VILKYŠKIŲ SŪRIAI
1934

ENDORSEMENT BY THE RESPONSIBLE PERSONS

Pursuing Article 21 of the Law on Securities of the Republic of Lithuania, and rules prepared by the Lithuanian Securities Commission for preparation and announcement of periodical and supplementary information, the issuer's employees, administrative manager and the members of the management bodies who are responsible for the composition of audited annual statement of the year 2008, approve that the information provided in the financial accounting is prepared according to the applied accounting standards, reflects the reality correctly an fairly shows issuers' assets, liabilities, financial position, profit and also that the annual and consolidated reports show fair business environment as well as description of the company's performance including key risk factors and uncertainties which may be met by AB "Vilkyškių pieninė".

The General Director of Vilkyškių pieninė	Gintaras Bertašius	______
The Finance Director of Vilkyškių pieninė	Vilija Milaševičiutė	______

LIETUVOS RESPUBLIKA AKCINĖ BENDROVĖ "VILKYŠKIŲ PIENINĖ" JOINT STOCK COMPANY PAGĖGIŲ SAVIVALDYBĖ

Date of preparation of the report:	15th of April, 2009
Place of preparation:	Vilkyškiai, Pagėgių municipality, Lithuania

AB Vilkyškių Pieninė

Consolidated annual financial statements for 2008

Content

Company details

AB Vilkyškių Pieninė

Telephone:	+370 441 55330
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Company code:	277160980
Registration date:	18 May 1993

Board

Gintaras Bertašius (Chairman)
Sigitas Trijonis
Rimantas Jancevičius
Ramūnas Šniepis
Linas Strėlis
Andrej Cyba

Vadovybė

Gintaras Bertašius, General Director
Sigitas Trijonis, Technical Director
Rimantas Jancevičius, Procurement Director
Arvydas Zaranka, Stock Director
Arminas Lunia, Sales Director
Vilija Milaševičiutė, Finance Director

Auditor

KPMG Baltics, UAB

Banks

AB SEB Bankas
AB Bankas Snoras
AB Bankas Swedbank

Management statement on the consolidated financial statements

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

The consolidated annual accounts 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.

We recommend the accounts to be approved at the annual General Meeting.

Vilkyškiai, 15 April 2009

Management:

Gintaras Bertašius
General Director

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Independent auditor's report to the shareholders of AB Vilkyškių Pieninė

We have audited the accompanying consolidated financial statements of AB Vilkyškių Pieninė, which comprise the consolidated balance sheet as at 31 December 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, set out on pages 5-38.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

Opinion

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

Emphasis of matter

Without qualifying our opinion, we draw attention to the *Statement of compliance* and Note 13 to the financial statements *Interest bearing loans and borrowings* which states that the financial statements are prepared as to International Financial Reporting Standards, and which discloses that the Company failed to comply with certain required financial ratios. In our opinion, the financial statements do not comply with the requirements set out in IAS 1 *Presentation of financial statements* as part of payable loans are not classified as current liabilities as prescribed by IAS 1.65.

Report on legal and other regulatory requirements

Furthermore, we have read the consolidated Annual Report for the year 2008 set out on pages 39-88 of the consolidated Annual Accounts and have not noted any material inconsistencies between the financial information included in it and the consolidated financial statements for the year ended 31 December 2008.

Klaipėda, 15 April 2009
KPMG Baltics, UAB

Leif René Hansen
Danish State Authorised
Public Accountant

Rokas Kasperavičius
Certified Auditor

Consolidated income statement

Thousand Litas	Note	2008	2007
Revenue	1	151 981	136 274
Cost of sales		-154 338	-114 230
Gross profit		-2 357	22 044
Other operating income, net		1 020	21
Distribution expenses		-1 130	-2 052
Administrative expenses	2	-7 228	-6 321
Profit (loss) from operating activities		-9 695	13 692
Financial income		528	93
Financial expenses		-4 249	-1 468
Net financing costs	3	-3 721	-1 375
Profit (loss) before income tax		-13 416	12 317
Income tax expense	4	1 447	-2 303
Net profit (loss)		-11 969	10 014
Attributable to:			
Equity holders of the company		-11 916	10 014
Minority interest		-53	0
Profit (loss) for the period		-11 969	10 014
Basic earnings per share (in Litas)	5	-1,05	1,07
Diluted earnings per share (Litas)		-1,05	1,07

The notes, set out on pages 10-38, are an integral part of the consolidated financial statements.

