AB Pieno Žvaigždės

Financial statements for the year ended 31 December 2010

Content

Company details

AB Pieno Žvaigždės

Telephone:	+370 5 246 1414
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Company code:	124665536
Registered at:	Perkūnkiemio g. 3, 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
Swedbank, AB
AB DnB Nord Bankas

Management‘s statement on the financial statements

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

The 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 financial statements give a true and fair view as to International Financial Reporting Standards as adopted by the European Union.

We recommend the financial statements to be approved at the General Shareholders' Meeting.

Vilnius, 4 April 2011

Management:

Aleksandr Smagin
General Director

KPMG Baltics, UAB
Upės St. 21
LT-08128, Vilnius
Lithuania

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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 ("the Company"), which comprise the statement of financial position as at 31 December 2010, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes set out on pages 5-40.

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, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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.

Company code: 111494971
VAT code: LT114949716

KPMG

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 2010, 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 2010, set out on pages 41-55 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 2010.

On behalf of KPMG Baltics, UAB

Domantas Dabulis
Partner pp
Certified Auditor

Mindaugas Bartkus
Certified Auditor

Vilnius, Republic of Lithuania
4 April 2011

Statement of comprehensive income for the year ended 31 December

Thousand Litas	Note	2010	2009
Revenue	1	620,255	622,467
Cost of sales		(500,740)	(497,305)
Gross profit		**119,515**	**125,162**
Other operating income	2	456	677
Sales and administrative expenses	3	(95,063)	(99,083)
Operating profit		**24,908**	**26,756**
Finance income	4	215	725
Finance expenses	5	(3,310)	(7,813)
Finance expenses, net		**(3,095)**	**(7,088)**
Profit before tax		**21,813**	**19,668**
Income tax expense	6	(3,243)	(5,103)
Profit (loss) for the year		**18,570**	**14,565**
Other comprehensive income for the year, net of income tax		-	-
Total comprehensive income for the year		**18,570**	**14,565**
Basic and diluted earnings per share (Litas)	7	0.34	0.27

The notes, set out on pages 9 to 40, are an integral part of these financial statements.

Statement of financial position at 31 December

Thousand Litas	Note	2010	2009
Assets			
Property, plant and equipment	8	191,763	218,337
Intangible assets	9	1,198	895
Investments available for sale	10	276	275
Long-term receivables	12	1,107	1,001
Total non-current assets		**194,344**	**220,508**
Inventories	11	60,322	39,239
Receivables	12	67,587	69,339
Cash and cash equivalents	13	3,582	6,136
Total current assets		**131,491**	**114,714**
Total assets		**325,835**	**335,222**
Equity			
Share capital		54,205	54,205
Share premium		27,246	27,246
Treasury shares		(14,349)	(6,108)
Reserves		36,883	27,093
Retained earnings		43,058	46,376
Total equity	14	**147,043**	**148,812**
Liabilities			
Government grants	15	4,859	3,394
Interest-bearing loans and borrowings	16	41,611	32,311
Deferred tax	17	2,010	2,160
Total non-current liabilities		**48,480**	**37,865**
Provisions	19	-	-
Interest-bearing loans and borrowings	16	71,590	95,451
Income tax payable		2,369	4,384
Trade and other amounts payable	18	56,353	48,710
Total current liabilities		**130,312**	**148,545**
Total liabilities		**178,792**	**186,410**
Total equity and liabilities		**325,835**	**335,222**

The notes, set out on pages 9 to 40, are an integral part of these financial statements.

Statement of changes in equity

Thousand Litas	Note	Share capital	Share premium	Treasury shares	Legal reserve	Revalua-tion reserve	Other reserves	Retained earnings (losses)	Total equity
As at 1 January 2009		54,205	27,246	(4,108)	5,420	16,538	6,800	36,063	142,164
Comprehensive income for the period									
Net profit for the year								14,565	14,565
Other comprehensive income									
Depreciation on revalued buildings						(1,115)		1,115	
Total comprehensive income for the period						**(1,115)**		**15,680**	**14,565**
Transactions with owners recognised in equity									
Allocated to reserves							(550)	550	
Dividends								(5,917)	(5,917)
Acquisition of treasury shares				(2,000)					(2,000)
Total transactions with owners				**(2,000)**			**(550)**	**(5,367)**	**(7,917)**
At 31 December 2009	14	**54,205**	**27,246**	**(6,108)**	**5,420**	**15,423**	**6,250**	**46,376**	**148,812**
As at 1 January 2010		54,205	27,246	(6,108)	5,420	15,423	6,250	46,376	148,812
Comprehensive income for the period									
Net profit for the year								18,570	18,570
Other comprehensive income									
Depreciation on revalued buildings						(330)		330	
Total comprehensive income for the period						**(330)**		**18,900**	**18,570**
Transactions with owners recognised in equity									
Allocated to reserves							10,120	(10,120)	
Dividends								(12,098)	(12,098)
Acquisition of treasury shares				(8,241)					(8,241)
Total transactions with owners				**(8,241)**			**10,120**	**(22,218)**	**(20,339)**
At 31 December 2010	14	**54,205**	**27,246**	**(14,349)**	**5,420**	**15,093**	**16,370**	**43,058**	**147,043**

The notes, set out on pages 9 to 40, are an integral part of these financial statements.

Statement of cash flows

For the year ended 31 December

Thousand Litas	Note	2010	2009
Cash flows from operating activities			
Profit (loss) for the year		18,570	14,565
Adjustments for:			
Depreciation and amortisation	8, 9	39,798	42,576
Amortisation of government grants	15	(695)	(509)
Gain/Loss on disposal and write-off of property, plant and equipment		139	939
Impairment loss of receivables	3	1,985	1,049
Change in vacation reserve	18	165	(1,157)
Write-down of inventories to net realisable value		-	(2,373)
Interest income/expenses, net	4,5	3,054	7,497
Income tax expense	6	3,243	5,103
		66,259	**67,690**
Change in inventories		(21,083)	44,975
Change in receivables		(1,248)	5,688
Change in payables		7,204	(9,411)
Cash flows from operating activities		**51,132**	**108,942**
Interest paid		(2,991)	(7,497)
Income tax paid		(4,500)	(200)
Net cash flow from operating activities		**43,641**	**101,245**
Cash flows from investing activities			
Acquisition of property, plant and equipment	8	(12,776)	(28,923)
Acquisition of intangible assets	9	(652)	(96)
Proceeds on sale of property, plant and equipment		418	1,107
Net cash flow used in investing activities		**(13,010)**	**(27,912)**
Cash flows from financing activities			
Loans received		44,140	26,948
Repayment of borrowings		(43,301)	(72,524)
Redemption of shares		(8,241)	(2,000)
Dividends paid		(12,098)	(5,901)
Payment of finance lease liabilities		(15,845)	(16,755)
Government grants received	15	2,160	1,128
Net cash flow from financing activities		**(33,185)**	**(69,104)**
Change in cash and cash equivalents		(2,554)	4,229
Cash and cash equivalents at 1 January		6,136	1,907
Cash and cash equivalents at 31 December		**3,582**	**6,136**

The notes, set out on pages 9 to 40, are an integral part of these financial statements.

Notes to the financial statements

Background information

The head office of AB Pieno Žvaigždės ("the Company") is located in Vilnius, Lithuania. AB Pieno Žvaigždės was established in year 1998 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.

All ordinary shares of the Company are quoted in the Vilnius Stock Exchange. There is no controlling entity or individual.

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

The average number of employees in 2010 was 2,019 (2009: 2 207 employees).

Significant accounting policies

Statement of compliance

The financial statements of AB Pieno Žvaigždės have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

The financial statements have been authorized for issue to the shareholders on 4 April 2011. The shareholders may reject the financial statements and request they be amended and reissued.

Basis of preparation

The financial statements are presented in Litas being the functional currency of the Company, and are prepared on the historical cost basis, except for land and buildings which are stated at revalued amount.

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 the 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 18.

The accounting policies of the Company, set out below, have been applied consistently to all periods presented in these financial statements.

Derivative financial instruments

The Company did not use any derivative financial instruments nor has applied hedge accounting.

Foreign currency

Transactions in foreign currencies are translated to Litas at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Litas at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in profit or loss. 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.

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. Land and buildings are stated at a revalued amount less accumulated depreciation and impairment losses.

The cost of an item of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Borrowing costs that are directly attributable to the acquisition, construction or production of an item of property, plant and equipment where substantial period of time is necessary to get ready the asset for its intended use, are capitalized as part of cost of the asset.

Notes to the financial statements

Significant accounting policies (continued)

Property, plant and equipment (continued)

The revaluation reserve is reduced annually in proportion to the depreciation of the revalued assets, by a transfer from revaluation reserve to retained earnings through other comprehensive income.

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 their expected useful lifetime.

Useful lives, residual amounts and depreciation methods are reviewed at each reporting date.

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 profit or loss as an expense as incurred.

Depreciation

Depreciation (except for land which is not depreciated) is charged to profit or loss 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

Intangible assets

Intangible assets acquired by the Company with a definite useful life are stated at cost less accumulated amortisation and impairment losses.

Costs related to internally generated goodwill and trademarks are recognised in profit or loss as costs when incurred.

Notes to the financial statements

Significant accounting policies (continued)

Intangible assets (continued)

Subsequent expenditure

Subsequent expenditure on 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 profit or loss 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 to 3 years.

Goodwill

Goodwill is represented by the fair value of consideration transferred including the recognized amount of any non controlling interest in the acquiree, less the net recognized amount (usually fair value) of identifiable net assets acquired and liabilities assumed, all measured at acquisition date. Goodwill is included in intangible assets.

Goodwill relates to the acquired and subsequently merged company AB Panevėžio Pienas.

Financial instruments

Financial assets are classified as either financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables, and available-for-sale financial assets, as appropriate. All purchases and sales of financial assets are recognised on the trade date. When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial instruments not at fair value through profit or loss, directly attributable transaction costs.

Investments in equity securities

Investments in equity securities are classified as available-for-sale and at initial recognition are stated at fair value plus the related direct costs. Subsequently the investments are revalued to fair value carrying the gain or loss on their revaluation through other comprehensive income to equity. Impairment losses, if any, are included in profit or loss if the fair value decline is considered to be prolonged or significant. When the investments are sold, the accrued gain or loss previously recognised under equity, is recognised in the statement of comprehensive income.

The fair value of financial instruments available for sale is their quoted price at the reporting date.

Notes to the financial statements

Significant accounting policies (continued)

Financial instruments (continued)

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

Other financial instruments

Trade receivables of the Company are not traded in an active market. They are included in current assets except for maturities greater than 12 months and are classified as loans and receivables. Trade receivables 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 rate method, less impairment, if any. Short-term receivables are not discounted.

Borrowings are initially recognized at fair value. 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.

Impairment

The carrying amounts of the Company's assets, other than inventories and deferred tax asset, are reviewed at each reporting date in order 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 reporting 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 statement of comprehensive income.

Notes to the financial statements

Significant accounting policies (continued)

Impairment (continued)

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 through other comprehensive income to equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised 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 loans and 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).

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

Reversals of impairment

An impairment loss in respect of receivables carried at 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 the statement of comprehensive income.

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.

Notes to the financial statements

Significant accounting policies (continued)

Dividends

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

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

Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. Short-term employee benefit obligations comprise salaries and wages, social security contributions, bonuses, vacation and other payments. There are no long-term employee benefit obligations. Pension obligations to employees are borne by the State.

