairman of the Board and General Director is the same person. |
| 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 | No | There are no Nomination, Remuneration, Audit committees in the Company. |

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

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| 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. | | |
| 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. | No | There are no Nomination, Remuneration, Audit committees in the Company. |
| 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 refreshed and that undue reliance is not placed on particular individuals. | No | There are no Nomination, Remuneration, Audit committees in the Company. |
| 4.10. Authority of each of the committees should be determined by the collegial body. Committees should perform their duties in line with authority delegated to them and inform the collegial body on their activities and performance on regular basis. Authority of every committee stipulating the role and rights and duties of the committee should be made public at least once a year (as part of the information disclosed by the company annually on its corporate governance structures and practices). Companies should also make public annually a statement by existing | No | There are no Nomination, Remuneration, Audit committees in the Company. |

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| 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. | | |
| 4.11. In order to ensure independence and impartiality of the committees, members of the collegial body that are not members of the committee should commonly have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or demand participation in the meeting of particular officers or experts. Chairman of each of the committees should have a possibility to maintain direct communication with the shareholders. Events when such are to be performed should be specified in the regulations for committee activities. | No | There are no Nomination, Remuneration, Audit committees in the Company. |
| 4.12. Nomination Committee.<br>4.12.1. Key functions of the nomination committee should be the following:<br><br>• 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;<br>• 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;<br>• Assess on regular basis the skills, knowledge and experience of individual directors and report on this to the collegial body;<br>• Properly consider issues related to succession planning;<br>• Review the policy of the management bodies for selection and appointment of senior management.<br><br>4.12.2. Nomination committee should consider proposals by other parties, including | No | There is no Nomination committee in the Company. |

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| 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. | | |
| 4.13. Remuneration Committee.<br>4.13.1. Key functions of the remuneration committee should be the following:<br>• 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;<br>• Make proposals to the collegial body on the individual remuneration for executive directors and member of management bodies in order their remunerations are consistent with company's remuneration policy and the evaluation of the performance of these persons concerned. In doing so, the committee should be properly informed on the total compensation obtained by executive directors and members of the management bodies from the affiliated companies;<br>• Make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies;<br>• 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);<br>• 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 | No | There is no Remuneration committee in the Company. |

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| by the collegial body) with regard to the respective information provided by the executive directors and members of the management bodies.<br>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:<br>• Consider general policy regarding the granting of the above mentioned schemes, in particular stock options, and make any related proposals to the collegial body;<br>• Examine the related information that is given in the company's annual report and documents intended for the use during the shareholders meeting;<br>• 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.<br>4.13.3. Upon resolution of the issues attributable to the competence of the remuneration committee, the committee should at least address the chairman of the collegial body and/or chief executive officer of the company for their opinion on the remuneration of other executive directors or members of the management bodies. | | |
| 4.14. Audit Committee.<br><br>4.14.1. Key functions of the audit committee should be the following:<br>• 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);<br>• 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;<br>• 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 | No | There is no Audit committee in the Company. |

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| 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;<br>• 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;<br>• 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;<br>• Review efficiency of the external audit process and responsiveness of management to recommendations made in the external auditor's management letter.<br><br>4.14.2. All members of the committee should be furnished with complete information on particulars of accounting, financial and other operations of the company. Company's management should inform the audit committee of the methods used to account for significant and unusual transactions where the accounting treatment may be open to different approaches. In such case a special consideration should be given to company's operations in offshore centers and/or activities carried out through | | |

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| special purpose vehicles (organizations) and justification of such operations.<br><br>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.<br><br>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.<br><br>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.<br><br>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.<br><br>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. | | |

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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. | No | There is no practice of the assessment of the Board work and information about it. |

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

**The working procedure of supervisory and management bodies established in the company should ensure efficient operation of these bodies and decision-making and encourage active co-operation between the company's bodies.**

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| 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 | The Board implements this recommendation. |
| 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 | Yes | The Company Board organizes meetings not less than once a quarter. |