Consolidated balance sheet

As at 31 December

Thousand Litas	Note	2008	2007
Assets			
Property, plant and equipment	6	71 740	46 252
Goodwill	7	23 875	1 033
Intangible assets	7	418	41
Deferred tax assets	15	0	27
Long-term receivables	8	1 233	950
Total non-current assets		97 267	48 303
Inventories	9	20 601	16 452
Trade and other receivables	10	18 584	13 675
Advance payment of income tax		1 117	0
Cash and cash equivalents	11	195	1 055
Total current assets		40 497	31 182
Total assets		137 764	79 485
Equity			
Share capital	12	11 943	9 353
Share premium		11 396	9 355
Reserves		8 523	9 355
Retained earnings		-81	13 442
Total equity attributable to equity holders of the Company		31 781	32 150
Minority interest		55	42
Total equity		31 836	32 192
Liabilities			
Interest-bearing loans and leasing liabilities	13	48 946	18 177
Capital grants	14	8 894	4 607
Deferred tax liabilities	15	1 591	2 626
Total non-current liabilities		59 431	25 410
Interest-bearing loans and leasing liabilities	13	21 601	9 163
Income tax payable		0	1 175
Trade and other amounts payable	16	24 896	11 545
Total current liabilities		46 497	21 883
Total liabilities		105 928	47 293
Total equity and liabilities		137 764	79 485

The notes, set out on pages 10-38, are an integral part of the consolidated financial statements.

Consolidated statement of changes in equity

		Equity attributable to Group							
Thousand Litas	Note	Share capital	Share premium	Revalua-tion reserve	Compul--sory reserve	Retained earnings	Total	Minority interest	Total equity
At 1 January 2007		9 353		8 764	919	4 967	24 003	51	24 054
Net profit for 2007						10 014	10 014		10 014
Allocated from reserves				-344		423	79		79
Allocated to reserves					16	-16	0		0
Dividends						-2 057	-2 057		-2 057
Share emission of the subsidiary						88	88	14	102
Changes in the Group						23	23	-23	0
At 31 December 2007	13	9 353		8 420	935	13 442	32 150	42	32 192
At 1 January 2008		9 353		8 420	935	13 442	32 150	42	32 192
Net profit (loss) for 2008						-11 916	-11 916	-53	-11 969
Emission of shares		2 590	11 396				13 986		13 986
Allocated from reserves				-423		423	0		0
Decrease in revaluation reserve				-409			-409		-409
Dividends						-2 030	-2 030		-2 030
Changes in the Group								66	66
At 31 December 2008		11 943	11 396	7 588	935	-81	31 781	55	31 836

The notes, set out on pages 10-38, are an integral part of the consolidated financial statements.

Consolidated cash flow statement

For the year ended 31 December

Thousand Litas	Note	2008	2007
Cash flows from operating activities			
Net profit		-11 969	10 014
Adjustments:			
Depreciation of property, plant and equipment	6	5 946	3 776
Amortisation of intangible assets	7	93	28
Part of capital grants recognised as income	14	-387	-18
Result of disposal of property, plant and equipment		379	0
Interest expenses, net	3	3 816	1 375
Income tax expenses	4	-1 447	2 303
Cash flows from ordinary activities before changes in the working capital		-3 569	17 478
Change in inventories		-1 525	-2 909
Change in receivable amounts		-336	-1 813
Change in trade and other payable amounts		7 620	-1 520
		2 190	11 236
Paid / received interest, net		-3 816	-1 375
Income tax paid		-2 235	-1 582
Cash flows from operating activities		-3 861	8 279
Cash flows from investing activities			
Acquisition of property, plant and equipment		-10 520	-8 911
Acquisition of intangible assets		-312	-41
Proceeds on sale of property, plant and equipment		431	0
Short-term disposal of investments		4 297	0
Investment in subsidiary, net of cash acquired	8	-30 028	0
Net cash flow from investing activities		-36 132	-8 952

Consolidated cash flow statement (continued)

For the year ended 31 December

	Note	2008	2007
Cash flows from financing activities			
Loans received		37 682	13 327
Repayment of borrowings		-10 784	-9 514
Payment of finance lease liabilities		-1 040	-1 710
Issue of shares		13 986	0
Dividends paid		-2 030	-2 757
Capital grants received		1 319	1 491
Net cash from financing activities		39 133	837
Change in cash and cash equivalents		-860	164
Cash and cash equivalents at1 January		1 055	891
Cash and cash equivalents at 31 December		195	1 055

The notes, set out on pages 10-38, are an integral part of the consolidated financial statements.