Revenue

Goods sold and services rendered

Revenue from the sale of goods is recognised in profit or loss 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 profit or loss in proportion to the stage of completion of the transaction at the reporting date. Rental income is recognised in profit or loss 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 cannot be considered as transferred to the buyer.

Government grants

A government grant is recognised in the statement of financial position 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 profit or loss 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 statement of comprehensive income as other operating income on a systematic basis over the useful life of the asset.

Notes to the financial statements

Significant accounting policies (continued)

Expenses

Operating lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease.

Finance lease payments

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

Finance costs and income

Finance costs comprise interest payable on borrowings calculated using the effective interest rate method and foreign exchange losses. The interest expense component of finance lease payments is recognised in profit or loss using the effective interest rate method.

Finance income comprise interest receivable on funds invested, dividend income and foreign exchange gains. Interest income is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in profit or loss on the date the entity’s right to receive payments is established.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in profit or loss 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 substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided 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: 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 reporting 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.

Notes to the financial statements

Significant accounting policies (continued)

Operating segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

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

The accounting policies applied by the Company to all financial information reported in these financial statements are consistent with the accounting policies of the previous year. New IFRS and their interpretations which became effective in 2010 are not relevant to the Company‘s activity.

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 2011 and subsequent years. The Company has decided not to early adopt 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.

- *Revised IAS 24 Related Party Disclosure*

  Effective for annual periods beginning on or after 1 January 2011. The amendment exempts government-related entity from the disclosure requirements in relation to related party transactions and outstanding balances. The revised Standard also amends the definition of a related party which resulted in new relations being included in the definition, such as, associates of the controlling shareholder and entities controlled, or jointly controlled, by key management personnel. Revised IAS 24 is not expected to result in new relations requiring disclosure in the financial statements.

- *Amendment to IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

  Effective for annual periods beginning on or after 1 January 2011. The amendment of IFRIC 14 addresses the accounting treatment for prepayments made when there is also a minimum funding requirements (MFR). Under the amendments, an entity is required to recognize certain prepayments as an asset on the basis that the entity has a future economic benefit from the prepayment in the form of reduced cash outflows in future years in which MFR payments would otherwise be required. The amendment to IFRIC 14 is not relevant to the Company’s financial statements as the Company does not have any defined benefit plans with minimum funding requirements.

Notes to the financial statements

Significant accounting policies (continued)

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

- *IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments*

  Effective for annual periods beginning on or after 1 July 2010. The Interpretation clarifies that equity instruments issued to a creditor to extinguish all or part of a financial liability in a 'debt for equity swap' are consideration paid in accordance with IAS 39.41. The initial measurement of equity instruments issued to extinguish a financial liability is at the fair value of those equity instruments, unless that fair value cannot be reliably measured, in which case the equity instrument should be measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability (or part of the financial liability) extinguished and the initial measurement amount of equity instruments issued should be recognized in profit or loss. The Company did not issue equity to extinguish any financial liability during the current period. Therefore, the Interpretation will have no impact on the comparative amounts in the Company's financial statements for the year ending 31 December 2010. Further, since the Interpretation can relate only to transactions that will occur in the future, it is not possible to determine in advance the effects the application of the Interpretation will have.

- *Amendment to IAS 32 Financial Instruments: Presentation – Classification of Rights Issues*

  Effective for annual periods beginning on or after 1 February 2010. The amendment requires that rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency are equity instruments if the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. The amendments to IAS 32 are not relevant to the Company's financial statements as the Company has not issued such instruments at any time in the past.

Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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.

Notes to the financial statements

Significant accounting policies (continued)

Critical accounting estimates and judgments (continued)

Impairment of property, plant and equipment

The carrying amounts of property, plant and equipment are reviewed at each reporting date in order to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. With a purpose of impairment testing, the assets which, in the process of continues use, generate cash and mainly are independant of generating cash inflows of other assets or asset groups (cash generating units) are classified to the smallest group. The recoverable amount of property, plant and equipment 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.

Fair value of land and buildings

The fair values of land and buildings are assessed at each reporting date in order to determine whether there is any significant differences between fair values and carrying amounts in the financial statements. Fair values are assessed by reference to valuation reports received from external valuers.

Impairment of receivables

The Company reviews its receivables individually 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.

Useful lives of intangible assets and property, plant and equipment

Useful lives of the assets are reviewed at least annually. They are adjusted, if necessary, considering technological changes, expected future use of the asset and its present condition.

Judgments

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

Notes to the financial statements

Significant accounting policies (continued)

Financial risk management

In using financial instruments the Company faces with the following risks

- credit risk,
- liquidity risk,
- market risk,
- operating risk,
- capital management risk.

General risk management policy establishment and supervision is the responsibility of the Board of directors. Risk management policy was set up in order to identify and analyse risks facing the Company, and determine risk acceptance limits. Risk management policy and processes are reviewed regularly considering changes in the markets and activities of the Company. The Company, applying learning and management standards and procedures, aims to establish constructive control environment where all employees clearly realise their functions and responsibilities.

The note on Financial Instruments presents information on each of the above stated risks facing the Company, its objectives, risk assessment and management policy and processes, management of capital of the Company. Quantitative disclosures are presented in the notes of the financial statements.

Notes to the financial statements

1. Operating segments

The only operating segment of the Company is production of dairy products.

Geographical information may be presented as follows (revenue is based on the geographical location of customers. Assets are based on the geographical location of the assets):

Year 2010, thousand Litas	Lithuania	Russia	Latvia	Germany	Other	Total
Revenue	301,183	236,494	8,797	11,495	62,286	620,255
Property, plant and equipment	187,584				4,179	191,763
Other non-current assets	2,581					2,581

The Company has one customer revenue from which in year 2010 accounted for more than 10% of the total revenue for the year. Revenue earned from this customer amounted to 17% of the total revenue.

Year 2009, thousand Litas	Lithuania	Russia	Latvia	Germany	Other	Total
Revenue	301,016	225,511	10,989	13,220	71,731	622,467
Property, plant and equipment	213,011				5,326	218,337
Other non-current assets	2,171					2,171

Revenue in the year 2009 includes 8,779 thousand Litas income from export subsidies.

The Company has one customer revenue from which in year 2009 accounted for more than 10% of the total revenue for the year. Revenue earned from this customer amounted to 13% of the total revenue.

2. Other operating income

Thousand Litas	**2010**	**2009**
Income from rent and other services	356	492
Gain (loss) on disposal of property, plant and equipment	(129)	94
Other	229	91
	456	**677**

Notes to the financial statements

3. Sales and administrative costs

Thousand Litas	2010	2009
Staff costs	(34,982)	(39,913)
Depreciation and amortisation	(11,858)	(12,446)
Production delivery costs	(6 564)	(6 748)
Marketing and advertising	(6,493)	(7,933)
Fuel	(5,975)	(5,239)
Materials and spare parts	(3,477)	(3,439)
Utilities	(3,008)	(2,519)
Taxes, except income tax	(2,212)	(2,266)
Security costs	(1 791)	(2 148)
Repair	(1,718)	(1,638)
Insurance	(1,155)	(1,553)
Impairment of receivables	(1,985)	(1,049)
Operating lease	(1,112)	(1,000)
Communications	(884)	(955)
Transport	(259)	(222)
Office consumables	(127)	(193)
Other	(11 463)	(9 822)
	(95,063)	**(99,083)**
Sales costs	(53,840)	(58,435)
Administrative costs	(41,223)	(40,648)
	(95,063)	**(99,083)**

4. Finance income

Thousand Litas	2010	2009
Interest	215	725
Total finance income	**215**	**725**

5. Finance expenses

Thousand Litas	2010	2009
Interest on loans and leasing liabilities	(3,054)	(7,498)
Loss on foreign currency exchange	(100)	(299)
Other	(156)	(16)
Total finance expenses	**(3,310)**	**(7,813)**

Notes to the financial statements

6. Corporate income tax

Thousand Litas	2010	2009
Income tax for the current year	(3,868)	(4,873)
Adjustments of the income tax of 2009	475	
Change in deferred tax	150	(230)
Total income tax expenses	**(3,243)**	**(5,103)**

Reconciliation of effective tax rate

Thousand Litas	2010		2009	
Result before tax		21,813		19,668
Income tax using the prevailing tax rate	15%	(3,272)	20%	(3,933)
Non-deductible expenses	3.9%	(852)	4.4 %	(878)
Non taxable income	-	-	-	-
Effect of charity (deducted twice)	-1.2%	256	-0.8%	175
Effect of change in tax rate	-	-	2.3%	(467)
	17.7%	(3,868)	25.9%	(5,103)

7. Earnings per share ratio

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. There are no dilutive potential ordinary shares.

	2010	2009
Number of shares in issue calculated using weighted average method, thousand units	51,624	52,998
Net result for the year, in thousand Litas	18,570	14,565
Basic and diluted earnings per share, in Litas	0.36	0.27

Notes to the financial statements

8. Property, plant and equipment

Thousand Litas	Land and buildings	Machinery and equipment	Other assets	Construction in progress	Total
Cost/revaluation					
Balance at 1 January 2009	92,017	238,692	85,476	5,610	421,795
Adjustments	863	(866)	3	-	0
Revaluation	-	-	-	-	-
Acquisitions	-	27,254	1,629	3,493	32,376
Prepayments	-	-	(3,529)	-	(3,529)
Disposals and write-offs	(54)	(18,948)	(9,626)	-	(28,628)
Re-classification	3,269	1,469	2	(4,740)	0
Balance at 31 December 2009	**96,095**	**247,601**	**73,955**	**4,363**	**422,014**
Balance at 1 January 2010	96,095	247,601	73,955	4,363	422,014
Revaluation	-	-	-	-	-
Acquisitions	19	6,377	993	2,408	9,797
Prepayments	-	-	3,634	-	3,634
Disposals and write-offs	-	(4,093)	(3,762)	-	(7,855)
Re-classification	3,445	480	-	(3,925)	0
Balance at 31 December 2010	**99,559**	**250,365**	**74,820**	**2,846**	**427,590**
Depreciation					
Balance at 1 January 2009	4,105	142,770	36,353	0	183,228
Depreciation for the year	5,034	27,496	9,774	-	42,304
Depreciation of disposals	(52)	(15,113)	(7,154)	-	(22,319)
Re-classifications	5	(8)	3	-	0
Balance at 31 December 2009	**9,091**	**155,146**	**38,974**	**0**	**203,211**
Balance at 1 January 2010.	9,091	155,146	38,974	0	203,211
Depreciation for the year	5,101	25,738	8,610	-	39,449
Depreciation of disposals	-	(3,608)	(3,689)	-	(7,297)
Re-classifications	-	-	-	-	-
Balance at 31 December 2010	**14,192**	**177,276**	**43,895**	**0**	**235,363**
Impairment					
Balance as at 1 January 2009	0	620	2,331	464	3,415
Change during the year (write-off)	-	(620)	(2,331)	-	(2,951)
Balance as at 31 December 2009	**0**	**0**	**0**	**464**	**464**
Balance as at 1 January 2010	0	0	0	464	464
Re-classification	464	-	-	(464)	0
Change during the year (write-off)	-	-	-	-	-
Change during the year (disposal)		-	-	-	-
Balance as at 31 December 2010	**464**	**0**	**0**	**0**	**464**
Carrying amounts					
1 January 2009	87,912	95,302	46,792	5,146	235,152
31 December 2009	87,004	92,455	34,979	3,899	218,337
1 January 2010	**87,004**	**92,455**	**34,979**	**3,899**	**218,337**
31 December 2010	**84,903**	**73,089**	**30,925**	**2,846**	**191,763**

Notes to the financial statements

8 Property, plant and equipment (continued)

Impairment

In 2009 an impairment loss on machinery, equipment and other assets was reduced by 2,951 tLTL due to write off of the assets. After allowing for this reversal of impairment, the Company in profit or loss for 2009 recognised a loss of 192 tLTL.