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| should be convened at least once in a quarter, and the company's board should meet at least once a month[11]. | | |
| 5.3. Members of a collegial body should be notified about the meeting being convened in advance in order to allow sufficient time for proper preparation for the issues on the agenda of the meeting and to ensure fruitful discussion and adoption of appropriate decisions. Alongside with the notice about the meeting being convened, all the documents relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body are present or certain issues of great importance to the company require immediate resolution. | Yes | The members of the Board are informed about the future meeting in advance, the material for the discussion is handed in the fixed time. |
| 5.4. In order to co-ordinate operation of the company's collegial bodies and ensure effective decision-making process, chairpersons of the company's collegial bodies of supervision and management should closely co-operate by co-coordinating dates of the meetings, their agendas and resolving other issues of corporate governance. Members of the company's board should be free to attend meetings of the company's supervisory board, especially where issues concerning removal of the board members, their liability or remuneration are discussed. | No | There is only the Board in the Company. |

[11] 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.

**Principle VI: The equitable treatment of shareholders and shareholder rights**

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

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| 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 | The authorized capital of the Company consists of the ordinary registered shares that give the same voting rights to all the shareholders. |
| 6.2. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares. | Yes | The Company gives the thorough information in the issuer's annual and half-year reports, that helps the investor to make the right conclusion concerning the acquisition of the shares. The information is published in the information system of the Vilnius Stock Exchange. |
| 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.[12] All shareholders should be furnished with equal opportunity to familiarize with and participate in the decision-making process when significant corporate issues, including approval of transactions referred to above, are discussed. | No | The Company regulations foresee the list of the Board decisions that can be made without the consent of the meeting.<br>The possibility to get acquainted and to take part in making important decisions to the Company is not given to all the shareholders. |
| 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 | The announcement about the venue and date of the General Meeting is published in the information system of the Vilnius Stock Exchange, in the paper "Lietuvos Rytas" and posted in the Company website a month before the General Meeting.<br>The Manager of the Company and the Board permit the shareholders to get acquainted with the Company papers related to the agenda of the General Meeting, the terms and order foreseen in the Law on Companies of the Republic of Lithuania and in the Company |

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

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| | | Regulations. |
| 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[13]. 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 | Ten days before the beginning of the meeting the announcement on draft resolutions of the General Meeting is published in the paper "Lietuvos Rytas" and in the information system of the Vilnius Stock Exchange.<br>After the meeting the report on the adopted resolutions of the General Meeting is sent to the information system of the Vilnius Stock Exchange and to the press. The Lithuanian language is used in the press and English is used in the information system of the Vilnius Stock Exchange. |
| 6.6. Shareholders should be furnished with the opportunity to vote in the general shareholders' meeting in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot. | Yes | The Company makes it possible for the shareholders to vote by filling up a general voting bulletin in absentia, as it is foreseen by the Law on Companies of the Republic of Lithuania. |
| 6.7. With a view to increasing the shareholders' opportunities to participate effectively at shareholders' meetings, the companies are recommended to expand use of modern technologies 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. | It is not relevant. | There was no need and request of the shareholders. |

[13] 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).

| Principle VII: The avoidance of conflicts of interest and their disclosure<br><br>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. | | |
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| 7.1. Any member of the company's supervisory and management body should avoid a situation, in which his/her personal interests are in conflict or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory and management body should, within reasonable time, inform other members of the same collegial body or the company's body that has elected him/her, or to the company's shareholders about a situation of a conflict of interest, indicate the nature of the conflict and value, where possible. | Yes | The members of the Company Board follow these recommendations. |
| 7.2. Any member of the company's supervisory and management body may not mix the company's assets, the use of which has not been mutually agreed upon, with his/her personal assets or use them or the information which he/she learns by virtue of his/her position as a member of a corporate body for his/her personal benefit or for the benefit of any third person without a prior agreement of the general shareholders' meeting or any other corporate body authorized by the meeting. | Yes | There were no such cases. The order of making these agreements is not regulated in the Company. |
| 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 | There were no such cases. The order of making these agreements is not regulated in the company. |
| 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 | Yes | We follow these regulations only in these cases when the Board is discussing the problems of the payment of a member, Company |

