Annex 1

Key concepts and terms of the Thesis

Corporate governance - A set of relationships between a company's management, its board, its shareholders and other stakeholders that provides a structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance are determined (OECD, 2004);

EU – European Union;

Market capitalization – total value of shares outstanding calculated by number of ordinary shares times market share price (Nasdaq OMX Vilnius, 2010);

ROA – return on assets calculated by net profit divided by average total assets (Nasdaq OMX Vilnius, 2010);

ROE – return on equity calculated by net profit divided by average total equity (Nasdaq OMX Vilnius, 2010);

Block ownership – percentage of shares owned by one to five biggest shareholders who control more then 5 percent of shares each;

Managerial ownership – percentage of shares owned by members of management and members of supervisory and management Board;

Institutional ownership – percentage of shares owned by institutional investors (banks, investment companies, pension funds and other financial intermediaries;

Firm performance – the financial or market effectiveness of the company. Can be measured by accounting (ROA, ROE) or market performance (Tobin's Q, stock returns) indicators;

Tobin's Q – market performance ratio representing market value of a firm to the replacement cost of the firm's assets. Equal to Market Cap plus Total Liabilities plus Preferred Equity plus Minority Interest divided by Total Assets (Bloomberg).