In 2010 an impairment loss on construction in progress was reclassified due to re-classification of the related assets to the buildings group. In opinion of the management, there is no indication of impairment of property, plant and equipment as current and expected cash flows from operating activities are sufficient in order to recover the carrying amount of assets as at 31 December 2010.

Revaluation of buildings

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 in profit or loss in year 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 profit or loss for 2007 as reduction of costs 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 recognized as expenses in profit or loss for 2007. The revaluation was performed based on the fair values determined by external valuers applying the comparative transactions method.

At the end of 2010 the Company evaluated whether fair value of land and buildings is significantly different from the carrying amount in the financial statements at that date. Based on conclusions received from independent valuers, which state that in 2010 there were no significant changes in real estate prices, in opinion of the management, as at 31 December 2010 there was no significant difference between fair value and carrying amount of land and buildings at that date. Therefore, no revaluation was recognised in the financial statements as at 31 December 2010.

Should the Company have continued to account for the land and buildings using the acquisition cost method, the carrying amount of the land and buildings as at 31 December 2010 would amount to 71,211 tLTL (2009: 70,992 tLTL).

Pledges

Property, plant and equipment with a carrying amount of 77,495 tLTL as at 31 December 2010 (2009: 144,292 tLTL), are pledged to secure the bank loans (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 2010 the carrying amount of the assets acquired by way of finance lease amounted to 31,074 tLTL (2009: 40,982 tLTL). Finance lease liabilities are secured by the leased assets (note 16).

Notes to the financial statements

8. Property, plant and equipment (continued)

Depreciation

Depreciation is included in the following items of profit or loss:

Thousand Litas	2010	2009
Cost of sales	27,063	28,351
Sales and administrative expenses	11,678	12,334
	38,741	**40,685**

The remaining depreciation amounting to 2,327 tLTL (2009: 1,619 tLTL) is included in the carrying amount of inventories as at 31 December 2010.

Acquisition cost of fully depreciated property, plant and equipment in use amounts to 117,065 tLTL as at 31 December 2010 (2009: 86,261 tLTL).

9. Intangible assets

Thousand Litas	Goodwill	Software, etc	Total
Cost			
Balance at 1 January 2009	335	5,407	5,742
Acquisitions		95	95
Write-offs		(25)	(25)
Balance at 31 December 2009	**335**	**5,477**	**5,812**
Balance at 1 January 2010	335	5,477	5,812
Acquisitions		652	652
Write-offs			
Balance at 31 December 2010	**335**	**6,129**	**6,464**
Depreciation and impairment			
Balance at 1 January 2009	-	4,670	4,670
Amortisation for the year		272	272
Amortisation of written-off assets		(25)	(25)
Balance at 31 December 2009	-	4,917	4,917
Balance at 1 January 2010	-	4,917	4,917
Amortisation for the year		349	349
Amortisation of written-off assets			
Balance at 31 December 2010	**-**	**5,266**	**5,266**
Carrying amounts			
1 January 2009	335	737	1,072
31 December 2009	**335**	**560**	**895**
1 January 2010	335	560	895
31 December 2010	**335**	**863**	**1,198**

Notes to the financial statements

9. Intangible assets (continued)

Amortisation is included in sales and administrative expenses.

Goodwill amounting to 335 tLTL as at 31 December 2010 arose from the acquisition of AB Panevėžio Pienas. In 2004 AB Panevėžio Pienas was merged to AB Pieno Žvaigždės. 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 3,743 tLTL as at 31 December 2010 (2009: 3,490 tLTL).

10. Investments available for sale

Thousand Litas	2010	2009
Equity investments available for sale	276	275
	276	**275**

The major part of investments available for sale as at 31 December 2010 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	2010	2009
Raw materials	17,140	14,298
Work in progress	32,201	15,272
Finished goods	10,826	9,503
Goods for re-sale	155	166
	60,322	**39,239**

Raw materials include milk and other materials used in production.

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

Cost of sales (manufactured goods sold)	(500,740)	(497,305)
Sales and administrative expenses (consumption of inventories)	(9,450)	(8,677)
Other operating costs (sold raw materials, spare parts)	(256)	(262)
	(510,446)	**(506,244)**

Sales and administrative expenses include consumed fuel and spare parts.

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 60,322 tLTL as at 31 December 2010 (2009: 39,239 tLTL) have been pledged to secure bank loans (note 16).

Notes to the financial statements

12. Receivables

Thousand Litas	2010	2009
Trade receivables	62,098	58,434
Receivable government grants	0	1,177
Prepayments and loans	2,505	6,750
Other receivables and deferred expenses	1,377	1,757
Receivable VAT	1,850	1,222
Prepaid profit tax	-	-
	67,830	**69,340**
Impairment of receivables	(243)	(1)
	67,587	**69,339**

Impairment loss of receivables recognized in profit and loss for 2010 (refer to note 3) comprise change in impairment allowance during 2010 amounting to 242 tLTL and 1,743 tLTL bad debts expenses recognized during 2010.

Specification of prepayments and loans may be presented as follows:

Thousand Litas	2010	2009
Prepayments for delivery of raw milk	1,847	5,194
Loans to management and employees	1,017	1,096
Other prepayments	748	1,461
	3,612	**7,751**
Less: long-term part	(1,107)	(1,001)
	2,505	**6,750**

According to agreements with raw milk suppliers prepayments for milk are reduced during the period of up to 5 years as milk is delivered. Fixed rate interest is calculated on outstanding prepayment amount which varies from 5% to 8%.

The amount of loans to management and employees as at 31 December 2010 includes 800 tLTL loan to management (2009: 800 tLTL). This loan is repayable by 1 July 2011. Loan interest is 6 months VILIBOR plus a 3.5% margin.

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

13. Cash and cash equivalents

Thousand Litas	2010	2009
Cash at bank	3,085	5,468
Cash in hand	497	668
	3,582	**6,136**

Notes to the financial statements

14. Equity

As at 31 December 2010 the authorised capital comprised 54,205,031 ordinary shares at par value of 1 Litas each. All shares are fully paid.

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. There is no controlling entity or individual.

Treasury shares

The Company as at 31 December 2010 has repurchased 3,555,247 treasury shares (2009: 1,607,511 treasury shares).

When treasury shares are purchased, the amount paid, including direct costs, is accounted for as a reduction in equity. Any profit or loss from disposal of treasury shares is recognised in equity as an owner transaction.

Legal reserve

Under Lithuanian legislation, an 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 to cover losses.

Revaluation reserve

As at 31 December 2004 the Company established a revaluation reserve of 4,066 tLTL, which is related to the 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 recognised an additional 15,626 tLTL to the revaluation reserve, 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 revalued assets. The decrease in reserve is recognised through other comprehensive income as a separate component in equity.

When revalued 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 revalued carrying amount and the depreciation based on the original cost of the buildings.

The revaluation reserve may be used to increase share capital.

Other reserves

Other reserves amount to 16,370 tLTL as at 31 December 2010 (2009: 6,250 tLTL). Part of other reserves amounting to 16,000 tLTL (2009 : 6,000 tLTL), has been allocated to acquire treasury shares. As to Lithuanian legislation, this reserve will be accounted for until the Company purchases its treasury shares.

Dividends per share paid in 2010 were 0.23 LTL (2009: 0.1125 LTL).

Notes to the financial statements

15. Government grants

Thousand Litas	2010	2009
Government grants as at 1 January	14,895	13,767
Increase during the period	2,160	1,128
Adjustments	-	-
Government grants as at 31 December	**17,055**	**14,895**
Amortisation as at 1 January	11,501	10,992
Amortisation for the year	695	509
Adjustments	-	-
Amortisation as at 31 December	12,196	11,501
Net carrying amount at 1 January	3,394	2,775
Net carrying amount at 31 December	**4,859**	**3,394**

Amounts received in 2009 and 2010 from the structural funds' project Increase of Competitiveness of Milk Processing Activity were used to acquire special transport vehicles (milk-float) and equipment.

16. Interest bearing loans and borrowings

The Company's loans and borrowings are as follows (thousand Litas):

Creditor	Ref.	31-12-2010	31-12-2009
„Swedbank", AB	a)	2,000	6,000
„Swedbank", AB	b)	1,730	1,334
AB SEB bankas	c)	-	3,833
AB SEB bankas	d)	4,099	15,564
AB SEB bankas	e)	29,694	-
AB SEB bankas	f)	4,842	7,228
AB DnB Nord bankas	g)	26,408	26,408
AB DnB Nord bankas	h)	8,849	8,796
AB DnB Nord bankas	i)	5,605	9,653
Leasing companies	j)	20,077	35,478
Factoring companies	k)	9,897	13,468
Total liabilities		**113,201**	**127,762**
Less: current part		(71,590)	(95,451)
Total non-current part		**41,611**	**32,311**

Notes to the financial statements

16. Interest bearing loans and borrowings (continued)

a) The loan was 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 16 May 2011. The loan is secured by pledging property, plant and equipment.

b) The loan (overdraft) was received for working capital needs. The overdraft matures on 16 November 2011.

c) The loan was received for acquisition of new milk processing equipment. The loan was fully repaid in 2010.

d) The loan (overdraft) was received for working capital needs. The loan matures on 29 September 2011. The loan is secured by pledging inventories.

e) The loan (credit line) received for financing of working capital of the Company. Maturity of the loan is 30 September 2011. The loan is secured by pledging bank deposits and all operating inventory.

f) The loan was received for acquisition of new transport vehicles. The loan will be repaid by 20 May 2012. The loan is secured by pledging transport vehicles.

g) The loan was received for acquisition of new milk processing equipment. The loan matures on 30 September 2012. The loan is secured by pledging property, plant and equipment.

h) The loan (overdraft) was received for working capital needs. The loan matures on 30 March 2011. It is expected to prolong the repayment term for one year.

i) The loan was received for acquisition of new milk processing equipment. The loan matures on 30 April 2014. The loan is secured by pledging property, plant and equipment.

j) Liabilities to leasing companies comprise payable for acquired transport vehicles and production equipment.

k) Factoring services are provided by Swedbank Lizingas UAB and AB SEB Bankas. Maturity date is 16 November 2011.

All the loans and other financial liabilities are denominated in EUR or LTL as at 31 December 2010. Loans and other financial liabilities denominated in EUR amount to 25 668 tEUR as at 31 December 2010 (2009: 30,168 tEUR).

All interest rates on loans, borrowings and finance leases are variable and consist of LIBOR, EURIBOR or VILIBOR plus a fixed margin. Interest is re-priced 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.

For the loans received the Company has pledged its property, plant and equipment with a carrying amount of 77,495 tLTL as at 31 December 2010 (2009: 144,292 tLTL), inventories with a carrying amount up to 60,322 tLTL (2009: 39,239 tLTL).

