AB Pieno Žvaigždės

Financial statements for 2008

Content

Company details

AB Pieno Žvaigždės

Telephone:	+370 5 246 1414
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Company code:	124665536
Registered:	Laisvės pr. 125, Vilnius, Lithuania

Board

Paul Bergqvist, Chairman
Lars Ojefors
Voldemaras Klovas
Julius Kvaraciejus
Aleksandr Smagin
Linas Sasnauskas

Management

Aleksandr Smagin, General Director

Auditor

KPMG Baltics, UAB

Banks

AB SEB Bankas
AB Bankas Hansabankas
AB DnB Nord Bankas

Management's statement on the annual financial statements

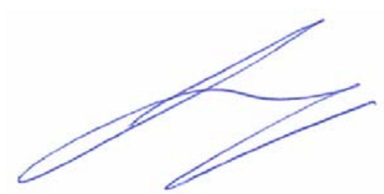
The Management has today discussed and authorized for issue the annual financial statements and the annual report and signed them on behalf of the Company.

The annual 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 annual financial statements give a true and fair view.

We recommend the annual accounts to be approved at the General Shareholders meeting.

Vilnius, 28 February 2009

Management:



Aleksandr Smagin
General Director

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Independent auditor's report to the shareholders of AB Pieno Žvaigždės

We have audited the accompanying financial statements of AB Pieno Žvaigždės, which comprise the balance sheet as at 31 December 2008, and the income statement, the statement of changes in equity and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes set out on pages 5 - 41.

Management's responsibility for financial statements

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. 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 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 financial statements give a true and fair view of the financial position of AB Pieno Žvaigždės as at 31 December 2008, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on legal and other regulatory requirements

Furthermore, we have read the Annual Report for the year 2008 set out on pages 42-87 of the Financial Statements and have not noted any material inconsistencies between the financial information included in it and the financial statements for the year ended 31 December 2008.

Klaipėda, 28 February 2009
KPMG Baltics, UAB

Leif René Hansen Danish State Authorised Public Accountant	Mindaugas Bartkus Certified Auditor

Income statement

For the year ended 31 December

Thousand Litas	Notes	2008	2007
Revenue	1	666 289	663 379
Cost of sales		(562 582)	(517 203)
Gross profit		**103 707**	**146 176**
Other operating income, net	2	7 027	1 151
Sales and administrative expenses	3	(102 915)	(97 572)
Operating profit before finance costs		**7 819**	**49 755**
Finance income	4	506	188
Finance expenses	5	(11 413)	(9 039)
Finance income/expenses, net		**(10 907)**	**(8 851)**
Profit before tax		**(3 088)**	**40 904**
Corporate income tax	6	(1 244)	(7 599)
Profit for the year		**(4 332)**	**33 305**
Earnings per share (Litas)	7	-0.08	0.61
Diluted earnings per share (Litas)	7	-0.08	0.61

The notes, set out on pages 9 to 41, are an integral part of these financial statements.

Balance sheet

At 31 December

Thousand Litas	Note	2008	2007
Assets			
Property, plant and equipment	8	235 152	239 047
Intangible assets	9	1 072	1 724
Investments available for sale	10	275	275
Long-term receivables		4 452	6 314
Deferred tax	17		-
Total non-current assets		**240 951**	**247 360**
Inventories	11	81 840	75 758
Receivables	12	76 710	50 809
Cash and cash equivalents	13	1 907	2 702
Total current assets		**160 457**	**129 269**
Total assets		**401 408**	**376 629**
Equity			
Share capital		54 205	54 205
Share premium		27 246	27 246
Own shares		(4 108)	(4 108)
Reserves		28 758	38 294
Retained earnings		36 063	52 875
Total equity	14	**142 164**	**158 512**
Liabilities			
Government grants	15	2 775	2 083
Interest-bearing loans and borrowings	16	77 568	99 366
Deferred tax	17	1 930	1 050
Total non-current liabilities		**82 273**	**102 499**
Provisions	19	-	870
Interest-bearing loans and borrowings	16	112 526	60 071
Income tax payable		-	3 790
Trade and other amounts payable	18	64 445	50 887
Total current liabilities		**176 971**	**115 618**
Total liabilities		**259 244**	**218 117**
Total equity and liabilities		**401 408**	**376 629**

The notes, set out on pages 9 to 41, are an integral part of these financial statements.

Cash flow statement

For the year ended 31 December

Thousand Litas	Note	2008	2007
Cash flows from operating activities			
Profit before tax		(3 088)	40 904
Adjustments:			
Depreciation and amortisation	8, 9	43 105	40 111
Amortisation of government grants	15	(1 819)	(2 033)
Result of disposal of property, plant and equipment		(6 478)	(736)
Change in impairment loss of non-current assets	8	-	(714)
Impairment loss of receivables	3	137	73
Change in vacation reserve	18	32	1 056
Change in provision	19	-	870
Change in impairment loss of inventories		(1 229)	3 544
Interest income/expenses, net	4,5	10 615	8 660
Cash flows from ordinary activities before changes in the working capital		**41 275**	**91 735**
Change in inventories		(4 854)	(28 096)
Change in receivables		(24 176)	19 216
Change in payable amounts		12 249	1 353
Cash flows from operating activities		**24 494**	**84 208**
Interest paid		(11 118)	(8 819)
Income tax paid		(4 451)	(4 179)
Net cash flow from operating activities		**8 925**	**71 210**
Cash flows from investing activities			
Acquisition of property, plant and equipment	8	(43 189)	(74 122)
Acquisition of intangible assets	9	(44)	(782)
Proceeds on sale of property, plant and equipment		11 857	4 294
Proceeds on disposal of investments held for sale		-	-
Interest received		503	159
Net cash flow used in investing activities		**(30 873)**	**(70 451)**
Cash flows from financing activities			
Loans received		70 480	57 781
Repayment of borrowings		(21 194)	(29 036)
Issue (redemption) of shares		-	(3 000)
Dividends paid		(12 014)	(10 779)
Payment of finance lease liabilities		(18 630)	(15 473)
Government grants received	15	2 511	1 043
Net cash from/(used in) financing activities		**21 153**	**536**
Change in cash and cash equivalents		(795)	1 295
Cash and cash equivalents at 1 January		2 702	1 407
Cash and cash equivalents at 31 December		**1 907**	**2 702**

The notes, set out on pages 9 to 41, are an integral part of these financial statements.

Statement on changes in equity

Thousand Litas	Note	Share capital	Share premium	Own shares	Compulsory reserve	Revaluation reserve	Other reserves	Retained earnings	Total equity
As at 1 January 2007		54 205	27 246	(1 108)	5 420	3 721	3 500	30 376	123 360
Profit allocation							200	(200)	
Dividends								(10 779)	(10 779)
Acquisition of own shares				(3 000)					(3 000)
Revaluation of property, plant an equipment						15 626			15 626
Depreciation of revaluated part						(173)		173	
Net profit for 2007								33 305	33 305
As at 31 December 2007	14	**54 205**	**27 246**	**(4 108)**	**5 420**	**19 174**	**3 700**	**52 875**	**158 512**
As at 1 January 20078		54 205	27 246	(4 108)	5 420	19 174	3 700	52 875	158 512
Profit allocation							3 100	(3 100)	
Dividends								(12 016)	(12 016)
Depreciation of revaluated part						(2 636)		2 636	
Loss for 2008								(4 332)	(4 332)
As at 31 December 2008	14	**54 205**	**27 246**	**(4 108)**	**5 420**	**16 538**	**6 800**	**36 063**	**142 164**

The notes, set out on pages 9 to 41, are an integral part of these financial statements.

Notes to the financial statements

The head office of AB Pieno Žvaigždės ("the Company") is located in Vilnius, Lithuania. AB Pieno Žvaigždės was established by way of merger of stock companies Mažeikių Pieninė, Pasvalio Sūrinė and Kauno Pienas.

As at 31 December 2003 the Company owned 64,2% shares of the subsidiary AB Panevėžio Pienas. During the year 2004 the Company acquired the remaining shares of AB Panevėžio Pienas. As of 30 November 2004 AB Panevėžio Pienas was merged to AB Pieno Žvaigždės and acquired the status of a branch.

The main office of the Company is located in Vilnius and the branches are in Mažeikiai, Pasvalys, Kaunas and Panevėžys. The Mažeikiai branch has divisions in Akmenė.

Ordinary shares of the Company are quoted in the Vilnius Stock Exchange.

The Company is engaged in production and sales of dairy products to retail stores directly and through distributors.

The average number of employees in 2008 was 2, 477 (2007: 2,706 employees)

The financial statements were approved by the Board on 28 February 2009.

Significant accounting policies

Statement of compliance

These are the financial statements of a separate company AB Pieno Žvaigždės, which have been prepared in accordance with International Financial Reporting Standards (IFRSs) and their interpretations adopted by the International Accounting Standards Board (IASB) as adopted by the European Union, further to the IAS Regulation (EC 1606/2002).

Basis of preparation

The financial statements are presented in Litas that is the functional currency of the Company, and are prepared on the historical cost basis, except for investments which are stated at fair value and non-current assets for sale which are carried at the lower of the carrying amount and fair value less anticipated sales costs. Land and buildings are stated at revaluated value.

The preparation of financial statements in conformity with IFRS, as adopted by the EU, requires management to make 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 judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Notes to financial statements

Significant accounting policies (continued)

Basis of preparation (continued)

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised 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.

Judgements made by management in the application of IFRSs adopted in the EU that have significant effect on the financial statements are discussed on page 20.

The accounting policies of the Company, set out below, have been applied consistently to all periods presented in these financial statements, except for those which changed due to changes in previously valid IFRS and the new IFRSs effective as of 1 January 2008.

Derivative financial instruments

The Company did not use any derivative financial instruments nor maintained any risk hedging accounting.

Foreign currency

Transactions in foreign currencies are translated 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 Litas at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Litas at foreign exchange rates ruling at the dates the fair value was determined. The Company‘s transactions are accounted for in Litas.

Property, plant and equipment

Owned assets

Property, plant and equipment (except for land and buildings) are stated at cost less accumulated depreciation and impairment losses. Buildings are stated at a revaluated value less accumulated depreciation and impairment losses.

The Company carried out the revaluation of buildings as at 31 December 2004. An increase in the value of the buildings amounted to 4,066 tLTL net of deferred tax and was recorded under the revaluation reserve as at 31 December 2004. A decrease in the value of the buildings amounted to 8,605 tLTL and was recorded under operating costs in the income statement for 2004.

Notes to financial statements

Significant accounting policies (continued)

Property, plant and equipment (continued)

As at 31 December 2007 the Company performed one more revaluation of the buildings. An increase in the value of 18,381 tLTL (net of deferred tax liability of 2,755 tLTL) was recognised in equity under the revaluation reserve. An increase in value of the buildings amounting to 1,721 tLTL was recognised in the income statement for 2007 as income because prior to 1 January 2007 an impairment loss was recognised for the mentioned assets. The impairment loss of the assets amounted to 1,007 tLTL and was recognised as costs in the income statement for 2007.

In 2008 the Company did not make any revaluation of assets due to insignificant changes in the value of assets.

The revaluation reserve is recycled to retained earnings corresponding to depreciation of revaluated buildings.

Cost of self-constructed property, plant and equipment includes costs related to materials and direct labour costs as well as related indirect costs.

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 and are depreciated over the expected useful lifetime.

Leased assets

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Assets used by way of finance lease are recognised as assets of the company and are stated at the lower of their fair value in the beginning of the lease and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

Subsequent expenditure

Costs incurred when replacing a component part of an item of property, plant and equipment are capitalised only upon write-off of the carrying amount of the component and if it is probable that the future economic benefits embodied with the item will flow to the Company and the cost of the component part can be measured reliably. All other costs are recognised 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 20 - 40 years
- machinery and equipment 10 - 12 years
- transport vehicles and other assets 4 - 20 years

Notes to financial statements

Significant accounting policies (continued)

Intangible assets

Intangible assets acquired by the Company are stated at cost less accumulated amortisation and impairment losses.

Costs related to internally generated goodwill and trade marks are recognised in the income statement as costs when incurred.

Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are available for use. The estimated useful lives are 1 – 3 years.

Goodwill

Goodwill (positive and negative) represents the difference between the acquisition cost of the subsidiary and the fair value of the net assets acquired. Positive goodwill is stated at cost less impairment losses.

The amount of positive goodwill, accounted for by the Company, relates to the acquired and then merged company AB Panevėžio Pienas.