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| voted on. | | Manager. |

**Principle VIII: Company's remuneration policy**

**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.**

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| 8.1. A company should make a public statement of the company's remuneration policy (hereinafter the remuneration statement). This statement should be part of the company's annual accounts. Remuneration statement should also be posted on the company's website. | No | The Company does not make a public statement of the Company's remuneration policy because it is the internal and confidential document of the Company. The general information on the average sizes of the payments of the separate groups of the workers and the total sum of the payoffs to the Company managers is stated in the Annual Report openly. |
| 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 | The Company Board does not follow this regulation. |
| 8.3. Remuneration statement should leastwise include the following information:<br>• Explanation of the relative importance of the variable and non-variable components of directors' remuneration;<br>• Sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration;<br>• Sufficient information on the linkage between the remuneration and performance;<br>• The main parameters and rationale for any annual bonus scheme and any other non-cash benefits;<br>• A description of the main characteristics of supplementary pension or early retirement schemes for directors. | No | The Company Board does not follow this regulation. |
| 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 | No | The Company Board does not follow this regulation. |

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| 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. | | |
| 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 | The Company Board does not follow this regulation. |
| 8.6. Without prejudice to the role and organization of the relevant bodies responsible for setting directors' remunerations, the remuneration policy or any other significant change in remuneration policy should be included into the agenda of the shareholders' annual general meeting. Remuneration statement should be put for voting in shareholders' annual general meeting. The vote may be either mandatory or advisory. | No | The Company Board does not follow this regulation. |
| 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.<br>8.7.1. The following remuneration and/or emoluments-related information should be disclosed:<br>• 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;<br>• The remuneration and advantages received from any undertaking belonging to the same group;<br>• The remuneration paid in the form of profit sharing and/or bonus payments and the reasons why such bonus payments and/or profit sharing | No | The Company Board does not follow this regulation. |

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| were granted;<br>• 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;<br>• 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;<br>• Total estimated value of non-cash benefits considered as remuneration, other than the items covered in the above points.<br>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:<br>• The number of share options offered or shares granted by the company during the relevant financial year and their conditions of application;<br>• 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;<br>• The number of share options unexercised at the end of the financial year; their exercise price, the exercise date and the main conditions for the exercise of the rights;<br>• All changes in the terms and conditions of existing share options occurring during the financial year.<br>8.7.3. The following supplementary pension schemes-related information should be disclosed:<br>• When the pension scheme is a defined-benefit scheme, changes in the directors' accrued benefits under that scheme during the relevant financial year;<br>• 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.<br>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 | | |

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| outstanding and the interest rate. | | |
| 8.8. Schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements should be subject to the prior approval of shareholders' annual general meeting by way of a resolution prior to their adoption. The approval of scheme should be related with the scheme itself and not to the grant of such share-based benefits under that scheme to individual directors. All significant changes in scheme provisions should also be subject to shareholders' approval prior to their adoption; the approval decision should be made in shareholders' annual general meeting. In such case shareholders should be notified on all terms of suggested changes and get an explanation on the impact of the suggested changes. | No | The Company Board does not follow this regulation. |
| 8.9. The following issues should be subject to approval by the shareholders' annual general meeting:<br>• Grant of share-based schemes, including share options, to directors;<br>• Determination of maximum number of shares and main conditions of share granting;<br>• The term within which options can be exercised;<br>• The conditions for any subsequent change in the exercise of the options, if permissible by law;<br>• All other long-term incentive schemes for which directors are eligible and which are not available to other employees of the company under similar terms. Annual general meeting should also set the deadline within which the body responsible for remuneration of directors may award compensations listed in this article to individual directors. | No | There is no such practice in the Company. |
| 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. | No | There were no such cases. |
| 8.11. Provisions of Articles 8.8 and 8.9 should not be applicable to schemes allowing for | | |

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| participation under similar conditions to company's employees or employees of any subsidiary company whose employees are eligible to participate in the scheme and which has been approved in the shareholders' annual general meeting. | | |
| 8.12. Prior to the annual general meeting that is intended to consider decision stipulated in Article 8.8, the shareholders must be provided an opportunity to familiarize with draft resolution and project-related notice (the documents should be posted on the company's website). The notice should contain the full text of the share-based remuneration schemes or a description of their key terms, as well as full names of the participants in the schemes. Notice should also specify the relationship of the schemes and the overall remuneration policy of the directors. Draft resolution must have a clear reference to the scheme itself or to the summary of its key terms. Shareholders must also be presented with information on how the company intends to provide for the shares required to meet its obligations under incentive schemes. It should be clearly stated whether the company intends to buy shares in the market, hold the shares in reserve or issue new ones. There should also be a summary on scheme-related expenses the company will suffer due to the anticipated application of the scheme. All information given in this article must be posted on the company's website. | No. | There is no such practice in the Company. |