Loan repayment schedules, except for finance lease liabilities

The contractual repayment of loans is as follows:

Thousand Litas	2010	2009
Within 1 year	60 461	79,839
From 1 to 5 years	32 662	12,445
Present value of liabilities	**93 123**	**92,284**

Notes to the financial statements

16. Interest bearing loans and borrowings (continued)

Finance lease liabilities

Finance lease payments are as follows:

Thousand Litas	2010	2009
Within 1 year	11,537	16,236
From 1 to 5 years	9,326	20,661
	20,863	36,897
Future interest of finance lease	(786)	(1,419)
Present value of finance lease liabilities	**20,077**	**35,478**

The finance lease agreements have no contingent lease payments.

Interest rates

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

%	2010	2009
Long-term loans	2.0 – 5.0	2.0 – 5.0
Short-term loans	2.0 – 5.5	2.0 – 8.0
Factoring	3.4 – 4.5	8.0 – 9.6
Finance lease	2.0 – 4.5	2.0 – 3.0

Operating lease

Operating lease expenses recognised in profit or loss are as follows:

Thousand Litas	2010	2009
Rent of milk collection premises	(75)	(104)
Operating lease of other assets	(1,526)	(1,000)
Total operating lease expenses	**(1,601)**	**(1,104)**

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 (1,112 thousand litas) and production costs (414 thousand litas).

Future minimum lease payments are as follows:

Thousand Litas	2011	2012
Rent of milk collection premises	-	-
Operating lease of other assets	(1,500)	(1,500)
Total operating lease expenses	**(1,500)**	**(1,500)**

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 these agreements.

Notes to the financial statements

17. Deferred tax assets and liabilities

The deferred tax assets and liabilities calculated applying the 15% tax are attributed to the following items:

Thousand Litas	Assets		Liabilities		Net value	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**
Property, plant and equipment	(755)	(870)	2,935	3,190	2,180	2,320
Inventories	-	-	-	-	-	-
Accrued costs	(170)	(160)	-	-	(170)	(160)
Tax (asset) / liability	**(925)**	**(1,030)**	**2,935**	**3,190**	**2,010**	**2,160**

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

Thousand Litas	**01-01-2009**	**Recognised in profit or loss**	**Recognised in equity**	**31-12-2009**
Property, plant and equipment	2,700	(380)	-	2,320
Inventories	(497)	497	-	0
Accrued costs	(273)	113	-	(160)
Tax (asset) / liability	**1,930**	**230**	**-**	**2,160**

Thousand Litas	**01-01-2010**	**Recognised in profit or loss**	**Recognised in equity**	**31-12-2010**
Property, plant and equipment	2,320	(140)	-	2,180
Inventories	0	0	-	0
Accrued costs	(160)	(10)	-	(170)
Tax (asset) / liability	**2,160**	**(150)**	**-**	**2,010**

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 and not included in the table above in respect of the following items:

Thousand Litas	**2010**	**2009**
Impairment of receivables	243	1
	243	**1**

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.

Notes to the financial statements

18. Trade and other payable amounts

Thousand Litas	2010	2009
Payable to suppliers	46,807	38,966
Vacation accrual	4,806	4,641
Taxes and social security contributions payable	2,349	2,360
Salaries payable	1,808	2,027
Other	583	716
	56,353	**48,710**

19. Provisions

As at 31 December 2010 and 31 December 2009 there are no provisions recognised in the financial statements.

20. Financial instruments

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 a credit policy and credit risk is being monitored on a continuous basis. The Company as at reporting date had one client receivable from which makes more than 10% of the total receivables balance. Usual payment terms of trade receivables are 1 to 30 days. For one-off sales the Company requires a prepayment.

Allowance for receivables is determined based on estimated non-recoverable amounts. Allowance is determined individually for each client considering payments received after reporting period end and until date of financial statements preparation.

The carrying amount of financial assets shows the maximum credit risk, which was as follows at the date of statement of financial position:

Thousand Litas	Carrying amount	
	2010	2009
Short-term receivable amounts	67,587	69,339
Long-term receivable amounts	1,107	1,001
Cash and cash equivalents	3,582	6,136
	72,276	**76,476**

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	
	2010	2009
Lithuania	33,360	37,720
European Union countries	6,654	6,120
Russia	26,272	26,227
Other countries	2,408	273
	68,694	**70,340**

Notes to the financial statements

20. Financial instruments (continued)

Impairment losses

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

Thousand Litas	Gross amount 2010	Impairment 2010	Gross amount 2009	Impairment 2009
Not past due	61,424		58,152	
Past due 0-30 days	6,761		9,052	
Past due 30-60 days	391		411	
Past due 61-90 days	33		2,653	
Past due more than 90 days	328	243	73	1
	68,937	**243**	**70,341**	**1**

Based on the Company's evaluation, no impairment allowance is necessary in respect of 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 has been pegged to the Euro at a fixed exchange rate of 3.4528 LTL / EUR and would only be expected to change as a result of government macro economic policy). The Company has no material sales and purchases in other currencies than LTL and EUR, therefore currency exchange risk is not significant. The Company does not use any financial instruments for hedging currency exchange risk.

As at 31 December 2010 there are no significant monetary assets and liabilities denominated in other currencies than LTL and EUR. Expression of monetary items in EUR is as follows:

Thousand EUR	2010	2009
Receivable amounts	10,512	9,195
Cash and cash equivalents	804	199
Interest-bearing loans and borrowings	(25,668)	(30,168)
Trade and other amounts payable	(1,480)	(367)
	(15,832)	**(21,141)**

Notes to the financial statements

20. Financial instruments (continued)

Liquidity risk

The following are the contractual maturities of financial liabilities, including the estimated interest payments:

31 December 2010

Thousand Litas	Carrying amount	Contrac-tual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Financial liabilities							
Loans and other financial liabilities	113,201	117,569	10,222	64,696	37,803	4,848	
Trade and other payables	58,721	58,721	58,721				
	171,922	176,290	68,943	64,696	37,803	4,848	

31 December 2009

Thousand Litas	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Financial liabilities							
Loans and other financial liabilities	127,762	135,480	27,235	71,366	31,385	5,494	
Trade and other payable amounts	53,094	53,094	53,094				
	180,856	188,574	80,329	71,366	31,385	5,494	

The effective interest rates applied for discounting of estimated cash flows were as follows:

	2010	**2009**
Loans and other financial liabilities	2.0% - 5.5%	2.0% - 8.0%

The Company‘s policy is to have sufficient liquidity to meet current operating settlements including repayment of borrowings.

Notes to the financial statements

20. Financial instruments (continued)

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.

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

Thousand Litas	Carrying amount	
	2010	2009
Financial instruments bearing fixed interest rate		
None	-	-
	-	-

Thousand Litas	Carrying amount	
	2010	2009
Financial instruments bearing varying interest rate		
„Swedbank", AB	2,000	6,000
„Swedbank", AB	1,730	1,334
AB SEB bankas	-	3,833
AB SEB bankas	4,099	15,564
AB SEB bankas	29,694	-
AB SEB bankas	4,842	7,228
AB DnB Nord bankas	26,408	26,408
AB DnB Nord bankas	8,849	8,796
AB DnB Nord bankas	5,605	9,653
Leasing companies	20,077	35,478
Factoring companies	9,897	13,468
	113,201	**127,762**

The interest rate is calculated as VILIBOR, EURIBOR or LIBOR for a certain period plus margin determined by creditor.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates on the reporting date would have increased (decreased) profit or loss by amounts stated below. This analysis assumes that all other variable, in particular foreign currency exchange rates, remain constant. An analysis for 2009 is made on the same basis.

Notes to the financial statements

20. Financial instruments (continued)

Cash flow sensitivity analysis for variable rate instruments (continued)

Effect in Thousand Litas	Profit or loss for the year	
	Increase by 100 bp	Decrease by 100 bp
As at 31 December 2010		
Financial instruments on which variable interest rate was applied	(1,132)	1,132
As at 31 December 2009		
Financial instruments on which variable interest rate was applied	(1,278)	1,278

As at 31 December 2010 the Company did not use any financial instruments to hedge the risk of cash flow with variable interest rate.

Fair value of financial instruments

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

Capital management

The Board aims to maintain a capital base of such size that confidence of investors, creditors and market in the Company is ensured. Following Lithuanian legislation equity of the company has to make at least 50% of the share capital.

21. Purchase commitments

As at 31 December 2010 the Company has no purchase commitments. As at 31 December 2009 the Company has no purchase commitments as well.

Notes to the financial statements

22. Related parties

Transactions with related parties can be specified as follows:

Thousand Litas	2010			2009		
	Sales	**Purchases**	**Issued (repaid) loans**	**Sales**	**Purchases**	**Issued (repaid) loans**
ŽŪB Draugas				8	3,776	(2,596)
UAB Jansvis		10			52	
UAB Žaibo Ratas Vilnius		248			373	
Management						600
	0	**258**		**8**	**4,201**	**(1,996)**

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

UAB Jansvis provides transport vehicles, and UAB Žaibo Ratas Vilnius renders services.

Amounts receivable from the related parties as at 31 December 2010 are as follows: UAB Žaibo Ratas Vilnius - 0 tLTL (2009: 3 tLTL); receivable amounts from management comprise loans which as at 31 December 2010 amount to 800 tLTL (2009: 800 tLTL).

Amounts payable to the related parties as at 31 December 2010 are as follows: UAB Žaibo Ratas Vilnius - 7 tLTL (2009: 0 tLTL), UAB Jansvis - 0 tLTL (2009: 5 tLTL).

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

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

Thousand Litas	**2010**	**2009**
Remuneration costs of key management personnel	1,248	1,844
Amounts paid to key management personnel, net of tax	724	1,126

Remuneration costs of key management personnel comprise calculated salaries and social insurance contributions payable by the Company.

The key management personnel comprise general director, deputy general director, executive director, export director and finance director. All of the mentioned persons, except for finance director, are also Board members.

Notes to the financial statements

23. Subsequent events

No subsequent events have occurred after the end of the financial year which could have material influence on the financial statements as at 31 December 2010.

24. Contingent liabilities

There are no significant contingent liabilities related to the Company.

Pieno Žvaigždės, AB

Confirmation of the Management

2010 04 04
Vilnius

Financial statements and the Annual Report for the year 2010

We, Aleksandr Smagin, General director and Audrius Statulevičius, Finance director, hereby confirm that, to the best of our knowledge, Financial Statements for the year 2010 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 2010 includes a fair review of the development and performance of the business, together with description of major risks and contingencies incurred by the Issuer.

General Director Aleksandr Smagin

Finance Director Audrius Statulevičius

AB PIENO ŽVAIGŽDĖS

ANNUAL REPORT FOR THE YEAR 2010

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 the financial year 2010.

1.2. Key Data on the Issuer

Name	AB Pieno Žvaigždės
Legal status	Stock Company
Registration date	The Company was registered on 23 December 1998
Company code	1246 65536
VAT payer‘s code	LT 246655314
Authorised capital	54,205,031 LTL, comprising 54,205,031 ordinary shares at par value of 1 LTL each.
Address	Perkūnkiemio g. 3, LT-12127 Vilnius, Lithuania
Telephone	(+370 5) 246 14 14
Fax	(+370 5) 246 14 15
E-mail address	info@pienozvaigzdes.lt
Internet website	www.pienozvaigzdes.lt

1.3. Type of the Issuer’s main activities

The Company’s main activity is production of dairy products.