Financial instruments

Investments in equity securities

Investments in equity securities, except for investments in subsidiary undertakings and associated companies, are classified as available-for-sale and at initial recognition are stated at fair value plus the related direct costs. Subsequently the investments are revaluated to fair value carrying the gain or loss on their revaluation directly under equity, except for impairment losses which are included in the income statement if the management has no intention to sell these investments during the period of 12 months after the balance sheet date. When the investments are sold, the accrued gain or loss previously recognised under equity, is recognised in the income statement.

Notes to financial statements

Significant accounting policies (continued)

Financial instruments (continued)

The fair value of financial instruments classified as held for trading is their quoted price at the balance sheet date.

Financial instruments classified as held for trading are recognised / derecognised by the Company on the date it commits to purchase / sell the instruments.

Other financial instruments

Receivables of the Company are not traded in an active market. They are included in current assets except for maturities greater than 12 months. Trade receivables are initially recognized at fair value. Loans and other receivables are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, loans and receivables are measured at amortized cost using the effective interest method, less impairment, if any. Short-term receivables are not discounted.

Borrowings 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. Trade payables are initially recognized at fair value and are subsequently measured at amortised cost. Short-term liabilities are not discounted.

Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

Notes to financial statements

Significant accounting policies (continued)

Impairment

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

For goodwill and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date.

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

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the securities are impaired. When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

Calculation of recoverable amount

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

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.

Notes to financial statements

Significant accounting policies (continued)

Reversals of impairment

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

An impairment loss in respect of an investment in an equity instrument classified as available-for-sale is not reversed through profit or loss.

Impairment of goodwill is not reversed. Impairment loss in respect of other assets is reversed only if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount.

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

Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a change in equity. Repurchased shares are classified as treasury shares and presented as a deduction from total equity.

Dividends

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

Revenue

Goods sold and services rendered

Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. The revenue recognized is net of discounts provided. Revenue from services rendered is recognised in the income statement in proportion to the stage of completion of the transaction at the balance sheet date. The stage of completion is assessed by reference to surveys of work performed. Rental income is recognised in the income statement on a straight-line basis over the term of the lease.

No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods exists or where substantial risks and rewards can not be considered as transferred to the buyer.

Notes to financial statements

Significant accounting policies (continued)

Revenue (continued)

Government grants

A government grant is recognised in the balance sheet initially as deferred income when there is reasonable assurance that it will be received and that the Company will comply with the conditions attaching to it. Government grants intended to compensate the Company for expenses incurred are recognised as revenue in the income statement on a systematic basis in the same periods in which the expenses are incurred. Government grants that compensate the Company for the cost of an asset are recognised in the income statement as other operating income on a systematic basis over the useful life of the asset

Expenses

Operating lease payments

Payments made under operating leases are recognised 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.

Net finance costs

Net finance costs comprise interest payable on borrowings calculated using the effective interest rate method, interest receivable on funds invested, dividend income, foreign exchange gains and losses.

Interest income is recognised in the income statement as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date the entity's right to receive payments is established. The interest expense component of finance lease payments is recognised in the income statement using the effective interest rate method.

Notes to financial statements

Significant accounting policies (continued)

Income tax

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

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially 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 liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: for initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in 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 realisation 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 recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Withholding taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

Segment reporting

A segment is a distinguishable component of the Company that is engaged either in providing 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.

Notes to financial statements

Significant accounting policies (continued)

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

Several new and revised International Financial Reporting Standards and interpretations have been issued, which shall be subject to application in financial reporting starting from 1 January 2009 and subsequent years. The Company has decided not to apply earlier the new standards and interpretations. Estimates of the possible effect of the new and revised standards applied for the first time, as presented by the Company‘s management, are stated below.

- *IAS 1 Presentation of Financial Statements- revised*

  (effective for annual periods beginning on or after 1 January 2009 once adopted by the EU). The standard separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, the standard introduces the statement of comprehensive income: it presents all items of income and expense recognised in profit and loss, together with all other items of recognised income and expense, either in one single statement or in two linked statements. At present, the Company is considering the variant of accounts presentation.

- *IFRS 8 Operating Segments*

  IFRS 8 Operating Segments (effective for annual periods beginning on or after 1 January 2009. he standard sets out requirements for disclosure of information about entity’s operating segments based on internal reports which are reviewed by the management on a regular basis in order to assess the information on each segment and whether it is a business or geographical segment. The Company is making evaluation of the effect of IFRS 8 and it will be reflected in the financial statements for 2009.

- *IFRS 2 Share-based payments- amendment*

  This amendment to IFRS 2 is effective for annual periods beginning on or after 1 January 2009. The amendment provides description of definitions “vesting condition” and “non-vesting conditions”. Based on the amendment of the Standard, a failure to meet a vesting condition must be accounted for as a cancellation of share based payments. As the Company has not entered into share-based payment schemes, the amendment of IFRS 2 is not relevant to the Company.

- *IFRS 3 Business Combinations- revised*

  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 company as the Company does not have any interests in companies, on the activity of which the revised Standards will have effect.

Notes to financial statements

Significant accounting policies (continued)

Standards, interpretations and amendments to published standards that are not yet effective (continued)

- *IAS 23 Borrowing Costs - revised*

  The revised standard eliminates the option of expensing all borrowing costs and requires borrowing costs to be capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset. Effective for annual periods beginning on or after 1 January 2009. The Standard will not have any effect on prior periods in the financial statements for 2009.

- *Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements*

  The amendments to Standard allow application of the exception to allocation principle as to IAS 32, i.e. certain puttable financial instruments and obligations arising on liquidation to be classified as equity. Amendments to IAS 32 and IAS 1 effective for annual periods beginning on or after 1 January 2009. The Company is of the opinion that the amendments will not affect the financial statements of the Company.

- *Amendment to 39 IAS Financial Instruments: recognition and measurement*

  The amended Standards explains application of existing principles which determine whether certain risks or parts of cash flows are appropriate for hedging from risks in relationships. When indicating hedging relationships, risks or parts must be separately identified and reliably estimated, without designation of inflation (only in limited circumstances). The amendment to 39 IAS is effective for annual periods beginning on or after 1 July 2009. The amendment to 39 IAS does not have any impact on the financial statements of the Company as the hedging accounting is not applied.

- *IFRIC 13 Customer Loyalty Programmes*

  Customer Loyalty Programmes prescribe the accounting for companies which apply customer loyalty programmes for their clients. This relates to customer loyalty programmes, based on which clients can be granted services and goods free of charge or with a discount („bonuses“). IFRIC 13 is effective for annual periods beginning on or after 1 July 2008. The Company does not expect these amendments to impact the financial statements of the Company.

- *IFRIC 15 Agreements on the Construction of Real Estate*

  IFRIC 15 explains recognition of income received from construction of real estate; if the asset seller and purchaser agree prior to completion of the construction. Furthermore, the interpretation provides instructions how to determine whether the agreement complies with IAS 11 and IAS 18. IFRIC 15 is effective for annual periods beginning on or after 1 January 2009. IFRIC 15 is not relevant to the Company‘s financial statements as the Company does not provided services related to construction of real estate for selling purposes.

Notes to financial statements

Significant accounting policies (continued)

Standards, interpretations and amendments to published standards that are not yet effective (continued)

- *IFRIC 16 "Hedges of a Net Investment in a Foreign Operation (effective for annual periods beginning on or after 1 October 2008)*

  The Interpretation explains the type of exposure that may be hedged, where in the group the hedged item may be held, whether the method of consolidation affects hedge effectiveness, the form the hedged instrument may take and which amounts are reclassified from equity to profit or loss on disposal of the foreign operation. IFRIC 16 is not relevant to the Company's operations as the Company does not have any investments in a foreign operation.

- *IFRIC 17 Distribution of non-cash assets to owners*

  This interpretation is applicable on distribution of non-cash assets to owners as holders of shares. According to this interpretation, a liability to pay out dividends is defined after the dividends are approved and no longer remain in the company's disposition, and are valued at fair value of the distributable asset. The carrying amount of payable dividends is reviewed on each reporting date and all the changes of the carrying amount are stated under equity as an adjustment of the distributable amount. After the dividends are paid out, an eventual difference between the carrying amounts of the distributable asset and payable dividends is recognised in profit or loss.

  IFRIC 17 is effective for annual periods beginning on or after 15 July 2009. As the interpretation is applicable only as of the application date, it will not have any effect on the financial statements for the periods commencing before the application date of the interpretation. Furthermore, as it relates to future dividends, which are under the shareholders' discretion, it is not possible to determine the effects of application in advance.

- Beside the standards, interpretations and amendments listed above, amendments to I*AS 27 Consolidated and Separate Financial Statements* *(effective for annual periods beginning on or after 1 January 2009)* and *IFRIC 16 Hedges of net investment in a foreign operation* (*effective for annual periods beginning on or after 1 October 2008)*, have been made; however these standards and interpretations are not material to the Company's financial statements as the Company does not have any investments in subsidiaries or significant investments in a foreign operation.

Notes to financial statements

Significant accounting policies (continued)

Significant accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, reflecting the present situation and reasonable expectations of future events.

Significant accounting estimates and assumptions

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

Impairment of receivables

The Company reviews its receivables to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recognised, the Company makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from an individual debtor, e.g. adverse change in the payment status of the debtor, etc.

Judgments

The Company has recognised deferred tax asset based on the judgement of management that realisation of the related tax benefits through future taxable profits are probable. Management's judgements are based on internal budgets and forecasts.

Notes to financial statements

1. Segment reporting

The only business segment of the Company (as a primary reporting format) is production of milk products. Segment information is presented in respect of the Company's geographical segments (secondary segment reporting format).

In respect of the Company's geographical segments, segment income is recognised according to geographical location of clients. Segment assets are divided as to geographical location of the assets.

Results as to geographical segments for 2008 are as follows:

Thousand Litas	Lithuania	Russia	Latvia	Germany	Other countries	Total
Revenue	349 367	236 349	17 472	17 641	45 460	666 289
Segment result	75 803	24 967	3 814	-2 729	1 852	103 707
Segment receivables	46 411	27 120	1 091	125	1 963	76 710
Other assets						324 698
Total assets						401 408
Acquisitions of property, plant and equipment						44 329

In 2008 The Company did not receive any export subsidies.

Results as to geographical segments for 2007 are as follows:

Thousand Litas	Lithuania	Russia	Latvia	Germany	Other countries	Total
Revenue	339 503	207 237	18 242	44 714	53 683	663 379
Segment result	73 778	40 714	4 007	11 937	15 740	146 176
Segment receivables	29 196	17 574	1 643	424	1 972	50 809
Other assets	325 820					325 820
Total assets						376 629
Acquisitions of property, plant and equipment						74 914

Revenue for 2007 includes export subsidies of 12,120 tLTL.

Notes to financial statements

2. Other operating income

Thousand Litas	2008	2007
Income from rent and other services	296	273
Gain on disposal of property, plant and equipment	6 598	766
Other	133	112
	7 027	**1 151**

The major part of gain from disposal of property, plant and equipment relates to disposal of buildings (at the address: Taikos pr. 92, Kaunas).

3. Sales and administrative costs

Thousand Litas	2008	2007
Staff costs	(44 109)	(40 878)
Marketing and advertising	(6 089)	(3 800)
Depreciation and amortisation	(10 958)	(8 290)
Fuel	(7 251)	(5 515)
Impairment of receivables	(137)	(73)
Taxes, except income tax	(1 594)	(1 705)
Materials and spare parts	(3 872)	(4 311)
Transport	(484)	(496)
Communications	(1 104)	(1 196)
Utilities	(2 490)	(2 276)
Office articles	(217)	(286)
Operating lease	(1 009)	(268)
Repair	(1 905)	(3 001)
Insurance	(1 432)	(1 011)
Impairment of inventories	(2 273)	(3 544)
Reversal of impairment loss of property, plant and equipment	1 488	1 721
Impairment of property, plant and equipment	-	(1 007)
Provisions	-	(870)
Other	(19 479)	(20 766)
	(102 915)	**(97 572)**

4. Finance income

Thousand Litas	2008	2007
Interest	503	159
Other	3	29
Total finance income	**506**	**188**

Notes to financial statements

5. Finance expenses

Thousand Litas	2008	2007
Interest on loans and leasing liabilities	(11 118)	(8 819)
Loss on foreign currency exchange	(291)	(214)
Other	(4)	(6)
Total finance expenses	**(11 413)**	**(9 039)**

6. Corporate income tax

Recognised in the income statement

Thousand Litas	2008	2007
Income tax for the current year	(364)	(7 875)
Change in deferred tax	(880)	276
Total income tax recognised in the income statement	**(1 244)**	**(7 599)**

The carrying amount of the deferred tax liability recognised in equity as at 31 December 2008 amounts to 4 530 tLTL. (2007: 3 428 tLTL).