**Principle IX: The role of stakeholders in corporate governance**

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

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| 9.1. The corporate governance framework should assure that the rights of stakeholders that are protected by law are respected. | Yes | The Company Board tries to assure the rights of all the interested that are protected by the law. |
| 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 | Yes | The interested can take part in the Company management as far as the laws of The Republic of Lithuania allow. |

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| certain key decisions for the company; consulting the employees on corporate governance and other important issues; employee participation in the company's share capital; creditor involvement in governance in the context of the company's insolvency, etc. | | |
| 9.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information. | Yes | The regulation is followed as far as it is allowed by the laws of the Republic of Lithuania. |

**Principle X: Information disclosure and transparency**

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

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| 10.1. The company should disclose information on:<br>1.1. The financial and operating results of the company;<br>•1.2. Company objectives;<br>1.3. Persons holding by the right of ownership or in control of a block of shares in the company;<br>1.4. Members of the company's supervisory and management bodies, chief executive officer of the company and their remuneration;<br>1.5. Material foreseeable risk factors;<br>1.6. Transactions between the company and connected persons, as well as transactions concluded outside the course of the company's regular operations;<br>1.7. Material issues regarding employees and other stakeholders;<br>1.8. Governance structures and strategy.<br><br>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. | Yes, except item 4. | The information, provided in these recommendations, except item 4, is disclosed in these sources: in the Annual Report, Consolidated Financial Accountability and in its Explanatory Note, in the Reports about the essential events. This information is posted:<br>In the website of the Vilnius Stock Exchange<br>www.omxgroup.com/vilnius<br>in the website of the JSC "Alita" www.alita.lt/investuotojams |
| 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. | Yes | The consolidated results of the activities of the Company group are disclosed. |

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| 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. | Yes | The information on the qualification and the long-lived experience in the management of the members of the collegial body is disclosed in the Annual Report. The payment policy is not disclosed openly because it is the internal and confidential Company document. The general information on the average sizes of the payments and the total sum of the payoffs to the Company managers is stated in the Annual Report openly. |
| 10.4. It is recommended that information about the links between the company and its stakeholders, including employees, creditors, suppliers, local community, as well as the company's policy with regard to human resources, employee participation schemes in the company's share capital, etc. should be disclosed when information specified in item 7 of Recommendation 10.1 is under disclosure. | No | There is no such practice in the Company. |
| 10.5. Information should be disclosed in such a way that neither shareholders nor investors are discriminated with regard to the manner or scope of access to information. Information should be disclosed to all simultaneously. It is recommended that notices about material events should be announced before or after a trading session on the Vilnius Stock Exchange, so that all the company's shareholders and investors should have equal access to the information and make informed investing decisions. | Yes | The vital information is published in the website of the Vilnius Stock Exchange in Lithuanian and English, in the Company website in Lithuanian, in the paper "Lietuvos Rytas" in Lithuanian. |
| 10.6. Channels for disseminating information should provide for fair, timely and cost-efficient access to relevant information by users. It is recommended that information technologies should be employed for wider dissemination of information, for instance, by placing the information on the company's website. It is recommended that information should be published and placed on the company's website not only in Lithuanian, but also in English, and, whenever possible and necessary, in other languages as well. | Yes | The vital information is published in the Company website www.alita.lt in Lithuanian. |

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| 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. | All the essential events of 2007, the Annual Report and the Financial Account of 2006 were posted in the website of the Company |
| **Principle XI: The selection of the company's auditor**<br><br>**The mechanism of the selection of the company's auditor should ensure independence of the firm of auditor's conclusion and opinion.** | | |
| 11.1. An annual audit of the company's financial statements and report should be conducted by an independent firm of auditors in order to provide an external and objective opinion on the company's financial statements. | Yes | The independent auditor carries out the audit of the Company interim financial accountability, the Company annual financial accountability and the audit of the annual report. |
| 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 | The Company Board proposes a candidate firm of auditors to the General Meeting. |
| 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. | Not applicable | The audit firm of the Company did not provide any non-audit services to the Company and so it did not receive any payment for it from the Company. |