Notes to the consolidated financial statements

1. Background information

The Group consists of the following companies:

- AB Vilkyškių Pieninė, the parent company (hereinafter – the Company or the Group)
- UAB Modest, the subsidiary (hereinafter – the subsidiary UAB Modest)
- AB Kelmės Pieninė, the subsidiary (hereinafter – the subsidiary AB Kelmės Pieninė)
  AB Kelmės Pieninė directly controls 100% of the shares of UAB Kelmės Pieno Centras.

AB Vilkyškių Pieninė was established in 1993. The Company does not have any branches or representative offices.

AB Vilkyškių Pieninė is a Lithuanian company listed on the Vilnius Stock Exchange. As at 31 December 2008 the Company's shares were owned by the following shareholders:

Shareholder	Shares	Nominal value in Litas	Total value in Litas
Gintaras Bertašius	6 016 506	1	6 016 506
Hansabank clients	563 964	1	563 964
SEB clients	2 673 606	1	2 673 606
Linas Strėlis	1 015 000	1	1 015 000
Others	1 673 924	1	1 673 924
Total	**11 943 000**	**1**	**11 943 000**

The Company is engaged in production and sales of different types of cheese. Also, the Company produces and sells whey products, raw milk and cream.

Operations are carried out in the main production buildings, located in Vilkyškiai, Pagėgiai region. The Company also has a milk distribution centre in Eržvilkas, Jurbarkas region.

The Company has a subsidiary UAB Modest, which is a company dealing in milk processing and production of dairy products. The Company holds 87% voting rights of the Subsidiary. UAB Modest specialises in production of cheese, cottage cheese as well as other cheese products.

The Company also has a subsidiary AB Kelmės Pieninė, which is engaged in milk processing and production of dairy products. The Company owns 99% shares having voting rights at AB Kelmės Pieninė. AB Kelmės Pieninė produces fresh dairy products.

As at 31 December 2008 the number of employees in the Group was 738 (2007 12 31- 469).

Notes to consolidated financial statements

2. Significant accounting policies

Statement of compliance

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

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis, except for:

- derivative financial instruments, which are stated at their fair value;
- buildings are stated at their fair value.

The consolidated financial statements have been prepared on the going concern basis.

The preparation of the consolidated financial statements in conformity with IFRS as adopted by 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

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.

Basis of consolidation

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

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Notes to consolidated financial statements

Significant accounting policies (continued)

Application of accounting policies

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

Functional and presentation currency

These financial statements are presented in Litas (LTL), which is the Company's functional currency. Except as indicated, the financial information presented in Litas has been rounded to the nearest thousand.

Foreign currency

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Litas at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

Non-derivative financial instruments

Non-derivative financial instruments include trade receivables and other receivables, cash and cash equivalents, loans, payable to suppliers and other payable amounts.

Cash and cash equivalents comprise cash balances and call deposits.

Non-derivative financial instruments are initially stated at fair value including all costs directly attributable to the transaction (except for instruments recognised at fair value in the income statements). After initial recognition non-derivative financial instruments are evaluated as stated further.

Financial instruments are recognised in the accounting at the date of transaction. The company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Receivables are non-derivative financial assets and are not listed in an active market. They are included under current assets, except for amounts having a longer term than 12 months. Initially loans issued and amounts receivable are stated at fair value. After initial recognition the loans and receivables are stated at amortised cost applying the effective interest rate method, less impairment losses, if any. Short-term receivables are not amortised.

Loans, borrowings and other financial liabilities are accounted for at amortised cost applying the effective interest rate method. Short-term liabilities are not amortised.

Notes to consolidated financial statements

Significant accounting policies (continued)

Derivative financial instruments

The Group has entered into an interest rate swap transaction with a bank. The transaction is accounted for at fair value and changes in the fair value are recognised in the income statement. This financial instrument is not considered as a hedging transaction.

Financial instruments

Loans and receivables of the Group are initially recognised at fair value plus transaction costs directly related to the acquisition of the financial assets. After initial recognition loans and receivables are valued at amortised cost applying an effective interest rate method less impairment loss, if any. Short-term receivable amounts are not discounted.

Investments in shares, which have no quoted price in an active market and the fair value of which cannot be reliably estimated, are classified as investments held for sale and are recognised at cost less impairment loss, if any.

Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment, are stated at cost less accumulated depreciation and impairment losses. The cost includes expenditure directly related to acquisition of assets.

When parts of property, plant and equipment have different useful lifetimes, they are accounted for as separate items of property, plant and equipment (major compound parts).

Buildings are recorded at revaluated amounts, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which is determined using fair value at the balance sheet date. The fair value of the buildings is determined by appraisals undertaken by certified independent appraisers. The depreciation of buildings is calculated on a straight-line basis over the estimated useful economic lives of assets. The revaluation reserve for buildings is being reduced in conformity with depreciation of certain assets.

In the case of revaluation, when the estimated fair value of an asset is lower than its carrying amount, the carrying amount of this asset is immediately reduced to the amount of fair value and such impairment is recognised as an expense. However, such impairment is deducted from the amount of increase of the previous revaluation of this asset accounted for in the revaluation reserve, to the extent it does not exceed the amount of such increase.

Notes to consolidated financial statements

Significant accounting policies (continued)

Property, plant and equipment(continued)

Recognition and measurement (continued)

In the case of revaluation, when the estimated fair value of an asset is higher than its carrying amount, the carrying amount of this asset is increased to the amount of fair value and such increase is recorded in the revaluation reserve of property, plant and equipment under the capital caption. However such an increase in value is recognised as income to the extent it does not exceed the decrease of previous revaluation recorded under capital.

Subsequent costs

The cost of replacing part of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

Land and buildings	10-40 years
Machinery and equipment	5-15 years
Other tangible non-current assets	3-7 years

The useful lives, residual values and depreciation methods of assets are reviewed at each balance sheet date.

Intangible assets

The Company‘s intangible assets are stated at cost less accumulated amortisation and impairment loss. Amortisation is charged to the income statement on a straight-line basis over the 3 years.

Goodwill is stated at cost less impairment losses.

Trade and other receivable amounts

Trade and other receivable amounts are stated at amortised cost less impairment losses.

Notes to consolidated financial statements

Significant accounting policies (continued)

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 other 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

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost the reversal is recognised in profit or loss.

Notes to consolidated financial statements

Significant accounting policies (continued)

Impairment (continued)

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. 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.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if 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.

Dividends

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

Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, 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, where appropriate, the risks specific to the liability.

Interest-bearing loans and borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost on an effective interest rate basis.

Trade and other payables

Trade and other payables are stated at amortised cost.

Notes to consolidated financial statements

Significant accounting policies (continued)

Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and, except for investment property, the leased assets are not recognized on the Group's balance sheet.

Revenue

Revenue from sales of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods. Transfer of risks and rewards vary depending on the individual terms of the contract of sale.

Distribution and administrative costs

Distribution and administrative costs comprise costs related to administration, management, office expenses and etc., including depreciation and amortisation.

Other operating income and costs

Other operating income and charges comprise gain or loss from disposal of non-current assets, income and costs from intercompany services as well as other income and costs not related to the primary activity.

Financial and investing income and expenses

Financial income and expenses comprise interest receivable and payable, realised and unrealised exchange gains and losses regarding debtors and creditors denominated in foreign currencies.

Interest income is recognised in the income statement when earned. Financial lease interest costs are recognised in the income statement applying the effective interest rate method.

Notes to consolidated financial statements

Significant accounting policies (continued)

Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement, except for cases when it refers to items directly stated under equity. In such cases the income tax is recognised in equity.

Current income tax is a tax payable on the taxable income using tax rates applicable on the balance sheet date and income tax adjustments related to prior years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The deferred tax is not calculated on temporary differences arising at the moment of initial recognition of assets and liabilities, when these differences do not affect neither tax carried in the financial reporting nor taxable profit. The deferred tax is estimated applying tax rates which will be enacted when the mentioned temporary differences will be realised using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset should only be recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. The deferred tax is reviewed at each balance sheet date and reduced by an amount of tax benefit which is expected not to be realised.

Earnings per share

The Group provides information on basic earnings per share and diluted earnings per share. Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the company by the weighted number of ordinary shares outstanding during the year. Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. During the financial year the Company did not issue any potential ordinary shares.

Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Notes to consolidated financial statements

Significant accounting policies (continued)

Financial risk factors

In its activities the Group is exposed to various financial risks: market risk (including foreign exchange risk, interest risk, fair value and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Group's management pays the greatest attention to unpredictability of financial markets and aims to decrease its eventual impact on the Group's financial performance. From time to time the Group can use a derivative financial instrument in order to hedge certain risks.