Reconciliation of effective tax rate

Thousand Litas	2008		2007	
Result before tax		-3 088		40 904
Income tax using the prevailing tax rate	- 15,0%	-463	18,0%	7 363
Non-deductible expenses	31,8%	982	2,7%	1 123
Non-taxable income	-	-	-0,3%	-128
Effect of charity (deducted twice)	-5,0%	-155	-0,4%	-164
Deducted tax on dividends	-	-	-1,4%	-594
Effect of change in tax rate	-52,1%	-1 608		
	-40,2%	-1 244	18,6%	7 599

Amendments to the Law on Profit Tax are effective as of 1 January 2009. As of the mentioned date the tax rate was increased from 15% to 20%.

7. Earnings per share ratio

A basic earnings per share ratio is calculated dividing the net profit for the year by the average number of ordinary shares outstanding during the year.

	2008	2007
Number of shares in issue calculated using weighted average method	54 205	54 205
Net result for the year, in thousand Litas	-4 332	33 305
Basic earnings per share, in Litas	-0.08	0.61

Notes to financial statements

8. Property, plant and equipment

Thousand Litas	Land and buildings	Machinery and equipment	Other assets	Construction in progress	Total
Cost					
Balance at 1 January 2007	64 550	234 495	54 167	4 683	357 895
Adjustments	11 015				11 015
Revaluation					0
Acquisitions	290	33 221	22 252	18 145	73 908
Prepayments		224			224
Disposals and write-offs		(6 284)	(7 019)		(13 303)
Re-classification	15 864	370		(16 234)	0
Balance at 31 December 2007	**91 719**	**262 026**	**69 400**	**6 594**	**429 739**
Balance at 1 January 2008	91 719	262 026	69 400	6 594	429 739
Revaluation					0
Acquisitions	1 167	7 231	19 373	11 714	39 485
Prepayments			4 844		4 844
Disposals and write-offs	(5 154)	(38 198)	(8 471)		(51 823)
Re-classification	4 283	7 965	450	(12 698)	0
Adjustments	2	(332)	(120)		(450)
Balance at 31 December 2008	**92 017**	**238 692**	**85 476**	**5 610**	**421 795**
Depreciation and impairment					
Balance at 1 January 2007	3 879	127 139	33 410		164 428
Adjustments	(8 079)				(8 079)
Depreciation for the year	3 138	29 433	6 672		39 243
Depreciation of disposals		(5 087)	(4 716)		(9 803)
Re-classification	1 062	(1 186)	124		0
Balance at 31 December 2007	**0**	**150 299**	**35 490**	**0**	**185 789**
Balance at 1 January 2008	0	150 299	35 490	0	185 789
Revaluation					0
Depreciation for the year	4 653	28 764	8 991		42 408
Depreciation of disposals	(548)	(36 188)	(8 007)		(44 743)
Adjustments		(105)	(121)		(226)
Balance at 31 December 2008	**4 105**	**142 770**	**36 353**	**0**	**183 228**
Impairment at 1 January 2007		1 747	3 780	464	5 991
Adjustments		255	(248)		7
Change during the year		(79)	(1 016)		(1 095)
Impairment at 31 December 2007	**0**	**1 923**	**2 516**	**464**	**4 903**
Impairment at 1 January 2008	0	1 923	2 516	464	4 903
Re-classification					0
Change during the year (write-off)		(270)	(36)		(306)
Change during the year (disposal)		(1 033)	(149)		(1 182)
Impairment at 31 December 2008		**620**	**2 331**	**464**	**3 415**
Carrying amounts					
1 January 2007	60 671	105 609	16 977	4 219	187 476
31 December 2007	91 719	109 804	31 394	6 130	239 047
1 January 2008	**91 719**	**109 804**	**31 394**	**6 130**	**239 047**
31 December 2008	**87 912**	**95 302**	**46 792**	**5 146**	**235 152**

Notes to financial statements

8. Property, plant and equipment (continued)

Impairment

In 2008 the impairment loss of machinery, equipment and other assets was reduced by 1,488 tLTL (2007 - 1,087 tLTL) due to disposal and write down of the assets. Reversal of the mentioned impairment loss did not affect the income statement for 2008, because the total amount was recognised prior to 1 January 2008.

Revaluation of property, plant and equipment

The Company carried out the revaluation of buildings as at 31 December 2004. An increase in the value of the buildings amounting to 4,796 tLTL was recorded as revaluation reserve within equity as at 31 December 2004 net of deferred tax of 730 tLTL. A decrease in the value of buildings amounting to 8,050 tLTL was recorded under operating costs in the income statement for 2004.

As at 31 December 2007 the Company performed one more revaluation of the buildings. An increase in the value of 18,381 tLTL (net of deferred tax liability of 2,755 tLTL) was recognised in equity under the revaluation reserve. An increase in value of the buildings amounting to 1,721 tLTL was recognised in the income statement for 2007 as income because prior to 1 January 2007 an impairment loss was recognised for the mentioned assets. The impairment loss of the assets amounted to 1,007 tLTL and was recognised in the income statement for 2007.

The revaluation was performed based on the fair values determined by external valuators applying the comparative transactions method.

Should the Company have continuously accounted for the land and buildings using the acquisition cost method, the carrying amount of the land and buildings as at 31 December 2008 would amount to 72,543 tLTL (2007 – 76,062 tLTL.)

Pledges

Property, plant and equipment with the carrying amount of 84,098 tLTL as at 31 December 2008 (2007 - 81,437 tLTL), are pledged to secure the bank loans (refer to note 16).

Leased assets

The Company has acquired machinery and equipment, transport vehicles and other assets by way of finance lease. As at 31 December 2008 the carrying amount of the assets acquired by way of finance lease amounted to 49,136 tLTL (2007 - 52,983 tLTL). Finance lease liabilities are secured by the leased assets (refer to note 16).

Notes to financial statements

8. Property, plant and equipment (continued)

Depreciation

Depreciation is included in the following items of the income statement::

Thousand Litas	2008	2007
Cost of sales	29 386	27 566
Sales and administrative expenses	10 250	7 421
	39 636	**34 987**

The remaining depreciation amounting to 2,772 tLTL is included in the carrying amount of inventories as at 31 December 2008.

Acquisition cost of fully depreciated tangible non-current assets in use amounts to 79,217 tLTL as at 31 December 2008(2007 – 75,626 tLTL).

9. Intangible assets

Thousand Litas	Goodwill	Software, etc.	Total
Cost			
Balance at 1 January 2007	335	5 245	5 580
Acquisitions		781	781
Write-offs		(42)	(42)
Balance at 31 December 2007	**335**	**5 984**	**6 319**
Balance at 1 January 2008	335	5 984	6 319
Acquisitions	-	56	56
Write-offs	-	(633)	(633)
Balance at 31 December 2008	**335**	**5 407**	**5 742**
Depreciation and impairment			
Balance at 1 January 2007	-	3 769	3 769
Amortisation for the year		868	868
Amortisation of written-off assets		(42)	(42)
Balance at 31 December 2007	**-**	**4 595**	**4 595**
Balance at 1 January 2008	-	4 595	4 595
Amortisation for the year		708	708
Amortisation of written-off assets		(633)	(633)
Balance at 31 December 2008		**4 670**	**4 670**
Carrying amounts			
1 January 2007	335	1 476	1 811
31 December 2007	**335**	**1 389**	**1 724**
1 January 2008	335	1 389	1 724
31 December 2008	**335**	**737**	**1 072**

Notes to financial statements

9. Intangible assets (continued)

Amortisation is included in sales and administrative expenses.

Goodwill amounting to 335 tLTL as at 31 December 2008 arose from the acquisition of AB Panevėžio Pienas which was merged into the Company in 2004. The management is of the opinion that there is no impairment of goodwill due to profitable operation of the branch Panevėžio Pienas.

Acquisition cost of fully amortised intangible assets in use amounts to 3,503 tLTL as at 31 December 2007 (2007 - 2,376 tLTL).

10. Investments available for sale

Thousand Litas	2008	2007
Investments available for sale	275	275
	275	**275**

The major part of investments available for sale as at 31 December 2008 includes shares of UAB Kapitalo Srautai (representing 15.3% ownership interest). UAB Kapitalo Srautai is engaged in financial brokerage activities. Due to the fact that the fair value of the mentioned shares cannot be reliably determined, they are stated at acquisition cost, which amounts to 200 tLTL. The other available for sale investments are also stated at cost due to absence of reliable estimate of their fair value.

11. Inventories

Thousand Litas	2008	2007
Raw materials	18 335	17 408
Work in progress	46 667	42 467
Finished goods	16 722	15 690
Goods for re-sale	116	193
	81 840	**75 758**

Raw materials include milk and other materials used in production.

Inventories which in the balance sheet are stated at net realisable value as at 31 December 2008 amount to 57 516 tLTL.

Inventories recognised as costs during the year can be specified as follows:

Cost of sales (manufactured goods sold)	(562 582)	(517 203)
Sales and administrative expenses (consumption of inventories)	(11 123)	(9 826)
Other operating costs (sold raw materials, spare parts)	(679)	(522)
	(574 384)	(527 551)

Notes to financial statements

11. Inventories (continued)

Sales and administrative expenses include consumed fuel, spare parts as well as write down related to slow moving and obsolete inventories.

Other operating costs include cost of re-sold goods and cost of sold raw materials and other inventories.

Inventories with the carrying amount of up to 81,840 tLTL (2007 - 75,758 tLTL) as at 31 December 2008 have been pledged to secure bank loans (refer to note 16).

12. Receivables

Thousand Litas	**2008**	**2007**
Trade receivables	58 623	37 656
Receivable government grants	-	1 242
Prepayments	10 693	11 023
Other receivables	1 939	1 673
Receivable from the budget	5 629	
	76 884	51 594
Impairment of receivables	(174)	(785)
	76 710	**50 809**

The carrying amount of receivables approximates the fair value because of their short-term nature.

13. Cash and cash equivalents

Thousand Litas	**2008**	**2007**
Cash at bank	1 334	1 611
Cash in hand	573	1 091
	1 907	**2 702**

As at 31 December 2008 cash at bank and cash inflows of up to 1,038 tLTL (2007 - 1,611 tLTL) have been pledged to secure the liabilities to the banks (refer to note 16).

14. Equity

As at 31 December 2008 the share capital comprised 54,205,031 ordinary shares at par value of 1 Litas each.

Holders of ordinary shares have one voting right per share at the shareholders meeting and the right to dividends when they are declared, as well as the right to capital repayment in case of a decrease in share capital.

Notes to financial statements

14. Equity (continued)

Own shares

The Company as at 31 December 2008 has repurchased 807,511 own shares (2007 - 807,511 shares).

When own shares are purchased, the amount paid, including direct costs, is accounted for as a change in equity. The purchased own shares are stated deducting them from the total equity. Profit or loss from disposal of own shares is recognised in equity.

Legal reserve

Following the legislation, annual allocation to the legal reserve should amount to at least 5% of the net profit until the reserve makes up 10% of the share capital. The reserve can be used only for coverage of losses.

Revaluation reserve

As at 31 December 2004 the Company established a revaluation reserve of 4,066 tLTL, which is related to revaluation of buildings as at 31 December 2004. The revaluation reserve is shown net of deferred tax liability amounting to 730 tLTL.

As at 31 December 2007 the Company additionally recognised 15,626 tLTL to the revaluation reserve, which is related to revaluation of buildings as at that date. The revaluation reserve was decreased by an amount of deferred tax of 2,755 tLTL.

The reserve is decreased in proportion to depreciation and disposal of the revaluated assets. The decrease in reserve is recognised directly in equity.

When revaluated buildings are depreciated a transfer from the revaluation reserve to retained earnings is made. The amount is determined as the difference between the depreciation based on the revaluated carrying amount and the depreciation based on the original cost of the buildings.

The revaluation reserve may be used for an increase of share capital.

Other reserves

Other reserves amount to 6,800 tLTL as at 31 December 2008 (2007 - 3,700 tLTL). Part of other reserves amounting to 6,000 tLTL (2007 - 3,000 tLTL), is allocated for acquisition of own shares. As to Lithuanian legislation, this reserve will be accounted for until the Company purchases its own shares.

Dividends per share paid in 2008 were 0,225 LTL (2007 - 0,20 LTL).