1.4. Agreements with intermediaries of public trading in securities

The company has signed an agreement with the financial brokerage company AB Finasta (VPK license No.: A 087, address: Konstitucijos pr. 23, Vilnius, telephone (8-5) 278 68 33 fax (8-5) 278 68 38) concerning management of securities accounting.

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

1.5.1. Ordinary shares of AB Pieno Žvaigždės were admitted to the official trading list of NASDAQ OMX Vilnius Stock Exchange.
Type of shares – ordinary registered shares;
Number of shares – 54 205 031;
Total nominal value – 54 205 031 LTL;
VP ISIN code – LT0000111676;

1.5.2. AB Pieno Žvaigždės has purchased 3 555 247 own shares.

2. THE INFORMATION PROVIDED FOR IN ARTICLE 25 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.

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.

Integrated quality management and environment management systems following ISO 9001: 2008 and ISO 14001: 2004 standards are implemented at Pieno Zvaigzdes AB. Implemented preventive food safety system (HACCP) enables to determine threats and risk factors as well as critical control points related to management and production of dairy products and their transportation. The programs applied safeguard against biologic, chemical or physical pollution and ensure safety and quality of dairy products.

Enforcement of quality and especially harmlessness of dairy products is one of the major goals of the Company. A preventive system, functioning in the Company, allows monitoring the defined threats and risk factors as well as key control spots related to production processes, transportation and consumption of dairy products, and to improve the quality of control. The Company has prepared, implemented and operate the programs embracing the conditions, tools and behaviour rules, which prevent a biological, chemical or physical pollution and ensure harmlessness and high quality of dairy products.

During the years 1998-2002 the State Food and Veterinarian Office assigned the branches of AB Pieno Žvaigždės with certificates for export to EU, which allow to export dairy products bearing identification marks to the EU countries.

In 2002 the Company underwent a primary certification audit of the quality management system and in 2005 an external recertification audit was performed. The Company was granted certificates proving the establishment, documentation and maintenance of the quality management system as to ISO 9001 standard.

In 2005 the Company started implementation of the environment management system as to ISO 14001. The new system was integrated into the Company‘s existing quality management system.

In February 2007 an international certification firm TUV CERT performed audits of the environment management system and the quality management system of the Company and in the 1st quarter 2010 a recertification audit was performed of the integrated quality and environment management system, which showed that the mentioned systems comply with the requirements of ISO 9001 and ISO 14001. The issued certificates prove that the Company has introduced the mentioned system and operates it in the following areas: design, creation, production and realisation of dairy products. The mentioned certificates are valid untill 10 April 2013.

The Company‘s integrated quality and environment management system ensures that the organisational structure, responsibilities, processes and procedures are described, the main documents are being controlled and reviewed on an ongoing basis, inspections and control procedures are regularly performed, discrepancies identified, analysed and corrected, preventive actions against pollution are enforced, compliance to legal and other requirements and improvement of environmental situation is ensured.

Production of ecological dairy products requires adherence to strict requirements not only for production processes but also for their compound parts. The certified ecological products are marked with the following additional information: certification mark of ecological products, code of the certifying firm, reference to the growth place of agricultural goods used for production.

Certain products of the Company are assigned with specific quality certificates HALAL (whey powder and cream) and KOSHER (whey powder).

The Company‘s management has undertaken to produce the dairy products of stable quality satisfying the clients‘ needs and with low impact on the environment to the maximum extent. Thd above is defined in the Company‘s policy on the security and quality of food and environment.

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

Key figures, million LTL	2010 12 31	2009 12 31
Turnover	620,3	622,5
Gross profit	119,5	125,2
Profit before tax, interest and depreciation (EBITDA)	64,0	68,8
Profit (loss) before tax	21,8	19,7
Investment in property, plant and equipment	13,4	28,5
Average number of employees	2 019	2 207
Raw milk purchased (natural milk), thousands tons	325	357
Milk purchased as to basic ratios, thousands tons	395	436

Main quality management and environmental principles:

- The quality management system is oriented towards a customer, thus a lot of attention is devoted to fulfilling customers' needs and expectations.
- The quality management system ensures that all present and future customers' needs are conceived and that the company is doing its best to fulfil their requirements and overcome their expectations.
- Management of the company sets united aims and goals. Heads of the company create environment where all employees take part in order to achieve aims.
- Employees of all levels are involved in company's work.
- All activities of the company, as well as the recourses related to them are managed as a process.
- Interconnected processes are defined, understood and managed as a system, and this increases company's capacity and efficiency.
- Company's target is constant improvement. Improvement activities are integrated with company's strategy and every worker seeks improvement of a product, process and systems.
- Resulting solutions are based on data and information analysis.
- A lot of attention is devoted to connections with suppliers.

Enjoyment of the ISO 9001 and ISO 14001 certificates proves that the structure, duties and responsibilities are strictly defined in the company, processes and procedures set out, major documents controlled and constantly renewed, checked and that management activities are carried out regularly, while the non-conforming ones are identified, analysed and corrected, even more, the prevention of environmental is ensured.

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

At the end of 2010 the number of acquired own shares amounted to 3 555 247 or 6,56% of the total share capital. The nominal value of own shares held by the Company amounts to 3 555 247 LTL.

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

During 2010 the Company acquired 1 947 736 own shares or 3,59% of the total share capital. The nominal value of the acquired own shares is 1 947 736 LTL.

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

During 2010 the Company paid 8,241 million LTL for the acquired own shares.

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

The shares were acquired aiming to maintain the level of share price in the market.

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 after the end of the financial year.

2.10. Plans of the Company's activity and forecasts

AB Pieno Žvaigždės has set the following goals for 2011:

- ✓ Expected sales close to LTL 700 million;
- ✓ Expected EBITDA profitability around 11%;
- ✓ Expected net profit margin around 4%.

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. Structure of the Issuer's authorized capital

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

3.2. Restrictions applicable upon the transfer of securities

There are no restrictions applicable on the transfer of securities.

3.3. Shareholders

At 31 December 2010, the Company had 3 825 shareholders.

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

Shareholder	Number of shares, units	Share of the capital %	Share of votes with related persons %
SKANDINAVISKA ENSKILDA BANKEN AB SERGELS TORG 2, 10640 STOCKHOLM, SWEDEN	9 147 911	16,88	18,06
UAB "AGROLITAS IMEKS LESMA" LAISVĖS PR.125, VILNIUS, ĮM.K. 2191855	6 614 985	12,20	13,06
SWEDFUND INTERNATIONAL SVEAVAGEN 24-26, BOX 3286, SE-103 65 STOCKHOLM, SWEDEN	4 700 000	8,67	9,28
ŽŪKB "SMILGELĖ" J.TUMO VAIŽGANTO 8/27-3. VILNIUS, ĮM.K. 2490652	5 655 632	10,43	11,17
KVARACIEJUS JULIUS	7 081 907	13,06	31,95
KVARACIEJIENĖ REGINA	2 246 959	4,14	31,95
KLOVAS VOLDEMARAS	2 842 567	5.24	31,95
KLOVIENĖ DANUTĖ	1 091 691	2,01	31,95
SMAGIN ALEKSANDR	2 547 123	4,70	31,95

3.4. Shareholders having special control rights, and 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 have 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 is not aware about any agreements concluded among the shareholders due to which the securities transfer and (or) voting rights may be restricted.

3.7. Employees

	2010 12 31	2009 12 31
Average number of employees	**2.019**	**2.207**
With university education	396	374
With college education	564	679
With secondary education	893	975
With not completed secondary education	166	180

	2010 12 31	2009 12 31
Average salary, Litas		
Management	5.738	6.767
Specialists	2.630	2.669
Workers	1.959	2.131

3.8. Change of the issuer's Articles of Association

Articles of Association of AB Pieno Žvaigždės can be changed in accordance with the laws 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 General director. The Supervisory Council is not formed in the Company.

The Management Board is a collegial management body comprised of 6 (six) members. The Board members are elected for the 4 years period. The Board elects the Chairman.
The competence of and procedure of announcement of the shareholders' meeting as well the competence, election, recall and other issues related to the Board and the General director are regulated by the Companies Law of the Republic of Lithuania.

3.10. Members of the collegial bodies, the management of the Company

The Management Board

Name, surname	Official duties	Number shares, units	Share of the capital %	From	Until
Paul Bergqvist a.k.	Chairman	-	-	2008 12 02	2012 12 02
Lars Ojefors a.k.	member	-	-	2008 12 02	2012 12 02
Julius Kvaraciejus a.k.	member	7 081 907	13,06	2008 12 02	2012 12 02
Voldemaras Klovas a.k.	member	2 842 567	5,24	2008 12 02	2012 12 02
Aleksandr Smagin a.k.	member	2 547 123	4,70	2008 12 02	2012 12 02
Linas Sasnauskas a.k.	member	125	0,0	2008 12 02	2012 12 02

Administration

Name, surname	Official duties	Number shares, units	Share of the capital %
Aleksandr Smagin a.k.	CEO	2 547 123	4,70
Audrius Statulevičius a.k.	CFO	-	-

The remuneration amount (net of taxes) to the key management calculated for 2010 amounts to 724 tLTL. The average amount per person is 145 tLTL.

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

The Issuer has not entered into agreements with the members of its collegial management bodies and employees prescribing payment of allowances in case of resignation or dismissal without grounded reason or termination of work due to change in control over the Issuer.

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 to the Annual Report.

5. DATA ON THE PUBLICLY DISCLOSED INFORMATION

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

28.02.2011 Pieno zvaigzdes AB, expected financial results for the year 2011

Company's management forecasts 2011 year end results:
Expected sales close to LTL 700 million (close to 203 million EUR);
Expected EBITDA profitability around 11%;
Expected net margin around 4%.

28.02.2011 Pieno zvaigzdes AB, not audited financial results for the 12 months 2010

Revenues for the year 2010 reached 620.3 million LTL (179.7 million EUR) and have decreased by 0.4% compare to the revenues of 622.5 million LTL (180.3 million EUR) a year ago.
EBITDA for the year 2010 reached 64.0 million LTL (18.5 million EUR) and have decreased by 7.0% compare to 68.8 million LTL (19.9 million EUR) a year ago.
Net profit for the year 2010 was 18.6 million LTL (5.4 million EUR) and have increased by 27.5% compare to 14.6 million LTL (4.2 million EUR) a year ago.

17.01.2011 Resolution by Pieno Zvaigzdes AB re share buy back

As per resolution by the General Meeting of Shareholders' of Pieno Zvaigzdes AB, the company initiates buy back of its own common shares of LTL 1 par value. The share buy back is decided through a way of official offer at NASDAQ OMX Vilnius. Share sale offers are accumulated through entire sale term. Should sale offers exceed share buy back in quantity, all offers are reduced in proportion.
Share buy back starts: 20 January 2011.
Share buy back ends: 8 February 2011.
Max quantity of shares to be bought back: 1,492,585.
Share buy back price: LTL 5.20 (1,506 EUR) per share.