Notes to financial statements

15. Government grants

Thousand Litas	2008	2007
Government grants as at 1 January	11 235	10 192
Increase during the period	2 511	1 043
Adjustments	21	
Government grants as at 31 December	**13 767**	**11 235**
Amortisation as at 1 January	9 152	7 119
Amortisation for the year	1 819	2 033
Adjustments	21	
Amortisation as at 31 December	10 992	9 152
Net carrying amount at 1 January	2 083	3 073
Net carrying amount at 31 December	**2 775**	**2 083**

As at 1 January 2007 Government grants comprise amounts received as to the SAPARD project for modernization of equipment in the cheese factory. Grants recognised in 2007 comprise amounts received as to structural funds' project for modernization of special transport vehicles (milk-float) – 943 tLTL and for realisation of the project of Social Security Fund under Social Security and Labour ministry – 100 tLTL

Amounts received as to structural funds' project for modernization of special transport vehicles (milk-float) amount to 2,510 tLTL.

Government grants are amortised over the same period as the equipment and other assets for which the government grants were received. The amortisation of government grants is included in the cost of sales as well as depreciation of machinery and equipment for which the government grants were received.

16. Interest bearing loans and borrowings

The Company's loans and borrowings are as follows:

Creditor	Ref.	Original liability amount / credit limit	31 12 2008	31 12 2007
AB bankas Hansabankas	a)	21 578	10 000	8 299
AB bankas Hansabankas	b)	5 000	4 087	2 970
AB SEB bankas	c)	22 112	8 943	14 053
AB SEB bankas	d)	35 000	34 518	26 045
AB SEB bankas	e)	10 165	9 017	9 569
AB DnB Nord bankas	f)	23 000	26 408	23 000
AB DnB Nord bankas	g)	10 000	9 874	7 889
Leasing companies	h)	47 612	52 232	47 612
Bonds	i)	20 000	20 000	20 000
Factoring	j)		15 014	
Total liabilities			190 093	159 437
Less: current part			(112 525)	(60 071)
Total non-current part			77 568	99 366

Notes to financial statements

16. Interest bearing loans and borrowings (continued)

a) The loan is received for acquisition of new milk processing equipment. The loan is repayable in equal parts on a quarterly basis and shall be fully repaid by 31 December 2008. The loan is secured by pledging non-current assets of the branch Kauno Pienas.

b) The loan (overdraft) is received for working capital needs. The loan matures on 31 October 2008.

c) The loan is received for acquisition of new milk processing equipment. The loan is repayable in equal parts on a quarterly basis and shall be fully repaid by 10 August 2010. The loan is secured by pledging non-current assets of the branch Pasvalio Sūrinė.

d) The loan (overdraft) is received for working capital needs. The loan matures on 10 August 2008. The loan is secured by pledging inventories of the Company.

e) The loan is received for acquisition of new milk-floats. The loan shall be repaid by 20 May 2012. The loan is secured by pledging new milk-floats.

f) The loan is received for acquisition of new milk processing equipment. The loan shall be repaid by 30 September 2010. The loan is secured by pledging non-current assets of the branch Mažeikių Pieninė.

g) The loan (overdraft) is received for working capital needs. The loan matures on 30 March 2009.

h) Leasing liabilities comprise finance lease of transport vehicles and equipment.

i) 2On 2 October 2006 the Company issued the bonds emission of 20 million LTL. The bonds repurchase will be take place on 2 October 2009. Funds from issued bonds have been used for financing investment projects.

j) The factoring limit is 17,000 tLTL, which matures on 16 November 2009.

All loans and other financial liabilities as at 31 December 2008 are denominated in EUR or LTL. Loans denominated in EUR amount to 74,368 tLTL as at 31 December 2008 (2007 - 102,533 tLTL).

All interest rates on loans, borrowings and finance leases are variable and consist of LIBOR, EURIBOR or VILIBOR plus a fixed margin. Interest is repriced every 3 to 6 months depending on the loan/lease agreement and for this reason carrying amounts are assumed to approximate fair values of these loans/leases.

The annual interest rate for bonds is an interest rate of three years standard interest rate swap (IRS) plus a 1,1% margin. IRS was determined at 4 p.m. on the last working day before the beginning of the bonds emission as to the average quotation of sale-purchase presented in the „Reuters" information system site EURIRS. The determined interest rate is 4,96%. Interest to bond owners will be paid three times. The first payment was on 2 October 2007, the second - 2 October 2008, the third – on the bonds repurchase day, i.e. 2 October 2009 together with the nominal value of the bonds. Calculation of the interest starts as of 2 October 2006 which is the first day the bonds come into effect.

Notes to financial statements

16. Interest bearing loans and borrowings (continued)

For the loans received the Company has pledged its non-current assets with the carrying amount of 84,098 tLTL as at 31 December 2008 (2007 - 81,437 tLTL), inventories with the carrying amount up to 81,841 tLTL (2007 - 75,758 tLTL) and cash at bank and cash inflows up to 1,038 tLTL (2007 - 1,611 tLTL).

Loan repayment schedules, except for finance lease liabilities

he repayment of loans as to the approved schedules will be carried out as follows:

Thousand Litas	2008	2007
Within 1 year	94 392	44 809
From 1 to 5 years	43 468	67 014
Present value of liabilities	**137 860**	**111 823**

Finance lease liabilities

Finance lease payments are as follows:

Thousand Litas	2008	2007
Within 1 year	19 176	16 822
From 1 to 5 years	36 061	35 042
	55 237	51 864
Future interest of finance lease	(3 005)	(4 252)
Present value of finance lease liabilities	**52 232**	**47 612**

The finance lease agreements do not prescribe any contingent lease payments.

Interest rates

Effective interest rates of the loans and finance leases can be presented as follows:

%	2008	2007
Long-term loans	4.5 – 7.5	4.9 – 5.5
Short-term loans	4.5 – 7.5	5.9
Finance lease	4.5 – 5.5	4.9 – 5.5

Notes to financial statements

16. Interest bearing loans and borrowings (continued)

Operating lease

Operating lease expenses recognised in the income statement could be specified as follows:

Thousand Litas	2008	2007
Rent of milk collection premises	(195)	(364)
Operating lease of other assets	(1 009)	(268)
Total operating lease expenses	**(1 204)**	**(632)**

Expenses in respect to rent of milk collection premises are recognised under cost of sales. Operating lease of other assets is included in sales and administrative costs.

Future minimum lease payments could be presented as follows:

Thousand Litas	2009	2010
Rent of milk collection premises	-	-
Operating lease of other assets	(1 371)	(1 371)
Total operating lease expenses	**(1 371)**	**(1 371)**

Agreements on the rent of milk collection premises do not prescribe any limitations in respect to termination of agreement. Therefore, the Company does not have any long-term liabilities as to the mentioned agreements.

17. Deferred tax assets and liabilities

The deferred tax asset and liabilities calculated applying the 20% and 18% tax rates are attributed to the following items:

Thousand Litas	Assets		Liabilities		Net value	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**
Property, plant and equipment	(1830)	(2 073)	4 530	3 836	2 700	1 763
Inventories	(497)	(556)			(497)	(556)
Accrued costs	(273)	(157)			(273)	(157)
Tax (asset) / liability	**(2 600)**	**(2 786)**	**4 530**	**3 836**	**1 930**	**1 050**

Notes to financial statements

17. Deferred tax assets and liabilities (continued)

Movements in temporary differences during the year can be presented as follows:

Thousand Litas	01 01 2007	Recognised in income statement	Recognised in equity	31 12 2007
Property, plant and equipment	(1 240)	248	2 755	1 763
Inventories	(27)	(529)		(556)
Accrued costs	(162)	5		(157)
Tax (asset) / liability	**(1 429)**	**(276)**	**2 755**	**1 050**

Thousand Litas	2008 01 01	Recognised in income statement	Recognised in equity	31 12 2008
Property, plant and equipment	1 763	937		2 700
Inventories	(556)	59		(497)
Accrued costs	(157)	(116)		(273)
Tax (asset) / liability	**1 050**	**880**		**1 930**

Difference between the tax basis and the carrying amount of property, plant and equipment in the financial statements, has occurred mainly due to revaluation of buildings and impairment of property, plant and equipment.

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

Thousand Litas	2008	2007
Impairment of receivables	174	785
	174	**785**

Deferred tax assets have not been recognized in respect of these items because it is not probable that temporary differences will crystallize in the future.

18. Trade and other payable amounts

Thousand Litas	2008	2007
Payable to suppliers	51 423	37 690
Vacation accrual	5 798	5 766
Taxes and social security contributions payable	2 619	2 908
Salaries payable	3 459	2 960
Other	1 146	1 563
	64 445	**50 887**

Notes to financial statements

19. Provisions

In the 3rd quarter of 2007 the Competition Council of the Republic of Lithuania started an investigation of an eventual cartel agreement among the milk processing companies in Lithuania. On 28 February 2008 the Competition Council imposed a penalty of 866 tLTL to AB Pieno Žvaigždės. Therefore as at 31 December 2007 the Company established a provision for coverage of losses. During 2008 the major part of the penalty was paid resulting in a decrease of the provision.

20. Financial instruments

The credit, interest rate and foreign exchange risks arise in the course of the Company's activities carried out on normal business conditions.

Credit risk

The Company has established the credit policy and credit risk is being monitored on a continuous basis. The Company did not have any significant concentration of credit risk at the balance sheet date.

The carrying amount of financial assets shows the maximum credit risk, which was as follows at the balance sheet:

Thousand Litas	Carrying amount	
	2008	2007
Receivable amounts	76 710	50 809
Cash and cash equivalents	1 907	2 702
	78 617	53 511

the maximum credit risk related to amounts receivable at the reporting date could be distributed per geographic zones in the following way:

Thousand Litas	Carrying amount	
	2008	2007
Lithuania	46 411	29 576
European Union countries	2 928	3 073
Russia	27 120	17 574
Other countries	251	586
	76 710	50 809

Notes to financial statements

20. Financial instruments (continued)

Impairment losses

The ageing of trade receivables at the reporting date can be specified as follows :

Thousand Litas	Gross amount 2008	Impairment 2008	Gross amount 2007	Impairment 2007
Not past due	61 103	0	35 005	0
Past due 0-30 days	13 937	0	14 674	0
Past due 30-60 days	1 206	0	1 022	0
Past due 61-90 days	464	0	108	0
Past due more than 90 days	174	174	785	785
	76 884	174	51 594	785

Based on the Company's evaluation, no impairment allowance is necessary in respect of trade receivables past due up to 90 days.

Foreign currency exchange risk

The Company is exposed to foreign currency exchange risk, related to sales, purchases and borrowings denominated in other currencies than Litas or Euro (Litas is pegged to Euro at a fixed exchange rate 3.4528 LTL / EUR).

As at 31 December 2008 there are no significant monetary assets and liabilities denominated in other currencies than LTL and EUR.

Liquidity risk

The following are the contractual maturities of financial liabilities, including the estimated interest payments as at 31 December 2008:

31 December 2008

Thousand Litas	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years
Financial liabilities						
Loans and other financial liabilities	190 094	(208 693)	(29 441)	(92 567)	(71 243)	(15 441)
Trade and other payables	64 445	(64 445)	(64 445)			
	254 539	(273 138)	(93 886)	(92 567)	(71 243)	(15 441)

Notes to financial statements

20. Financial instruments (continued)

31 December 2007

Thousand Litas	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years
Financial liabilities						
Loans and other financial liabilities	159 437	(178 927)	(19 514)	(48 141)	(96 169)	(15 104)
Trade and other payables	50 887	(50 887)	(50 887)			
	210 324	(229 814)	(70 401)	(48 141)	(96 169)	(15 104)

Interest rates applied for discount of estimated cash flows were as follows:

	2008	**2007**
Loans and borrowings	4.50 % -7.50 %	4.90 % - 5.50 %

Interest rate risk

The Company is subject to interest rate cash flow risk because interest-bearing loans are subject to variable interest, related to LIBOR, EURIBOR, VILIBOR and varying from LIBOR/EURIBOR/VILIBOR+0.8% to LIBOR/EURIBOR/VILIBOR+2.0%.

Interest rates applied on the Company‘s financial instruments on the reporting date were as follows:

Thousand Litas	**Carrying amount** 2008	2007
Financial instruments bearing fixed interest rate		
Bonds (fixed coupon rate 4,96%)	20 000	20 000
	20 000	20 000

Notes to financial statements

20. Financial instruments (continued)

Interest rate risk (continued)

Thousand Litas	Carrying amount 2008	2007
Financial instruments bearing varying interest rate		
AB bankas Hansabankas	10 000	8 299
AB bankas Hansabankas	4 087	2 970
AB SEB bankas	8 943	14 053
AB SEB bankas	34 518	26 045
AB SEB bankas	9 017	9 569
AB DnB Nord bankas	26 408	23 000
AB DnB Nord bankas	9 874	7 889
leasing companies	52 232	47 612
Factoring	15 014	
	170 093	139 437

The interest rate as to mentioned agreements varies from 1 day VILIBOR to 6 months VILIBOR or 6 months EURIBOR plus margin (from 0,8% to 2,0%).

Cash flow sensitivity analysis for variable rate instruments

An increase of 100 basis points in interest rates on the reporting date would have decreased equity and profit and loss by approximately 100 thousand EUR. This analysis assumes that all other variable, in particular foreign currency rates, remain constant. An analysis for 2007 is made on the same basis.

Effect in Thousand Litas	Profit (loss)		Equity	
	Increase by 100 bp	Decrease by 100 bp	Increase by 100 bp	Decrease by 100 bp
As at 31 December 2008				
Financial instruments on which variable interest rate was applied	(1 548)	1 548	(1 548)	1 548
As at 31 December 2007				
Financial instruments on which variable interest rate was applied	(1 316)	1 316	(1 316)	1 316

As of 31 December 2008 the Company did not use any financial instruments to hedge the risk of cash flow with variable interest rate.

Notes to financial statements

20. Financial instruments (continued)

Fair value of financial instruments

The management of the Company is of the opinion that book values of trade and other receivables, trade and other payables as well as borrowings approximate their fair value.

21. Pledges and capital commitments

The following assets have been pledged to secure the bank loans as at 31 December 2008:

- Property, plant and equipment with the carrying amount of 84,098 tLTL (2007 - 81,438 tLTL),
- Inventories with the carrying amount up to 81,841 tLTL (2007 - 75,757 tLTL),
- Cash and cash inflows amounting to 1,038 tLTL (2007 - 1,611 tLTL),
- The land rent right.

As at 31 December 2008 the Company's capital commitments amount to 19,770 tLTL.

As at 31 December 2007 the Company's capital commitments amounted to 3,698 tLTL.

22. Related parties

Transactions with related parties can be specified as follows:

Thousand Litas	2008			2007	
	Sales	**Purchases**	**Loans**	**Sales**	**Purchases**
ŽŪB Draugas	29	13 369			9 026
UAB Jansvis		150			124
UAB Žaibo ratas		168			226
Loans to management			375		
	29	**13 687**	**375**		**9 376**

ŽŪB Draugas is a related company through a Chairman of the Board of AB Pieno Žvaigždės. UAB Jansvis is a related company through a family member of the director of AB Pieno Žvaigždės branch Pasvalio Sūrinė. UAB Žaibo Ratas is a related company through a Board member of AB Pieno Žvaigždės.

From ŽŪB Draugas the Company purchases raw milk. UAB Jansvis provides transport vehicles, and UAB Žaibo Ratas renders services.

Amounts receivable from the related parties as at 31 December 2008 are as follows: ŽŪB Draugas – 4,150 tLTL (2007 - 4,750 tLTL), UAB Žaibo Ratas - 14 tLTL.

Notes to financial statements

22. Related parties (continued)

Amounts payable to the related parties as at 31 December 2008 are as follows: UAB Žaibo Ratas - 0 LTL (2007 - 28 tLTL, UAB Jansvis - 0 LTL (2007 - 0 tLTL), ŽŪB Draugas – 0 LTL (2007 - 0 tLTL).

Sales and purchases to/from related parties were carried out on market terms.

Remuneration of key management personnel is included under the sales and administrative expenses category "Staff costs" (refer to note 3):

Thousand Litas	**2008**	**2007**
Remuneration of key management personnel	2 456	2 034

23. Post balance sheet events

No other significant post balance sheet events have occurred after the balance sheet date.

24. Contingencies

A claim has been initiated against AB Pieno Žvaigždės regarding professedly an illegal usage of a trade mark. The amount of the claim is 200 tLTL. The Company accounts for the mentioned amount as a contingent liability until the legal case is resolved.

Pieno Žvaigždės, AB

Confirmation of the Management

2009 02 28
Vilnius

Financial statements and the Annual Report for the year 2007

We, Aleksandr Smagin, Chief Executive Officer and Audrius Statulevičius, Chief Financial Officer, hereby confirm that, to the best of our knowledge, Financial Statements for the year 2008 prepared in accordance with IFRS, give true and fair view of the assets, liabilities, financial position and profit or loss of AB "Pieno žvaigždės". Annual report for the year 2008 includes a fair review of the development and performance of the business.

General Director Aleksandr Smagin

Finance Director Audrius Statulevičius

PIENO ŽVAIGŽDĖS, AB

ANNUAL REPORT
2008

VILNIUS, 2009

1. GENERAL INFORMATION ABOUT THE ISSUER

1.1 Accounting Period for which the present Report has been Prepared.

The present Report has been prepared for year 2008.

1.2. Key Data on the Issuer

Company name	Public Limited Liability Company "Pieno žvaigždės"
Registration date and time	The company was reregistered on 23 December 1998
Company code	1246 65536
VAT payer code	LT 246655314
Authorized capital	54 205 031 Litas, divided into 54 205 031 one litas nominal value shares.
Address	Laisvės ave. 125, LT-06120 Vilnius, Lithuania
Telephone	(+370 5) 246 14 14
Fax	(+370 5) 246 14 15
E-mail	info@pienozvaigzdes.lt
Internet website	www.pienozvaigzdes.lt

1.3. Type of the Issuer's main activities

The Company's main activity is manufacturing of Milk products.

1.4. Agreements with intermediaries of public trading in securities

The company has signed agreements with the financial brokerage company AB Finasta (Konstitucijos Ave. 23, Vilnius, tel. (+370~5) 278 6833, fax (+370~5) 278 6838) concerning management of securities accounting.

1.5. Securities admitted to the trading lists of the stock exchanges

1.5.1. The ordinary registered shares of AB Pieno Zvaigzdes were admitted to the Official List of the Vilnius Stock Exchange (hereinafter – the VSE).
Type of shares – Ordinary registered shares;
Number of shares – 54 205 031;
Total nominal value – 54 205 031 Lt;
ISIN code – LT0000111676;

1.5.2. AB Pieno Zvaigzdes bonds issue of total nominal value 20.000.000 litas are included in the VSE list of debt securities. Main characteristics of the debt securities issued for public trading:

Type of debt securities	Coupon bonds
Number of bonds	200 000
Total nominal value of the issue	20 000 000 Litas
Nominal value per bond	100 (one hundred) Litas
Annul interest rate	4,96%
Issued at	October 2, 2006
Duration	1096 days

Coupon payments	2007 10 02, 2008 10 02, 2009 10 02
Redemption date	October 2, 2009
Redemption price (per bond)	100 (one hundred) Litas
Issue currency	Lithuanian Litas
Risk	Issuer's risk
Type of the distribution	Public distribution
Public trading	VSE list of the debt securities

1.5.3. The Company has bought 807 511 own shares.

2. THE INFORMATION PROVIDED FOR IN ARTICLE 24(1) OF THE LAW ON FINANCIAL STATEMENTS OF ENTITIES OF THE REPUBLIC OF LITHUANIA

2.1.The objective review of the Company's state, activity performance and development; the description of the main risk types and uncertainties encountered by the enterprise

AB Pieno Žvaigždės was established on 23 December 1998 after merger of independent milk processing companies operating in Lithuania: AB Mažeikių Pieninė and AB Pasvalio Sūrinė. Later AB Kauno Pienas and in 2004 AB Panevėžio Pienas were also merged into AB Pieno Žvaigždės. The current structure of the Company enables to specialise production in separate branches and reach the highest efficiency as well as even distribution of raw milk collection capacities in the country.
AB Pieno Žvaigždės is the largest milk processing company in Lithuania, which currently produces more than 500 different products. The Company operates not only in the local market but also exports production to Russia, countries of the European Union, CIS and Baltics. Different types of ferment cheese, whey flour and fresh milk products produced by AB Pieno Žvaigždės are the main products produced for export which are well known for their irreproachable quality. The products are awarded with quality certificates.

<u>Risk factors related to the Issuer's activity:</u>
The main activity of the Issuer is processing of milk. The mentioned business is risky due to eventual changes in product and raw materials markets, competition as well as eventual legal, political, technological and social changes, which are directly or indirectly related to the Issuer's business and may have a negative influence on the Issuer's cash flows and operating results.
The main raw material used by the Issuer is milk, the sales quota for processing of which to the EU milk processing companies is limited by national milk quota. Limitations put on supply of raw milk may result in lack of raw milk and an increase in prices for raw milk. These changes may have a negative influence on the cash flows and operating results of the Issuer.
The Issuer's business (especially collection and transportation of milk) is a labour consuming activity. The lack of human resources and an increase in salary costs may negatively affect the operating results of the Issuer.

2.2. Analysis of financial and non-financial activity results, information related to environment and personnel issues

Key financial figures for 2008 are as follows:

Financial ratios	As to International Financial Reporting Standards
Turnover	666,3 mill. Lt
Gross profit	103,7 mill. Lt
Profit before tax, interest and depreciation (EBITDA)	49,1 mill. Lt
Profit (loss) before tax	(3,1) mill. Lt
Investment in property, plant and equipment	43,2 mill. Lt

Other ratios:

- ✓ Average number of employees 2 477
- ✓ Raw milk purchased (natural milk) 360 thousand tons
- ✓ Milk purchased as to basic ratios 437 thousand tons

2.3. References and additional explanatory notes regarding the data presented in the annual financial statements

Information presented in the financial statements and notes to the financial statements are sufficient, detailed and requires no additional explanation.

2.4. The number of the shares acquired by the entity and the entity's own shares as well as nominal value thereof and a part of the authorised capital made up by these shares

As at 31 December 2008 AB Pieno Žvaigždės was acquired 807 511 own shares or 1,49% of the share capital. The nominal value of own shares held by the Company amounts to 807 511 LTL.

2.5. The number of the own shares acquired and transferred during the reporting period, where they are acquired or transferred against payment

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2.6. Information about payment for own shares, where they are acquired or transferred against payment

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2.7. Reasons for acquiring the entity's own shares during the reporting period;

2.8. Information about branches and representative offices

AB Pieno Žvaigždės comprises four production branches:

- ✓ Branch Kauno Pienas, Taikos pr. 90, LT-51181 Kaunas;
- ✓ Branch Mažeikių Pieninė, Skuodo g. 4, LT-89100 Mažeikiai;
- ✓ Branch Pasvalio Sūrinė, Mūšos g. 14, LT-39104 Pasvalys;
- ✓ Branch Panevėžio Pienas, Tinklų g. 9, LT-35115 Panevėžys.

2.9. Significant events occurred after the end of the financial year

No significant events have occurred during the period from the end of the financial year until approval of the annual report.

2.10. Plans of the Company's activity and forecasts

AB Pieno Žvaigždės have set the following goals for 2009:

- ✓ to reach the turnover of 689 million LTL;
- ✓ to achieve net profitability of 3.5%;
- ✓ further implementation of the costs saving programs.

2.11. Information about research and development activity

The Company continuously makes investments and searches for new ways how to ensure a constant and better efficiency growth of its activity.

2.12. The goals of financial risk management, hedging instruments used for expected transactions on which hedging accounting is applied, and the scope of price risk, credit risk, liquidity risk and cash flows risk

The Company did not use any financial instruments which are important for valuation of the Company's assets, liabilities, financial position and performance results.

3. OTHER INFORMATION ABOUT THE ISSUER

3.1. The Issuer's authorized capital

The authorized capital registered in the Register Center is 54 205 031 LTL. The authorized capital divided into 54 205 031 ordinary shares (nominal value 1 LTL). All ordinary registered shares of AB Pieno Zvaigzdes are fully paid up.

3.2. All restrictions applicable upon the transfer of securities

There are no restrictions applicable upon the transfer of securities

3.3. Shareholders

At 31st December 2008, the Company had 4.232 shareholders.

The shareholders holding by the right of ownership or in trust more than 5 per cent of the Company's authorized capital

Akcininkas	Number shares, units	Share of the capital %	Share of votes with related persons %
SKANDINAVISKA ENSKILDA BANKEN AB FINNISH CLIENTS, kodas 502032-9081, SERGELS TORG 2, 10640 STOCKHOLM, SWEDEN	9.441.314	17,42	17,68
UAB "Agrolitas Imeks Lesma" Laisvės pr.125, Vilnius, įm.k. 2191855	7.294.167	13,46	13,66
ŽŪKB "Smilgelė" J.Tumo Vaižganto 8/27-3. Vilnius, įm.k. 2490652	5.399.408	9,96	10,11
SWEDFUND INTERNATIONAL Sveavagen 24-26, Box 3286, SE-103 65 Stockholm, Sweden	4.700.000	8,67	8,8
Kvaraciejus Julius a.k.	7.081.907	19,17	33,44
Klovas Voldemaras a.k.	2.038.016	6,17	33,44
Smagin Aleksandr a.k.	2.547.123	7,6	33,44

3.4. Shareholders having special control rights and the description of such rights;

There are no shareholders having special control rights in the company.