30.11.2010 Pieno zvaigzdes AB, not audited financial results for the 9 months 2010

Revenues for the first 9 months 2010 reached 453.6 million LTL (131.4 million EUR) and have decreased by 1.6% compare to the revenues of 461.0 million LTL (133.5 million EUR) a year ago.
EBITDA for the first 9 months 2010 reached 44.0 million LTL (12.7 million EUR) and have decreased by 12.9% compare to 50.5 million LTL (14.6 million EUR) a year ago.
Net profit for the first 9 months 2010 was 9.8 million LTL (2.8 million EUR) and have decreased by 1.5% compare to 9.9 million LTL (2.9 million EUR) a year ago.

10.11.2010 Resolution by Pieno Zvaigzdes AB re share buy back

As per resolution by the General Meeting of Shareholders‘ of Pieno Zvaigzdes AB, the company initiates buy back of its own common shares of LTL 1 par value. The share buy back is decided through a way of official offer at NASDAQ OMX Vilnius. Share sale offers are accumulated through entire sale term. Should sale offers exceed share buy back in quantity, all offers are reduced in proportion.
Share buy back starts: 15 November 2010.
Share buy back ends: 14 December 2010.
Max quantity of shares to be bought back: 1,784,253.
Share buy back price: LTL 5.00 per share.

26.10.2010 Pieno Zvaigzdes AB, share buy back

Pieno Zvaigzdes AB finished the share buy back through a way of official offer at NASDAQ OMX Vilnius.
Actual quantity of bought back shares: 215,747;
Total number of own shares hold by the company after this shares buy back:
3,323,258 or 6.13% of total share capital.

04.10.2010 Resolution by Pieno Zvaigzdes AB re share buy back

As per resolution by the General Meeting of Shareholders‘ of Pieno Zvaigzdes AB, the company initiates buy back of its own common shares of LTL 1 par value. The share buy back is decided through a way of official offer at NASDAQ OMX Vilnius. Share sale offers are accumulated through entire sale term. Should sale offers exceed share buy back in quantity, all offers are reduced in proportion.
Share buy back starts: 7 October 2010.
Share buy back ends: 20 October 2010.
Max quantity of shares to be bought back: 2,000,000.
Share buy back price: LTL 5.00 per share.

17.09.2010 Pieno Zvaigzdes AB, announcement of the decision by the Shareholders' Meeting

The Shareholders‘ Meeting on 17 September 2010 decided to partially amend issue four of the Annual General Meeting of Shareholders on 20 April 2010 re profit distribution stating that share buy back reserve is LTL 16 000 000 (EUR 4 639 920) and retained earnings remain at LTL 31 713 403 (EUR 9 184 836).

26.08.2010 Announcement of the Extraordinary Meeting of Shareholders of Pieno Zvaigzdes AB

Extraordinary Meeting of Shareholders of Pieno Zvaigzdes AB is called on 17 September 2010 at 11.00 am (at corporate headquarters at Perkunkiemio 3, Vilnius, Lithuania, company code 1246 65536, VAT code LT 246655314, data kept and stored at Legal Registrar) by the initiative of the company‘s shareholder owning over 1/10 of total votes and by the decision by the company‘s Board.
The Meeting will take place at corporate headquarters at Perkunkiemio 3, Vilnius, Lithuania
Registration starts at 10.30 am.

The account date for the Extraordinary Meeting of Shareholders is 10 September 2010. Persons who are shareholders by the end of the account day may take part and vote at the Extraordinary Meeting of Shareholders.

Agenda:
1. Re establishment of share buy back reserve.

Draft resolution:
With respect to Article 20 point 11 of the Company Law of the Republic of Lithuania establish share buy back reserve of LTL 10,000,000.

Shareholders with no less than 1/20 of total votes have the right to propose amendments to the Agenda. Every amendment shall be followed by the draft resolution by the Meeting of Shareholders or an explanation, when resolution is not required. Proposal to amend the Agenda shall be placed by registered mail to Perkunkiemio 3, Vilnius or handed in person. Agenda is amended in case the proposal is received at least 14 days prior to the Meeting.

Shareholders with no less than 1/20 of total votes have the right to propose draft resolutions for the issues that are included or will be included into the Agenda of the Meeting of Shareholders at any time through to the Meting date. Proposed draft resolutions shall be placed by registered mail to Perkunkiemio 3, Vilnius or handed in person or during the Meeting.

Shareholders have the right to provide questions related to the Agenda not less that 3 days prior to the Meeting. Such questions shall be placed by registered mail to Perkunkiemio 3, Vilnius or handed in person.

Pieno Zvaigzdes has not yet made the shareholders available to participate, vote and give proxies to represent the shareholders at the Shareholders' Meeting via electronic means.

The company has not set authorization form. Any shareholder may authorise legal or natural person to participate and vote for the shareholder at the Meeting. Persons representing a shareholder have similar rights to shareholder. Persons representing a shareholder shall present a valid ID and authorisation as per legal regulations.

A shareholder or his representative may vote in advance through filing in general voting bulletin. Form of the general voting bulletin is presented at the company‘s web site. Upon request by the shareholder the company shall submit general voting bulletin to the shareholder via registered mail of hand it in person free of charge at least 10 days prior to the meeting. General voting bulletin when filled in shall be signed. In case vote is given by shareholder‘s representative, proxy shall be attached to the bulletin. General voting bulletin shall be placed by registered mail to Perkunkiemio 3, Vilnius or handed in person before the Meeting.

All information about the coming Meeting of Shareholders is presented at Pieno Zvaigzdes AB web page http://www.pienozvaigzdes.lt.

03.08.2010 Pieno Zvaigzdes AB, unaudited financial results for the first 6 months of 2010

Based on preliminary unaudited results Company‘s sales over first half year 2010 accounted to LTL 273.4 million (EUR 79.2 million), 9% less compared to a year ago. Sales resulted in

LTL 299.9 million (EUR 86.9 million) over I half year 2009. High raw milk price and vague export markets had the major impact on Company's financial results. Export sales decreased by 16% compared to a year ago to LTL 127 million (EUR 36.8 million) and accounted to 46% of total proceeds over the period.

Over first half of the year Company's EBITDA accounted to LTL 20.8 million (EUR 6.0 million), operating cash flows accounted to LTL 37.5 million (EUR 10.9 million), the Company reported a loss of LTL 0.8 million (EUR 0.2 million) compared to net profit of LTL 6.6 million (EUR 1.9 million) earned over I half year 2009.
However the II quarter of 2010 generated a profit of LTL 4.4 million (EUR 1.3 million).

The Company‘s Board is positive of financial result reached in I half year 2010 taking into account difficult start of the year, untypically high raw milk price, lower export proceeds balanced by implementation of cost optimisation program and maintained stable level of financial debt.

With respect to financial results reported in I half year 2010 and expected market trends in II half year 2010 the Company‘s management is staying with the initial forecast for year end 2010 results: expected sales of LTL 625 million (EUR 181 million), expected net margin between 2 - 3%.

30.06.2010 Pieno Zvaigzdes AB, share buy back

Pieno Zvaigzdes AB finished the share buy back through a way of official offer at NASDAQ OMX Vilnius.

Share buy back started: 7 June 2010.
Share buy back ended: 30 June 2010.
Share buy back price: LTL 4.00 per share.
Max quantity of shares to be bought back: 1,500,000.
Actual quantity of bought back shares: 1,500,000.

20.04.2010 Resolutions of Annual General Shareholders' meeting of Pieno zvaigzdes AB

Annual General Shareholders' Meeting of Pieno Zvaigzdes AB (registered address Perkunkiemio 3, company code 1246 65536, VAT No. LT 246655314) took place on 20 April 2010 at 11:00 am at Perkunkiemio 3 in Vilnius.

Agenda of the Meeting:
1. Annual Report.
2. Audit report on the company's financial accounts and the Annual Report.
3. Approval of the IAS accounts 2009.
4. Profit distribution.
5. Share buy back.
6. Regulations of the Audit Committee.
7. Election of the members to the Audit Committee.

Resolutions by the Annual General Meeting of Shareholders on 20 April 2010:
1. Listened to the Annual Report.
2. Listened to the Audit report on the company's financial accounts and the Annual Report.

3. Approved IAS accounts for 2009.
4. Approved Profit distribution:
Profit distribution:
– dividends 12.097.429,60 LTL (3.503.657,78 EUR)
– shares buy back reserve 6.000.000 LTL (1.737.720 EUR)
– management board bonus 330.000 LTL (95.575 EUR)
– social activities reserve 370.000 LTL (107.159 EUR)
Profit carried forward 32.713.403 LTL (9.474.456 EUR)
5. Approved share buy back decision:
5.1 Buy back the shares of Pieno Zvaigzdes AB through the submarket of official proposal at NASDAQ OMX AB Vilnius, in accordance to the rules governing this market, without approving the circular at Securities Commission.
a) The purpose of share buy back- to stabilize the Company's share price, increase liquidity of shares and avoid losses due to decreased share price;
b) The maximum number of shares to be purchased - the nominal value of shares to be purchased altogether with already purchased shares shall not exceed 1/10 of nominal capital;
c) the period during which the joint stock company may acquire its own shares - 18 months;
d) the minimum price of the shares to be purchased - 30% lower than last week`s weighted arithmetic average of Company's share price at NASDAQ OMX Stock Exchange Vilnius Central Market. The maximum price for the shares to be purchased - 30% higher than last week`s weighted arithmetic average of Company's share price at NASDAQ OMX Stock Exchange Vilnius Central Market.
e) The order of selling own shares and the minimum selling price: the minimum selling price is not less than 2/3 of the share purchasing price. In order to ensure equal opportunities for all shareholders to acquire shares that were bought back, shares will be sold at Stock Exchange Central Market or at auction, informing all shareholders about such auction timing and the order by registered letter or through public announcement.
5.2 According to the decision of this Annual General Shareholders' Meeting and Article No. 54 of Joint Stock Companies Law of Republic of Lithuania, the CEO is authorised to take all decisions, related to share buy back timing, determining price as well as decisions on acquired shares selling time, price and order as well as to solve any other issues, which are not covered by this authorisation.
6. Approved Rules and Regulations of the Audit Committee.
7. Violeta Liutkuviene and Ricardas Bagdonas elected to the Audit Committee for the one year term.

20.04.2010 Pieno Zvaigzdes AB, unaudited financial results for the first 3 months of 2010

Restrictions in export markets resulted in lower performance

Based on preliminary unaudited results Company‘s sales over first three months in 2010 reached LTL 124.4 million (EUR 36.0 million), 13% less compared to a year ago (Sales resulted in LTL 143.6 million (EUR 41.6 million) in I quarter 2009). Temporary restrictions in export markets (restricted exports of dairy products to Russian Federation in January, February 2010), high raw milk price and lower product prices had the major impact on Company's financial results. Export sales decreased by 25% compared to a year ago to LTL 53.8 million (EUR 15.6 million) and accounted to 43% of total proceeds over the period.

I quarter 2010 Company's EBITDA accounted to LTL 6.2 million (EUR 1.8 million), operating cash flows accounted to LTL 25.1 million (EUR 7.3 million), the Company reported a loss of LTL 5.2 million (EUR 1.5 million) compared to net profit of LTL 3.9 million (EUR 1.1 million) earned in I quarter 2009.

The Company‘s Board is positive of financial result reached in I quarter 2010 taking into account increased raw material price, restrictions in export markets, implementation of cost optimisation program and reduced financial debt.

With respect to financial results reported in I quarter and expected market trends in II quarter 2010 the Company‘s management is amending forecast for year end 2010 results: expected sales of LTL 625 million (EUR 181.0 million), expected net margin just below 3%.