3.5. All restrictions imposed upon the voting rights

There are no shareholders in the company, who has the restrictions imposed upon the voting rights.

3.6. All the agreements concluded among the shareholders of which the issuer was aware and due to which the securities transfer and (or) voting rights may be restricted

The issuer wasn't awared about the agreements concluded among the shareholders due to which the securities transfer and (or) voting rights may be restricted.

3.7. Employees

	2008 12 31	2007 12 31
Average number of employees	**2.477**	**2.706**
With university education	389	376
With further education	774	964
With secondary education	1.106	1.116
With not completed secondary education	208	250

	Average payroll, litas	
	2008 12 31	**2007 12 31**
Managers	6.504	6.350
Specialists	2.715	2.150
Workers	2.053	1.570

3.8. Change of the issuer's Articles of Association

Pursuing the Articles of Association of the Company, the Articles may be exclusively changed by the general meeting of shareholders, according to the Law of the Republic of Lithuania.

3.9. Management bodies of the issuer

The managing bodies of the company are as follows: General shareholders' meeting, the Management Board and the Chief Executive Officer.

The Management Board is a collegial management body comprised of 6 (six) members. The Board members are elected for the 4 years period.
The competence and procedure of announcement of the shareholders' meeting complies with the competence and procedure of announcement of the shareholders' meeting established by the Law on Joint Stock Companies.

3.10. Members of the collegial bodies of management, manager of the Company, the Chief Financier

Management Board

Name, surname	Official duties	Number shares, units	Share of the capital %	From	Untill
Paul Bergqvist	Chairman	-	-	2008 12 02	2012 12 02
Lars Ojefors	Member	-	-	2008 12 02	2012 12 02
Julius Kvaraciejus	Member	7.081.907	19,17	2008 12 02	2012 12 02
Voldemaras Klovas	Member	2.038.016	6,17	2008 12 02	2012 12 02
Aleksandr Smagin a.k.	Member	2.547.123	7,6	2008 12 02	2012 12 02
Linas Sasnauskas	Member	125	0,0	2008 12 02	2012 12 02

Administration

Name, surname	Official duties	Number shares, units	Share of the capital %
Aleksandr Smagin	CEO	2.547.123	7,6
Audrius Statulevičius	CFO	-	-

During year 2008, 2 456 litas were calculated to the Company's management. The average amount per one members of the collegial body of management, manager of the company and the chief financier is 223 thousand litas (before 2008.12.02 management board consited of 10 members).

3.11. All material agreements to which the issuer is a party and which would come into effect, be amended or terminated in case of change in the issuer's control, also their impact except the cases where the disclosure of the nature of the agreements would cause significant damage to the issuer.

There are no such agreements.

3.12. All agreements of the issuer and the members of its management bodies, or the employee agreements providing for a compensation in case of the resignation or in case they are dismissed without a due reason or their employment is terminated in view of the change of the control of the issuer

There are no such agreements.

3.13. Information on the major related parties' transactions

(the issuers of equity securities shall additionally present the information on the major related parties' transactions while specifying the amounts of the transactions, the nature of the relations between the parties concerned and other information about the transactions indispensable for the understanding of the financial status of the company where the transactions were material or were concluded under unusual market conditions. The information on individual transactions may be generalised by type of the transactions, except the cases where additional information must be disclosed for the purpose of understanding the impact of the related parties' transactions upon the financial status of the company. The term "related party" shall have the same meaning as used in the accounting standards used by the issuer)

More information on the major related parties' transactions are presented in the Notes to the financial statements.

4. INFORMATION ON THE COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Information on the compliance with the corporate governance code are presented in the addendum No.1.

5. DATA ON THE PUBLICLY DISCLOSED INFORMATION

All the publicly disclosed information available on the company's web site www.pienozvaigzdes.lt

6.12.2008 **Pieno Zvaigzdes AB, announcement of the new Board**
After registering company's Statutes the following new Board composed of six Members (previous Board was composed of ten Members) elected for the period of four years stepped in: Paul Bergqvist - Chairman of the Board; Lars Ojefors - Member of the Board; Voldemaras Klovas - Member of the Board; Julius Kvaraciejus - Member of the Board; Aleksandr Smagin - Member of the Board; Linas Sasnauskas - Member of the Board;

02.12.2008 **Decisions of the general shareholders meeting**
General Meeting of Shareholders of Pieno Zvaigzdes was held on 2 December 2008. RESOLUTIONS:
1. Renew the list of economic activities in the Statutes of Pieno Zvaigzdes AB as per prescription No. DĮ-226 by CEO of Statistic's Department on 31 October 2007 based on official classification of Economic Activities. Decision: Approve the amendment to the Statutes of Pieno Zvaigzdes AB and the new wording. Authorise CEO to sign amendment of the Statutes of Pieno Zvaigzdes AB and the new wording as well as other documents related to registration and perform other actions related to registration of the new wording of the Statutes in the Registrar of Legal Persons.
2. Amend Article 20 of the Statutes of Pieno Zvaigzdes AB to the following: "20. The Board is a collegial management body. The Board is composed of 6 (six) members for a period not longer that 4 (four) years. The Board elects a Chairman of its members." Decision: Approve the amendment to the Statutes of Pieno Zvaigzdes AB and the new wording. Authorise CEO to sign amendment of the Statutes of Pieno Zvaigzdes AB and the new wording as well as other documents related to registration and perform other actions related to registration of the new wording of the Statutes in the Registrar of Legal Persons.
3. Election of the Board. Decision: Elect to the Board for the next four years period: Paul Bergqvist; Lars Ojefors; Voldemaras Klovas; Julius Kvaraciejus; Aleksandr Smagin; Linas Sasnauskas;

30.10.2008 **Pieno Zvaigzdes AB, updated forecast for the entire year 2008**
With respect to financial results reported for the 9 months of 2008, Pieno Zvaigzdes AB is giving a new forecast for the entire year 2008 as follows: Sales by the year end 2008 are expected LTL 675 million, lower compared to initially budgeted LTL 700 million (EUR 202.7 million). Net profitability margin expected at 0.0%, lower compared to initially budgeted 2.0%.

30.10.2008 **Pieno zvaigzdes AB, non audited financial results for the 9 months 2008**
2008 Revenues for the 9 months 2008 reached 505.7 million LTL (146.5 million EUR) and have increased by 0.8% compared to the revenues of 501.6 million LTL (145.3 million EUR) a year ago. EBITDA for the 9 months 2008 reached 39.4 million LTL (11.4 million EUR) and have decreased by 39.5% compared to 65.1 million LTL (18.9 million EUR) a year ago. Net profit for the 9 months 2008 was 0.1 million LTL (0.03 million EUR) compared to net profit of 25.1 million LTL (7.3 million EUR) a year ago.

23.09.2008 **Pieno zvaigzdes AB, sale of the fixed asset**
As a result of activity optimisation Pieno Zvaigzdes AB announce of sale of the idle fixed asset. The sale of asset with book value of 4.4 million Litas (1.3 million EUR) resulted in 10.4 million Litas (3.0 million EUR) proceeds. Positive sale result of 6 million Litas (1.7 million EUR) will be reported in Profit (Loss) Statement for the III quarter 2008.

30.07.2008 **Pieno Zvaigzdes AB, updated forecast for the entire year 2008**
With respect to financial results reported for the 6 months of 2008, Pieno Zvaigzdes AB is giving a new forecast for the entire year 2008 as follows: Sales by the year end 2008 are expected the same level, at LTL 700 million (EUR 202.7 million). Net profitability margin expected at 2.0%, by 1.0% lower compared to initially budgeted 3.0%.

30.07.2008 **Pieno zvaigzdes AB, non audited financial results for the 6 months 2008**
Revenues for the 6 months 2008 reached 333.3 million LTL (96.5 million EUR) and have increased by 7.6% compared to the revenues of 309.7 million LTL (89.7 million EUR) a year ago. EBITDA for the 6 months 2008 reached 15.9 million LTL (4.6 million EUR) and have decreased by 53% compared to 33.6 million LTL (9.7 million EUR) a year ago. Net loss for the 6 months 2008 was 10.3 million LTL (3.0 million EUR) compared to net profit of 9.4 million LTL (2.7 million EUR) a year ago.

24.04.2008 **Pieno Zvaigzdes AB, updated forecast for the entire year 2008**
With respect to financial results reported in 1 quarter 2008 Pieno Zvaigzdes AB is giving a new forecast for the entire year 2008 as follows: Sales by the year end 2008 are expected to decrease from LTL 750.0 million (EUR 217.2 million) to LTL 700 million (EUR 202.7 million). Net profitability margin expected at 3.0%, by 1.0% lower compared to initially budgeted 4.0%.

24.04.2008 **Pieno zvaigzdes AB, Decisions of annual general meeting**
Annual General Meeting of Shareholders of Pieno Zvaigzdes took place on 24 April 2008 at 11:00 am (registration started at 10:00 am) at SAS Radisson Astorija, Didzioji 35/2, LT-01128 Vilnius, Lithuania. Decisions:
1. Annual report. Taken for the information.
2. Audit report of the Company‘s financial accounts and the Annual report. Taken for the information.
3. Company‘s financial accounts. Decision: Approved the Company‘s financial accounts for the full financial year 2007.
4. Profit distribution. Decision: Approved profit distribution for the full financial year 2007 as follows: To dividend LTL 12,014,442 (EUR 3,479,622.92) at LTL 0,225 (EUR 0.065) per share; Form a reserve of LTL 6,000,000 (EUR 1,737,720) to acquire company's shares. Form a reserve of LTL 600,000 (EUR 173.772) to donations and bonuses. Allocate LTL 200,000 (EUR 57,924) to Board bonus.
5. Acquisition of the Company‘s shares Decision: Purchase the shares of Pieno Zvaigzdes AB through a non-obligatory official offers following the legal procedures of the securities‘ market. a) purpose of acquiring shares is to stabilize share market price, increase liquidity and avoid losses due to decrease in share price; b) par values of all purchased shares shall not exceed 10% of statutory capital; c) the Company may execute purchase of its shares within 18 calendar months; d) the lowest and the highest purchase price shall not exceed 30% of the arithmetic average of the last week‘s trade at the central market of Vilnius Stock Exchange; e) the lowest sales price of purchased shares shall not exceed 2/3 of the purchase price. The

shares shall be sold in the central securities market or through an auction in order to ensure the equal possibilities to all shareholders. All shareholders shall be informed of the auction by registered mail or through public announcement. As per this resolution by the General Shareholders Meeting and as per Act 54 of the Company Law of Republic of Lithuania the Board of the company is authorized to take all decisions relating to time and price to purchase shares as well as to time, price and manned to sell shares and decide on other issues that are not foreseen in this resolution.

24.04.2008 **Pieno zvaigzdes AB, non audited financial results for the 1 quarter 2008**
Revenues for the 1 quarter 2008 reached 150.1 million LTL (43.5 million EUR) and have increased by 5.8% compared to the revenues of 142.0 million LTL (41.1 million EUR) a year ago. EBITDA for the 1 quarter 2008 reached 4.1 million LTL (1.2 million EUR) and have decreased by 70% compared to 13.8 million LTL (4.0 million EUR) a year ago. Net loss for the 1 quarter 2008 was 8.8 million LTL (2.5 million EUR) compared to net profit of 2.6 million LTL (0.75 million EUR) a year ago. The main reason for negative result was revaluation of stock by 7.0 million LTL (2.0 million EUR).

29.02.2008 **Regarding Competition authorities decision**
Competition authorities decision On 28 February 2008 Competition authorities published a decision that there were no cartel agreements among dairy companies, nevertheless dairies were penalised for exchanging statistical information through the dairy association. A fine of LTL 865,900 was given to AB “Pieno Zvaigzdes”.

18.01.2008 **Pieno Zvaigzdes AB, signed a liquidity provider agreement with Orion Securities**
Pieno Zvaigzdes AB, signed a liquidity provider agreement with Orion Securities. According to the agreement, Orion Securities will start market making activity from January 22nd 2008.

6. OTHER INFORMATION

There are no other information that should be disclosed in the annual statement under the legal acts governing the activities of companies or other legal acts or the Articles of Association of the company.

Addendum No.1

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

The public company *AB Pieno Žvaigždės*, 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 (VSE), discloses its compliance with the Governance Code, approved by the VSE for the companies listed on the regulated market, and its specific provisions. In the event of non-compliance with the Code or with certain provisions thereof, it must be specified which provisions are not complied with and the reasons of non-compliance.

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
Principle I: Basic Provisions **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 presents forecasts announcing significant events through the Vilnius Stock Exchange system, however due to competition in the market, the Company cannot disclose certain strategies.
1.2. All management bodies of a company should act in furtherance of the declared strategic objectives in view of the need to optimize shareholder value.	Yes	
1.3. A company's supervisory and management bodies should act in close co-operation in order to attain maximum benefit for the company and its shareholders.	Yes	
1.4. A company's supervisory and management bodies should ensure that the rights and interests of persons other than the company's shareholders (e.g. employees, creditors, suppliers, clients, local community), participating in or connected with the company's operation, are duly respected.	Yes	

Principle II: The corporate governance framework The corporate governance framework should ensure the strategic guidance of the company, the effective oversight of the company's management bodies, an appropriate balance and distribution of functions between the company's bodies, protection of the shareholders' interests.		
2.1. Besides obligatory bodies provided for in the Law on Companies of the Republic of Lithuania – a general shareholders' meeting and the chief executive officer, it is recommended that a company should set up both a collegial supervisory body and a collegial management body. The setting up of collegial bodies for supervision and management facilitates clear separation of management and supervisory functions in the company, accountability and control on the part of the chief executive officer, which, in its turn, facilitate a more efficient and transparent management process.	No	There is no Council in the Company. Control over the Board is performed by General Shareholders Meeting, to which the Board reports.
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	An executive body in the Company is 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	The Company does not follow this recommendation and has an executive body – 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.	Yes	The Company complies with majority of Principle III statements, however does not comply with Principle IV due to the fact that no commitees have been formed.
2.5. Company's management and supervisory bodies should comprise such number of board (executive directors) and supervisory (non-executive directors) board members that no individual or small group of individuals can dominate decision-making on the part of these bodies.	Yes	The Board consists of 10 members who represent shareholders interests. This number of members is sufficient.

2.6. Non-executive directors or members of the supervisory board should be appointed for specified terms subject to individual re-election, at maximum intervals provided for in the Lithuanian legislation with a view to ensuring necessary development of professional experience and sufficiently frequent reconfirmation of their status. A possibility to remove them should also be stipulated however this procedure should not be easier than the removal procedure for an executive director or a member of the management board.	Yes	The Board members are elected for maximum 4 years. There are no limitations for re-election.
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.		The Company's general manager is not the chairman of the Board. No obstacles for independent and objective supervision exist.

Principle III: The order of the formation of a collegial body to be elected by a general shareholders' meeting **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.**		
3.1. 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 Company discloses information about candidates to the Company's executive body. The shareholders structure does not contain any dominating shareholders. All active shareholder groups have their representatives in the Board.
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	Information about members of collegiate body is presented in the annual report of the company. Before election of members of the collegiate body, information about them is planned to be presented together with the meeting's documentation.
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	Information about members of collegiate body is presented in the annual report of the company. Before election of members of the collegiate body, information about them is planned to be presented together with the meeting's documentation.

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	Members of the collegiate body have extensive experience in the enterprise management, have versatile knowledge and skills for proper execution of duties.
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.	Yes	Members of the collegiate body have extensive experience in the enterprise management. Should new candidates be proposed, they would be acquainted with the situation in the Company and specifics of management.
3.6. In order to ensure that all material conflicts of interest related with a member of the collegial body are resolved properly, the collegial body should comprise a sufficient number of independent members.	Yes	1/2 of the Board are independent members
3.7. A member of the collegial body should be considered to be independent only if he is free of any business, family or other relationship with the company, its controlling shareholder or the management of either, that creates a conflict of interest such as to impair his judgment. Since all cases when member of the collegial body is likely to become dependant are impossible to list, moreover, relationships and circumstances associated with the determination of independence may vary amongst companies and the best practices of solving this problem are yet to evolve in the course of time, assessment of independence of a member of the collegial body should be based on the contents of the relationship and circumstances rather than their form. The key criteria for identifying whether a member of the collegial body can be considered to be independent are the following: 1) He/she is not an executive director or member of the board (if a collegial body elected by the general shareholders'		

meeting is the supervisory board) of the company or any associated company and has not been such during the last five years;		
2) He/she is not an employee of the company or some any company and has not been such during the last three years, except for cases when a member of the collegial body does not belong to the senior management and was elected to the collegial body as a representative of the employees; 3) He/she is not receiving or has been not receiving significant additional remuneration from the company or associated company other than remuneration for the office in the collegial body. Such additional remuneration includes participation in share options or some other performance based pay systems; it does not include compensation payments for the previous office in the company (provided that such payment is no way related with later position) as per pension plans (inclusive of deferred compensations); 4) He/she is not a controlling shareholder or representative of such shareholder (control as defined in the Council Directive 83/349/EEC Article 1 Part 1); 5) He/she does not have and did not have any material business relations with the company or associated company within the past year directly or as a partner, shareholder, director or superior employee of the subject having such relationship. A subject is considered to have business relations when it is a major supplier or service provider (inclusive of financial, legal, counseling and consulting services), major client or organization receiving significant payments from the company or its group;	Yes	

6) He/she is not and has not been, during the last three years, partner or employee of the current or former external audit company of the company or associated company; 7) He/she is not an executive director or member of the board in some other company where executive director of the company or member of the board (if 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; 8) He/she has not been in the position of a member of the collegial body for over than 12 years; 9) He/she is not a close relative to an executive director or member of the board (if a collegial body elected by the general 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.		
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.	No	The Company has not established additional criteria regarding independency of the Board members.

3.9. Necessary information on conclusions the collegial body has come to in its determination of whether a particular member of the body should be considered to be independent should be disclosed. When a person is nominated to become a member of the collegial body, the company should disclose whether it considers the person to be independent. When a particular member of the collegial body does not meet one or more criteria of independence set out in this Code, the company should disclose its reasons for nevertheless considering the member to be independent. In addition, the company should annually disclose which members of the collegial body it considers to be independent.	Yes	Based on the independency criteria, set in paragraph 3.7., independent members of the Board are: - Paul Bergqvist – chairman of the board; - Lars Ojefors – board member; - Julius Kvaraciejus – board member;
3.10. When one or more criteria of independence set out in this Code has not been met throughout the year, the company should disclose its reasons for considering a particular member of the collegial body to be independent. To ensure accuracy of the information disclosed in relation with the independence of the members of the collegial body, the company should require independent members to have their independence periodically re-confirmed.	Yes	The criteria are met throughout the year
3.11. In order to remunerate members of a collegial body for their work and participation in the meetings of the collegial body, they may be remunerated from the company's funds. The general shareholders' meeting should approve the amount of such remuneration.	No	Remuneration from the Company's funds to the members of the collegiate body for their work and participation in sittings of the collegiate body is not subject to approval at the general meeting.

Principle IV: The duties and liabilities of a collegial body elected by the general shareholders' meeting The corporate governance framework should ensure proper and effective functioning of the collegial body elected by the general shareholders' meeting, and the powers granted to the collegial body should ensure effective monitoring of the company's management bodies and protection of interests of all the company's shareholders.		
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.	Yes	The management submits reports to the collegiate body at least once per quarter and gets recommendations. The Board approves the annual report prepared by the management.
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 Board members perform on their good will on behalf of the company, follow the company's interests trying to maintain independency in decision making.
4.3. Each member should devote sufficient time and attention to perform his duties as a member of the collegial body. Each member of the collegial body should limit other professional obligations of his (in particular any directorships held in other companies) in such a manner they do not interfere with proper performance of duties of a member of the collegial body. In the event a member of the collegial body should be present in less than a half of the meetings of the collegial body throughout the financial year of the company, shareholders of the company	Yes	Members of the collegiate body properly fulfil their duties: take active part in sittings and allot sufficient time for execution of duties. All sittings of the collegiate body have a quorum.

should be notified.		
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	
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	
4.6. The collegial body should be independent in passing decisions that are significant for the company's operations and strategy. Taken separately, the collegial body should be independent of the company's management bodies. Members of the collegial body should act and pass decisions without an outside influence from the persons who have elected it. Companies should ensure that the collegial body and its committees are provided with sufficient administrative and financial resources to discharge their duties, including the right to obtain, in particular from employees of the company, all the necessary information or to seek independent legal, accounting or any other advice on issues pertaining to the competence of the collegial body and its committees.	Yes	For execution of work the Board has all financial conditions and is independent from the company's management.

4.7. Activities of the collegial body should be organized in a manner that independent members of the collegial body could have major influence in relevant areas where chances of occurrence of conflicts of interest are very high. Such areas to be considered as highly relevant are issues of nomination of company's directors, determination of directors' remuneration and control and assessment of company's audit. Therefore when the mentioned issues are attributable to the competence of the collegial body, it is recommended that the collegial body should establish nomination, remuneration, and audit committees. Companies should ensure that the functions attributable to the nomination, remuneration, and audit committees are carried out. However they may decide to merge these functions and set up less than three committees. In such case a company should explain in detail reasons behind the selection of alternative approach and how the selected approach complies with the objectives set forth for the three different committees. Should the collegial body of the company comprise small number of members, the functions assigned to the three committees may be performed by the collegial body itself, provided that it meets composition requirements advocated for the committees and that adequate information is provided in this respect. In such case provisions of this Code relating to the committees of the collegial body (in particular with respect to their role, operation, and transparency) should apply, where relevant, to the collegial body as a whole.	No	Audit committee will be established and approved on the next shareholders meeting.
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	No committees are established.

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	No committees are established.
4.10. Authority of each of the committees should be determined by the collegial body. Committees should perform their duties in line with authority delegated to them and inform the collegial body on their activities and performance on regular basis. Authority of every committee stipulating the role and rights and duties of the committee should be made public at least once a year (as part of the information disclosed by the company annually on its corporate governance structures and practices). Companies should also make public annually a statement by existing committees on their composition, number of meetings and attendance over the year, and their main activities. Audit committee should confirm that it is satisfied with the independence of the audit process and describe briefly the actions it has taken to reach this conclusion.	No	No committees are established.
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	No committees are established.

4.12. Nomination Committee. 4.12.1. Key functions of the nomination committee should be the following: • 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; • 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; • Assess on regular basis the skills, knowledge and experience of individual directors and report on this to the collegial body; • Properly consider issues related to succession planning; • Review the policy of the management bodies for selection and appointment of senior management. 4.12.2. Nomination committee should consider proposals by other parties, including management and shareholders. When dealing with issues related to executive directors or members of the board (if a collegial body elected by the general 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.	No	No committees are established.

4.13. Remuneration Committee. 4.13.1. Key functions of the remuneration committee should be the following: • 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; • 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; • Make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies; • 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); • Make general recommendations to the executive directors and members of the management bodies on the level and structure of remuneration for senior management (as defined by the collegial body) with regard to the respective information provided by the executive directors and members of the management bodies. 4.13.2. With respect to stock options and other share-based incentives which may be granted to directors or other employees, the committee should: • Consider general policy regarding the granting of the above mentioned schemes, in particular stock options, and make any related proposals to	No	No committees are established.

the collegial body; • Examine the related information that is given in the company's annual report and documents intended for the use during the shareholders meeting; • Make proposals to the collegial body regarding the choice between granting options to subscribe shares or granting options to purchase shares, specifying the reasons for its choice as well as the consequences that this choice has. 4.13.3. Upon resolution of the issues attributable to the competence of the remuneration committee, the committee should at least address the chairman of the collegial body and/or chief executive officer of the company for their opinion on the remuneration of other executive directors or members of the management bodies.		
4.14. Audit Committee. 4.14.1. Key functions of the audit committee should be the following: • 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); • 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; • Ensure the efficiency of the internal audit function, among other things, by making recommendations on the selection, appointment, reappointment and removal of the head of the internal audit department and on the budget of the department, and by monitoring the responsiveness of the management to its findings and recommendations. Should there be no internal audit authority in the company, the need for one should be reviewed at least annually;	No	No committees are established on the year 2008. Audit committee will be established and members will be approved on the next shareholders meeting.