6. OTHER INFORMATION

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

Addendum 1

Disclosure by AB Pieno Zvaigzdes of compliance with the Governance Code for the companies listed on NASDAQ OMX Vilnius

Hereby AB Pieno Zvaigzdes disclose its compliance with the Governance Code and its provisions by the NASDAQ OMX following Article 21 paragraph 3 of the Law on Securities of the Republic of Lithuania and item 24.5 of the Listing Regulations of NASDAQ OMX AB.

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 centralized information system, however due to competition in the market, the Company cannot publicly disclose certain strategies in advance.
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 hareholders' 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, hich, 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	The Board is the collegial management body.
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.	N/A	The Company has 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	As collegial supervisory body is not formed at the Company the Principle III and IV statements, are applied to the Board as long as it does not contradict to the essence and purpose of such body.
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 6 members who represent interests of shareholders. This number of members is sufficient and ensures that no individual or small group of individuals dominates decision-making of the Board
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 year term as per legislation. 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.	Yes	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 shall 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') shall ensure objective and fair monitoring of the company's management bodies as well as representation of minority shareholders.	Yes	The Company discloses information of candidates to the Company's collegial 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 shall 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, shall be also disclosed. The collegial body shall also be informed on any subsequent changes in the provided information. The collegial body shall, 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 collegial body is presented in the annual report of the company. Before election of members of the collegial body, information about them is presented together with the meeting's documentation as per legislation.
3.3. Shall a person be nominated for members of a collegial body, such nomination shall 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 shall, 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 collegial body is presented in the annual report of the company. Before election of members of the collegial body, information about them is presented together with the meeting's documentation as per legislation.
3.4. In order to maintain a proper balance in terms of the current qualifications possessed by its members, the desired composition of the collegial body shall be determined 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. At least one of the members of the remuneration committee should have knowledge of and experience in the field of remuneration policy.	Yes	Members of the collegial 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 shall be offered a tailored program focused on introducing a member with his/her duties, corporate organization and activities. The collegial body shall conduct an annual review to identify fields where its members need to update their skills and knowledge.	Yes	Members of the collegial body have extensive experience in the enterprise management. Shall new candidates be elected, 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 shall comprise a sufficient number of independent members.	Yes	1/3 of the Board members are independent

3.7. A member of the collegial body shall 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 shall 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;	Yes	
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; 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	Yes	

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.	Yes	
3.9. Necessary information on conclusions the collegial body has come to in its determination of whether a particular member of the body shall be considered to be independent shall be disclosed. When a person is nominated to become a member of the collegial body, the company shall 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 shall disclose its reasons for nevertheless considering the member to be independent. In addition, the company shall 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;
3.10. When one or more criteria of independence set out in this Code has not been met throughout the year, the company shall 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 shall 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 shall approve the amount of such remuneration.	Yes	
Principle IV: The duties and liabilities of a collegial body elected by the general shareholders' meeting **The corporate governance framework shall ensure proper and effective functioning of the collegial body elected by the general shareholders' meeting, and the powers granted to the collegial body shall 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') shall ensure integrity and transparency of the company's financial statements and the control system. The collegial body shall issue recommendations to the company's management bodies and monitor and control the company's management performance.	Yes	Management submits reports to the collegial 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 shall 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 shall (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 shall a member consider that decision of the collegial body is against the interests of the company. Shall a collegial body have passed decisions independent member has serious doubts about, the member shall make adequate conclusions. Shall an independent member resign from his office, he shall 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 shall devote sufficient time and attention to perform his duties as a member of the collegial body. Each member of the collegial body shall 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 shall 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 shall be notified.	Yes	Members of the collegial body properly fulfill their duties: take active part in sittings and allot sufficient time for execution of duties. All sittings of the collegial body had quorum.
4.4. Where decisions of a collegial body may have a different effect on the company's shareholders, the collegial body shall treat all shareholders impartially and fairly. It shall ensure that shareholders are properly informed on the company's affairs, strategies, risk management and resolution of conflicts of interest. The company shall 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 shall be subject to approval of the collegial body. The decision concerning approval of such transactions shall 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.10 Members of the collegial body should act and pass decisions without an outside influence from the persons who have elected it. Companies should ensure that the collegial body and its committees are provided with sufficient administrative and financial resources to discharge their duties, including the right to obtain, in particular from employees of the company, all the necessary information or to seek independent legal, accounting or any other advice on issues pertaining to the competence of the collegial body and its committees. When using the services of a consultant with a view to obtaining information on market standards for remuneration systems, the remuneration committee should ensure that the consultant concerned does not at the same time advise the human resources department, executive directors or collegial management organs of the company concerned.	Yes	Board is provided with sufficient administrative and financial resources to discharge their duties.
4.7. Activities of the collegial body shall 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 shall establish nomination, remuneration, and audit committees. Companies shall 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 shall 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. Shall 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) shall apply, where relevant, to the collegial body as a whole.	No	Only Audit committee established

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 exercise independent judgement and integrity when exercising its functions as well as present the collegial body with recommendations concerning the decisions of the collegial body. Nevertheless the final decision shall be 10 In the event the collegial body elected by the general shareholders' meeting is the board, the recommendation concerning its independence from the company's management bodies applies to the extent it relates to the independence from the company's chief executive officer.	Yes	
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 andmembership 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.	Yes	
4.10. Authority of each of the committees shall be determined by the collegial body. Committees shall 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 shall 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 shall 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 shall confirm that it is satisfied with the independence of the audit process and describe briefly the actions it has taken to reach this conclusion.	Yes	Annual statement of the audit committee is presented to the Board and shareholders meeting.
4.11. In order to ensure independence and impartiality of the committees, members of the collegial body that are not members of the committee shall 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 shall have a possibility to maintain direct communication with the shareholders. Events when such are to be performed shall be specified in the regulations for committee activities.	Yes	
4.12. Nomination Committee. 4.12.1. Key functions of the nomination committee shall be the following: 1) Identify and recommend, for the approval of the collegial body, candidates to fill board vacancies. The nomination committee shall 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; 2) Assess on regular basis the structure, size, composition and performance of the supervisory and management bodies, and make recommendations to the collegial body regarding the means of achieving necessary changes;	N/A	

3) Assess on regular basis the skills, knowledge and experience of individual directors and report on this to the collegial body; 4) Properly consider issues related to succession planning; 5) Review the policy of the management bodies for selection and appointment of senior management. 4.12.2. Nomination committee shall 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 shall be consulted by, and entitled to submit proposals to the nomination committee.		
4.13. Remuneration Committee. 4.13.1. Key functions of the remuneration committee should be the following: 1) Make proposals, for the approval of the collegial body, on the remuneration policy for members of management bodies and executive directors. Such policy should address all forms of compensation, including the fixed remuneration, performance-based remuneration schemes, pension arrangements, and termination payments. Proposals considering performance-based remuneration schemes should be accompanied with recommendations on the related objectives and evaluation criteria, with a view to properly aligning the pay of executive director and members of the management bodies with the long-term interests of the shareholders and the objectives set by the collegial body; 2) Make proposals to the collegial body on the individual remuneration for executive directors and member of management bodies in order their remunerations are consistent with company's remuneration policy and the evaluation of the performance of these persons concerned. In doing so, the committee should be properly informed on the total compensation obtained by executive directors and members of the management bodies from the affiliated companies;; 3) Ensure that remuneration of individual executive directors or members of management body is proportionate to the remuneration of other executive directors or members of management body and other staff members of the company. 4) Periodically review the remuneration policy for executive directors or members of management body, including the policy regarding share-based remuneration, and its implementation. 5) Make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies; 6) 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); 7) Make general recommendations to the executive directors and members of the management bodies on the level and structure of remuneration for senior management (as defined by the collegial body) with regard to the respective information provided by the executive directors and members of the management bodies. 4.13.2. With respect to stock options and other share-based incentives which may be granted to directors or other employees, the committee should: 1) Consider general policy regarding the granting of the above mentioned schemes, in particular stock options, and make any related proposals to the collegial body; 2) Examine the related information that is given in the company's annual report and documents intended for the use during the shareholders meeting;	N/A	

3) Make proposals to the collegial body regarding the choice between granting options to subscribe shares or granting options to purchase shares, specifying the reasons for its choice as well as the consequences that this choice has. 4.13.3. Upon resolution of the issues attributable to the competence of the remuneration committee, the committee should at least address the chairman of the collegial body and/or chief executive officer of the company for their opinion on the remuneration of other executive directors or members of the management bodies. 4.13.4. The remuneration committee should report on the exercise of its functions to the shareholders and be present at the annual general meeting for this purpose		
4.14. Audit Committee. 4.14.1. Key functions of the audit committee shall be the following: 1) Observe the integrity of the financial information provided by the company, in particular by reviewing the relevance and consistency of the accounting methods used by the company and its group (including the criteria for the consolidation of the accounts of companies in the group); 2) At least once a year review the systems of internal control and risk management to ensure that the key risks (inclusive of the risks in relation with compliance with existing laws and regulations) are properly identified, managed and reflected in the information provided; 3) Ensure the efficiency of the internal audit function, among other things, by making recommendations on the selection, appointment, reappointment and removal of the head of the internal audit department and on the budget of the department, and by monitoring the responsiveness of the management to its findings and recommendations. Shall there be no internal audit authority in the company, the need for one shall be reviewed at least annually; 4) Make recommendations to the collegial body related with selection, appointment, reappointment and removal of the external auditor (to be done by the general shareholders' meeting) and with the terms and conditions of his engagement. The committee shall investigate situations that lead to a resignation of the audit company or auditor and make recommendations on required actions in such situations; 5) Monitor independence and impartiality of the external auditor, in particular by reviewing the audit company's compliance with applicable guidance relating to the rotation of audit partners, the level of fees paid by the company, and similar issues. In order to prevent occurrence of material conflicts of interest, the committee, based on the auditor's disclosed inter alia data on all remunerations paid by the company to the auditor and network, shall 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 shall determine and apply a formal policy establishing types of non-audit services that are (a) excluded, (b) permissible only after review by the committee, and (c) permissible without referral to the committee; 6) Review efficiency of the external audit process and responsiveness of management to recommendations made in the external auditor's management letter. 4.14.2. All members of the committee shall be furnished with complete information on particulars of accounting, financial and other operations of the company. Company's management shall 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 shall be given to company's operations in offshore centers and/or activities carried out through special purpose vehicles	Yes	Audit committee established and approved by the shareholders' meeting.