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

4.14.3. The audit committee should decide whether participation of the chairman of the collegial body, chief executive officer of the company, chief financial officer (or superior employees in charge of finances, treasury and accounting), or internal and external auditors in the meetings of the committee is required (if required, when). The committee should be entitled, when needed, to meet with any relevant person without executive directors and members of the management bodies present. 4.14.4. Internal and external auditors should be secured with not only effective working relationship with management, but also with free access to the collegial body. For this purpose the audit committee should act as the principal contact person for the internal and external auditors. 4.14.5. The audit committee should be informed of the internal auditor's work program, and should be furnished with internal audit's reports or periodic summaries. The audit committee should also be informed of the work program of the external auditor and should be furnished with report disclosing all relationships between the independent auditor and the company and its group. The committee should be timely furnished information on all issues arising from the audit. 4.14.6. The audit committee should examine whether the company is following applicable provisions regarding the possibility for employees to report alleged significant irregularities in the company, by way of complaints or through anonymous submissions (normally to an independent member of the collegial body), and should ensure that there is a procedure established for proportionate and independent investigation of these issues and for appropriate follow-up action. 4.14.7. The audit committee should report on its activities to the collegial body at least once in every six months, at the time the yearly and half-yearly statements are approved.		

4.15. Every year the collegial body should conduct the assessment of its activities. The assessment should include evaluation of collegial body's structure, work organization and ability to act as a group, evaluation of each of the collegial body member's and committee's competence and work efficiency and assessment whether the collegial body has achieved its objectives. The collegial body should, at least once a year, make public (as part of the information the company annually discloses on its management structures and practices) respective information on its internal organization and working procedures, and specify what material changes were made as a result of the assessment of the collegial body of its own activities.	No	The Board periodically performs evaluation of its activity but this procedure is not prescribed.

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.		
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	This regulation in the Company is realised by the Board.
5.2. It is recommended that meetings of the company's collegial bodies should be carried out according to the schedule approved in advance at certain intervals of time. Each company is free to decide how often to convene meetings of the collegial bodies, but it is recommended that these meetings should be convened at such intervals, which would guarantee an interrupted resolution of the essential corporate governance issues. Meetings of the company's supervisory board should be convened at least once in a quarter, and the company's board should meet at least once a month.	Yes	The Board sittings are convened at least once per quarter.
5.3. Members of a collegial body should be notified about the meeting being convened in advance in order to allow sufficient time for proper preparation for the issues on the agenda of the meeting and to ensure fruitful discussion and adoption of appropriate decisions. Alongside with the notice about the meeting being convened, all the documents relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body are present or certain issues of great importance to the company require immediate resolution.	Yes	

5.4. In order to co-ordinate operation of the company's collegial bodies and ensure effective decision-making process, chairpersons of the company's collegial bodies of supervision and management should closely co-operate by co-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	The Company cannot realise this principle as it has only the collegiate body – the Board.

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.		
6.1. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all their holders.	Yes	Ordinary shares comprising the share capital provide equal rights to all shareholders of the Company.
6.2. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.	Yes	
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. 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 does not keep to this regulation due to settled practice, stipulated by faster decision making and efficiency. The major shareholders have representatives in the Board which is the decision-maker.
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	All shareholders are informed about the date, place and time of the general meeting. The sharehoders can get information on the meeting's agenda beforehand.

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. 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.	No	Documentation prepared for the general meeting, including drafts of decisions, are submitted through the Vilnius Stock Exchange information system. This information is sent by e-mail to any shareholder upon his/her request.
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's shareholders can participate in the shareholders meeting in person or through a representative provided he/she has an authorisation. The company provides a possibility to shareholders to vote by filling in a voting bulletin.
6.7. With a view to increasing the shareholders' opportunities to participate effectively at shareholders' meetings, the companies are recommended to expand use of modern technologies in voting processes by allowing the shareholders to vote in general meetings via terminal equipment of telecommunications. In such cases security of telecommunication equipment, text protection and a possibility to identify the signature of the voting person should be guaranteed. Moreover, companies could furnish its shareholders, especially foreigners, with the opportunity to watch shareholder meetings by means of modern technologies.	No	Until now there was no need to realise this recommendation.

Principle VII: The avoidance of conflicts of interest and their disclosure The corporate governance framework should encourage members of the corporate bodies to avoid conflicts of interest and assure transparent and effective mechanism of disclosure of conflicts of interest regarding members of the corporate bodies.		
7.1. Any member of the company's supervisory and management body should avoid a situation, in which his/her personal interests are in conflict or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory and management body should, within reasonable time, inform other members of the same collegial body or the company's body that has elected him/her, or to the company's shareholders about a situation of a conflict of interest, indicate the nature of the conflict and value, where possible.	Yes	
7.2. Any member of the company's supervisory and management body may not mix the company's assets, the use of which has not been mutually agreed upon, with his/her personal assets or use them or the information which he/she learns by virtue of his/her position as a member of a corporate body for his/her personal benefit or for the benefit of any third person without a prior agreement of the general shareholders' meeting or any other corporate body authorized by the meeting.	Yes	
7.3. Any member of the company's supervisory and management body may conclude a transaction with the company, a member of a corporate body of which he/she is. Such a transaction (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions) must be immediately reported in writing or orally, by recording this in the minutes of the meeting, to other members of the same corporate body or to the corporate body that has elected him/her or to the company's shareholders. Transactions specified in this recommendation are also subject to recommendation 4.5.	Yes	
7.4. Any member of the company's supervisory and management body should abstain from voting when decisions concerning transactions or other issues of personal or business interest are voted on.	Yes	

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.		
8.1. A company should make a public statement of the company's remuneration policy (hereinafter the remuneration statement). This statement should be part of the company's annual accounts. Remuneration statement should also be posted on the company's website.	No	In the annual report the company provides information about remuneration to management and average salaries to administration staff and workers. The mentioned information is presented based on the practise applied in the company and Lithuania.
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 does not apply these regulations in practise.
8.3. Remuneration statement should leastwise include the following information: • Explanation of the relative importance of the variable and non-variable components of directors' remuneration; • Sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration; • Sufficient information on the linkage between the remuneration and performance; • The main parameters and rationale for any annual bonus scheme and any other non-cash benefits; • A description of the main characteristics of supplementary pension or early retirement schemes for directors.	No	The company does not apply these regulations in practise.

8.4. Remuneration statement should also summarize and explain company's policy regarding the terms of the contracts executed with executive directors and members of the management bodies. It should include, inter alia, information on the duration of contracts with executive directors and members of the management bodies, the applicable notice periods and details of provisions for termination payments linked to early termination under contracts for executive directors and members of the management bodies.	No	The company does not apply these regulations in practise.
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 does not apply these regulations in practise.
8.6. Without prejudice to the role and organization of the relevant bodies responsible for setting directors' remunerations, the remuneration policy or any other significant change in remuneration policy should be included into the agenda of the shareholders' annual general meeting. Remuneration statement should be put for voting in shareholders' annual general meeting. The vote may be either mandatory or advisory.	No	The company does not apply these regulations in practise.
8.7. Remuneration statement should also contain detailed information on the entire amount of remuneration, inclusive of other benefits, that was paid to individual directors over the relevant financial year. This document should list at least the information set out in items 8.7.1 to 8.7.4 for each person who has served as a director of the company at any time during the relevant financial year. 8.7.1. The following remuneration and/or emoluments-related information should be disclosed: • 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; • The remuneration and advantages received	No	The company does not apply these regulations in practise.

from any undertaking belonging to the same group; • The remuneration paid in the form of profit sharing and/or bonus payments and the reasons why such bonus payments and/or profit sharing were granted; • 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; • 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; • Total estimated value of non-cash benefits considered as remuneration, other than the items covered in the above points. 8.7.2. As regards shares and/or rights to acquire share options and/or all other share-incentive schemes, the following information should be disclosed: • The number of share options offered or shares granted by the company during the relevant financial year and their conditions of application; • 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; • 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; • All changes in the terms and conditions of existing share options occurring during the financial year. 8.7.3. The following supplementary pension schemes-related information should be disclosed: • When the pension scheme is a defined-benefit scheme, changes in the directors' accrued benefits under that scheme during the relevant financial year; • When the pension scheme is defined-contribution scheme, detailed information on contributions paid or payable by the company in respect of that director during the relevant financial year. 8.7.4. The statement should also state amounts that the company or any subsidiary company or entity included in the consolidated annual financial statements of the company has paid to each person who has served as a director in the company at any time during the relevant		

financial year in the form of loans, advance payments or guarantees, including the amount outstanding and the interest rate.		
8.8. Schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements should be subject to the prior approval of shareholders' annual general meeting by way of a resolution prior to their adoption. The approval of scheme should be related with the scheme itself and not to the grant of such share-based benefits under that scheme to individual directors. All significant changes in scheme provisions should also be subject to shareholders' approval prior to their adoption; the approval decision should be made in shareholders' annual general meeting. In such case shareholders should be notified on all terms of suggested changes and get an explanation on the impact of the suggested changes.	No	The company does not apply these regulations in practise.
8.9. The following issues should be subject to approval by the shareholders' annual general meeting: • Grant of share-based schemes, including share options, to directors; • Determination of maximum number of shares and main conditions of share granting; • The term within which options can be exercised; • The conditions for any subsequent change in the exercise of the options, if permissible by law; • All other long-term incentive schemes for which directors are eligible and which are not available to other employees of the company under similar terms. Annual general meeting should also set the deadline within which the body responsible for remuneration of directors may award compensations listed in this article to individual directors.		
8.10. Should national law or company's Articles of Association allow, any discounted option arrangement under which any rights are granted to subscribe to shares at a price lower than the market value of the share prevailing on the day of the price determination, or the average of the market values over a number of days preceding the date when the exercise price is determined, should also be subject to the shareholders' approval.		

8.11. Provisions of Articles 8.8 and 8.9 should not be applicable to schemes allowing for participation under similar conditions to company's employees or employees of any subsidiary company whose employees are eligible to participate in the scheme and which has been approved in the shareholders' annual general meeting.		
8.12. Prior to the annual general meeting that is intended to consider decision stipulated in Article 8.8, the shareholders must be provided an opportunity to familiarize with draft resolution and project-related notice (the documents should be posted on the company's website). The notice should contain the full text of the share-based remuneration schemes or a description of their key terms, as well as full names of the participants in the schemes. Notice should also specify the relationship of the schemes and the overall remuneration policy of the directors. Draft resolution must have a clear reference to the scheme itself or to the summary of its key terms. Shareholders must also be presented with information on how the company intends to provide for the shares required to meet its obligations under incentive schemes. It should be clearly stated whether the company intends to buy shares in the market, hold the shares in reserve or issue new ones. There should also be a summary on scheme-related expenses the company will suffer due to the anticipated application of the scheme. All information given in this article must be posted on the company's website.		

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

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.		
10.1. The company should disclose information on: • The financial and operating results of the company; • Company objectives; • Persons holding by the right of ownership or in control of a block of shares in the company; • Members of the company's supervisory and management bodies, chief executive officer of the company and their remuneration; • Material foreseeable risk factors; • Transactions between the company and connected persons, as well as transactions concluded outside the course of the company's regular operations; • Material issues regarding employees and other stakeholders; • Governance structures and strategy. This list should be deemed as a minimum recommendation, while the companies are encouraged not to limit themselves to disclosure of the information specified in this list. 10.2. It is recommended that consolidated results of the whole group to which the company belongs should be disclosed when information specified in item 1 of Recommendation 10.1 is under disclosure. 10.3. It is recommended that information on the professional background, qualifications of the members of supervisory and management bodies, chief executive officer of the company should be disclosed as well as potential conflicts of interest that may have an effect on their decisions when information specified in item 4 of Recommendation 10.1 about the members of the company's supervisory and management bodies is under disclosure. It is also recommended that information about the amount of remuneration received from the company and other income should be disclosed with regard to members of the company's supervisory and management bodies and chief executive officer as per Principle VIII.	Yes	Information about the company pointed out in these recommendations is disclosed in the following sources: annual report, financial statements and notes to the financial statements, announcements on acquisition/disposal of shareholdings, announcements on significant events through the information system of the Stock Exchange.

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.		
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	Information through the Stock Exchange information system is presented in the Lithuanian and English languages at the same time. The Stock Exchange announces the information received in its internet site and trading system and thus ensures timely presentation of information to everybody. Furthermore, the company aims to to announce the information before or after the trading session and provide it to all markets in which the company's shares are traded. Information which may influence the share price is not disclosed in any way until such information is publicly announced through the Stock Exchange information system.
10.6. Channels for disseminating information should provide for fair, timely and cost-efficient access to relevant information by users. It is recommended that information technologies should be employed for wider dissemination of information, for instance, by placing the information on the company's website. It is recommended that information should be published and placed on the company's website not only in Lithuanian, but also in English, and, whenever possible and necessary, in other languages as well.	Yes	
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	

Principle XI: The selection of the company's auditor The mechanism of the selection of the company's auditor should ensure independence of the firm of auditor's conclusion and opinion.		
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	
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 follows this regulation. The Board proposes an audit firm for election to the general shareholders 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.	N/a	The audit firm of the Company did not provide services other than audit and has not received any fee for that from the Company.