(organizations) and justification of such operations. 4.14.3. The audit committee shall 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 shall 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 shall 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 shall act as the principal contact person for the internal and external auditors. 4.14.5. The audit committee shall be informed of the internal auditor's work program, and shall be furnished with internal audit's reports or periodic summaries. The audit committee shall also be informed of the work program of the external auditor and shall be furnished with report disclosing all relationships between the independent auditor and the company and its group. The committee shall be timely furnished information on all issues arising from the audit. 4.14.6. The audit committee shall 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 shall 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 shall 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 shall conduct the assessment of its activities. The assessment shall 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 shall, 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	
Principle V: The working procedure of the company's collegial bodies **The working procedure of supervisory and management bodies established in the company shall 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) shall 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 shall 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 shall ensure appropriate conducting of the meetings of the collegial body. The chairperson shall 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 shall 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 shall be convened at such intervals, which would guarantee an interrupted resolution of the essential corporate governance issues. Meetings of the company's supervisory board shall be convened at least once in a quarter, and the company's board shall meet at least once a month.	Yes	The Board sittings are convened at least once per quarter.
5.3. Members of a collegial body shall be notified of 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 of the meeting, all the documents relevant to the issues on the agenda of the meeting shall be submitted to the members of the collegial body. The agenda of the meeting shall 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 shall 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 shall be free to attend meetings of the company's supervisory board, especially where issues concerning removal of the board members, their liability or remuneration are discussed.	Yes	The Board is doing the work that collegial body should do.
Principle VI: The equitable treatment of shareholders and shareholder rights **The corporate governance framework shall ensure the equitable treatment of all shareholders, including minority and foreign shareholders. The corporate governance framework shall protect the rights of the shareholders.**		
6.1. It is recommended that the company's capital shall 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 shall 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 shall be subject to approval of the general shareholders' meeting. All shareholders shall be furnished with equal opportunity to familiarize with and participate in the decision-making process when significant corporate issues, including approval of transactions referred to above, are discussed.	Yes	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.	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. If is possible, in order to ensure shareholders living abroad the right to access to the information, it is recommended that documents on the course of the general shareholders' meeting should be placed on the publicly accessible website of the company not only in Lithuanian language, but in English and /or other foreign languages 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 Lithuanian, English and/or other foreign languages. Documents referred to in this recommendation may be published on the publicly accessible website of the company to the extent that publishing of these documents is not detrimental to the company or the company's commercial secrets are not revealed.	Yes	
6.6. Shareholders shall be furnished with the opportunity to vote in the general shareholders' meeting in person and in absentia. Shareholders shall not be prevented from voting in writing in advance by completing the general voting ballot.	Yes	
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 by allowing the shareholders to participate and vote in general meetings via electronic means of communication. In such cases security of transmitted information and a possibility to identify the identity of the participating and voting person should be guaranteed. Moreover, companies could furnish its shareholders, especially shareholders living abroad, with the opportunity to watch shareholder meetings by means of modern technologies.	No	
Principle VII: The avoidance of conflicts of interest and their disclosure **The corporate governance framework shall 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 shall 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 shall, 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 shall 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 shall prevent potential conflicts of interest and abuse in determining remuneration of directors, in addition it shall 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) which should be clear and easily understandable. This remuneration statement should be published as a part of the company's annual statement as well as posted on the company's website.	N/A	
8.2. Remuneration statement shall mainly focus on directors' remuneration policy for the following year and, if appropriate, the subsequent years. The statement shall contain a summary of the implementation of the remuneration policy in the previous financial year. Special attention shall be given to any significant changes in company's remuneration policy as compared to the previous financial year.	N/A	
8.3. Remuneration statement should leastwise include the following information: 1) Explanation of the relative importance of the variable and non-variable components of directors' remuneration; 2) Sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration; 3) An explanation how the choice of performance criteria contributes to the long-term interests of the company; 4) An explanation of the methods, applied in order to determine whether performance criteria have been fulfilled; 5) Sufficient information on deferment periods with regard to variable components of remuneration; 6) Sufficient information on the linkage between the remuneration and performance; 7) The main parameters and rationale for any annual bonus scheme and any	N/A	

other non-cash benefits; 8) Sufficient information on the policy regarding termination payments; 9) Sufficient information with regard to vesting periods for share-based remuneration, as referred to in point 8.13 of this Code; 10) Sufficient information on the policy regarding retention of shares after vesting, as referred to in point 8.15 of this Code; 11) Sufficient information on the composition of peer groups of companies the remuneration policy of which has been examined in relation to the establishment of the remuneration policy of the company concerned; 12) A description of the main characteristics of supplementary pension or early retirement schemes for directors; 13) Remuneration statement should not include commercially sensitive information.		
8.4. Remuneration statement shall also summarize and explain company's policy regarding the terms of the contracts executed with executive directors and members of the management bodies. It shall 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.	N/A	

8.5. Remuneration statement shall 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 shall list at least the information set out in items 8.5.1 to 8.5.4 for each person who has served as a director of the company at any time during the relevant financial year. 8.5.1. The following remuneration and/or emoluments-related information shall be disclosed: 1) The total amount of remuneration paid or due to the director for services performed during the relevant financial year, inclusive of, where relevant, attendance fees fixed by the annual general shareholders meeting; 2) The remuneration and advantages received from any undertaking belonging to the same group; 3) The remuneration paid in the form of profit sharing and/or bonus payments and the reasons why such bonus payments and/or profit sharing were granted; 4) If permissible by the law, any significant additional remuneration paid to directors for special services outside the scope of the usual functions of a director; 5) Compensation receivable or paid to each former executive director or member of the management body as a result of his resignation from the office during the previous financial year; 6) Total estimated value of non-cash benefits considered as remuneration, other than the items covered in the above points. 8.5.2. As regards shares and/or rights to acquire share options and/or all other share-incentive schemes, the following information shall be disclosed: 1)The number of share options offered or shares granted by the company during the relevant financial year and their conditions of application; 2) The number of shares options exercised during the relevant financial year and, for each of them, the number of shares involved and the exercise price or the value of the interest in the share incentive scheme at the end of the financial year; 3) The number of share options unexercised at the end of the financial year; their exercise price, the exercise date and the main conditions for the exercise of the rights; 4) All changes in the terms and conditions of existing share options occurring during the financial year. 8.5.3. The following supplementary pension schemes-related information shall be disclosed: 1) When the pension scheme is a defined-benefit scheme, changes in the directors' accrued benefits under that scheme during the relevant financial year; 2) When the pension scheme is defined-contribution scheme, detailed information on contributions paid or payable by the company in respect of that director during the relevant financial year. 8.5.4. The statement shall 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.	N/A	
8.6. Where the remuneration policy includes variable components of remuneration, companies should set limits on the variable component(s). The non-variable component of remuneration should be sufficient to allow the company to withhold variable components of remuneration when	N/A	

performance criteria are not met.		
8.7. Award of variable components of remuneration should be subject to predetermined and measurable performance criteria.	N/A	
8.8. Where a variable component of remuneration is awarded, a major part of the variable component should be deferred for a minimum period of time. The part of the variable component subject to deferment should be determined in relation to the relative weight of the variable component compared to the non-variable component of remuneration.	N/A	
8.9. Contractual arrangements with executive or managing directors should include provisions that permit the company to reclaim variable components of remuneration that were awarded on the basis of data which subsequently proved to be manifestly misstated.	N/A	
8.10. Termination payments should not exceed a fixed amount or fixed number of years of annual remuneration, which should, in general, not be higher than two years of the non-variable component of remuneration or the equivalent thereof.	No	
8.11. Termination payments should not be paid if the termination is due to inadequate performance	Yes	
8.12. 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.	N/A	
8.13. Shares should not vest for at least three years after their award.	N/A	
8.14. Share options or any other right to acquire shares or to be remunerated on the basis of share price movements should not be exercisable for at least three years after their award. Vesting of shares and the right to exercise share options or any other right to acquire shares or to be remunerated on the basis of share price movements, should be subject to predetermined and easurable performance criteria	N/A	
8.15. After vesting, directors should retain a number of shares, until the end of their mandate, subject to the need to finance any costs related to cquisition of the shares. The number of shares to be retained should be fixed, for example, twice the value of total annual remuneration (the non-variable plus the variable components).	N/A	
8.16. Remuneration of non-executive or supervisory directors should not include share options.	N/A	
8.17. Shareholders, in particular institutional shareholders, should be encouraged to attend general meetings where appropriate and make considered use of their votes regarding directors' remuneration.	N/A	
8.18. 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 shall be included into the agenda of the shareholders' annual general meeting. Remuneration statement shall be put for voting in shareholders' annual general meeting. The vote may be either mandatory or advisory.	N/A	

8.19. 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 shall be subject to the prior approval of shareholders' annual general meeting by way of a resolution prior to their adoption. The approval of scheme shall 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 shall also be subject to shareholders' approval prior to their adoption; the approval decision shall be made in shareholders' annual general meeting. In such case shareholders shall be notified on all terms of suggested changes and get an explanation on the impact of the suggested changes.	N/A	
8.20. The following issues shall be subject to approval by the shareholders' annual general meeting: 1) Grant of share-based schemes, including share options, to directors; 2) Determination of maximum number of shares and main conditions of share granting; 3) The term within which options can be exercised; 4) The conditions for any subsequent change in the exercise of the options, if permissible by law; 5) 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 shall also set the deadline within which the body responsible for remuneration of directors may award compensations listed in this article to individual directors.	N/A	
8.21. Shall 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, shall also be subject to the shareholders' approval.	N/A	
8.22. Provisions of Articles 8.19 and 8.20 shall 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.	N/A	
8.23. Prior to the annual general meeting that is intended to consider decision stipulated in Article 8.19, the shareholders must be provided an opportunity to familiarize with draft resolution and project-related notice (the documents shall be posted on the company's website). The notice shall 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 shall 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 shall be clearly stated whether the company intends to buy shares in the market, hold the shares in reserve or issue new ones. There shall 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.	N/A	
Principle IX: The role of stakeholders in corporate governance		

The corporate governance framework shall 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 shall assure that the rights of stakeholders that are protected by law are respected.	Yes	
9.2. The corporate governance framework shall 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 shall have access to relevant information.		
Principle X: Information disclosure and transparency **The corporate governance framework shall 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 shall disclose information on: 1) The financial and operating results of the company; 2) Company objectives; 3) Persons holding by the right of ownership or in control of a block of shares in the company; 4) Members of the company's supervisory and management bodies, chief executive officer of the company and their remuneration; 5) Material foreseeable risk factors; 6) Transactions between the company and connected persons, as well as transactions concluded outside the course of the company's regular operations; 7) Material issues regarding employees and other stakeholders; 8) Governance structures and strategy. This list shall be deemed as a minimum recommendation, while the companies are encouraged not to limit themselves to disclosure of the information specified in this list.	Yes	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.
10.2. It is recommended that consolidated results of the whole group to which the company belongs shall be disclosed when information specified in item 1 of Recommendation 10.1 is under disclosure.	Yes	
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 shall 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 shall be disclosed with regard to members of the company's supervisory and management bodies and chief executive officer as per Principle VIII.	Yes	

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. shall be disclosed when information specified in item 7 of Recommendation 10.1 is under disclosure.	Yes	
10.5. Information shall 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 shall be disclosed to all simultaneously. It is recommended that notices about material events shall be announced before or after a trading session on the NASDAQ OMX Vilnius, so that all the company's shareholders and investors shall have equal access to the information and make informed investing decisions.	Yes	Information through the centralised information system is presented in the Lithuanian and English languages at the same time. 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 shall provide for fair, timely and cost-efficient access to relevant information by users. It is recommended that information technologies shall be employed for wider dissemination of information, for instance, by placing the information on the company's website. It is recommended that information shall 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 shall be placed on the company's website. It is recommended that the company shall 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 shall ensure independence of the firm of auditor's conclusion and opinion.**		
11.1. An annual audit of the company's financial reports and interim reports 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 shall 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 shall disclose to its shareholders the level of fees paid to the firm of auditors for non-audit services rendered to the company. This information shall be also known to the company's supervisory board and, where it is not formed, the company's board upon their consideration which firm of auditors to propose for the general shareholders' meeting.	Yes	