The ongoing global economic crisis resulted in, among other things, a lower liquidity levels in economy, a lower level of capital market funding and lower liquidity. In addition to that, Lithuania has been experiencing economic downturn which has affected, and may continue to affect, the activities of enterprises operating in this environment. These financial statements reflect management's assessment of the impact of the Lithuanian and global business environment on the operations and the financial position of the Company. The future developments in business environment may differ from management's assessment.

a) Market risk

(i) currency exchange risk

The Group is not exposed to a significant currency exchange risk, because its sales, purchases and borrowing costs are mainly denominated in Litas and Euro (Litas is pegged to Euro at a fixed exchange rate of 3,4528 LTL / EUR).

(ii) fair value interest rate risk

In general, the Company's income and cash flows from ordinary activity are not dependent on changes in the market interest rate. The Group has issued loans with a fixed interest rate, however, the management is of the opinion that the fair value of the mentioned loans does not significantly differ from the book value as at 31 December 2008 as the applied interest rate (5-8%) is close to market interest rate.

(iii) price risk

The rates of milk and milk products vary depending on the situation in the market. The Group seeks to minimize an impact of the mentioned fluctuations by diversifying production and striving for economy of scale.

b) Credit risk

The Group has established procedures ensuring that sales are performed to clients having a proper crediting history without exceeding the limit of credit risk set by the management. The Group did not have any concentration of significant credit risk at the balance sheet date.

Notes to consolidated financial statements

Significant accounting policies (continued)

Financial risk factors (continued)

c) Liquidity risk

A conservative management of liquidity risk enables to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of committed credit facilities.

A summary of maturity terms of the Company‘s financial liabilities as at 31 December 2008 and 2007 as to not discounted payments per agreements is presented below.

	Upon demand	Up to 3 months	From 3 to 12 months	From 1 to 5 years	After 5 years	Total, in thousand Litas
Interest bearing loans and borrowings	-	6 671	17 436	48 837	5 474	78 418
Trade and other payable amounts	-	23 347	1 549	-	-	24 896
Balance at 31 December 2008	**-**	**30 018**	**18 985**	**48 837**	**5 474**	**103 314**
Interest bearing loans and borrowings	-	2 711	7 514	15 673	4 445	30 343
Income tax payable	-	-	1 175	-	-	1 175
Trade and other payable amounts	-	10 361	1 184		-	11 545
Balance at 31 December 2007	**-**	**13 072**	**9 873**	**15 673**	**4 445**	**43 063**

d) Interest rate risk

The Group's borrowings are subject to variable interest rates, related to LIBOR and varying from LIBOR+1.3% to LIBOR+2%. The average effective interest rate in 2008 approximates to the one actually paid in 2008.

If the average annual interest rate applicable on the Group's liabilities with the variable interest rate have increased (or decreased) by 1%, the interest costs for the year ended 31 December 2008 and the profit for the year would have decreased (or increased) by approximately 705 thousand Litas (2007 – 266 thousand Litas).

The Group has entered into an interest rate swap transaction with a bank. By this transaction the Group partly hedges from significant interest rate fluctuations. The fair value of the swap transaction amounts to 94 thousand Litas and is recognised under financial liabilities.

Notes to consolidated financial statements

Significant accounting policies (continued)

Capital management

The purpose of the Board policy – to keep the owner's equity over borrowings at the level to hold investors, creditors and market in the trust and to have the possibilities of business development in the future. The board keeps track on rates of return and makes proposals on dividend payment to shareholders of the Group taking into consideration the Group's financial results and strategic plans.

Effect on financial statements of application of new standards and amendments and new interpretations to standards

A number of new and revised International Financial Reporting Standards and their interpretations have been issued, which will become mandatory for the Company's financial statements in accounting periods beginning on or after 1 January 2009. The Group has decided not to apply the amendments and new standards and interpretations early. Below is the estimate of the Group's management regarding the potential effect of the new and revised standards and interpretations upon their first-time application:

- *Amendment to IFRS No. 2 Share-Based Payments (effective as of 1 January 2009).* Amendment to the Standard provides the definition of the terms „conditions of transfer of ownership rights“ and „conditions of transfer of non-ownership rights“. On the basis of the amendment to the Standard, failure to comply with the "conditions of transfer of ownership rights" shall be treated as cancelling of share-based payments. The Group does not have any share-based payment plans, therefore, amendment to IFRS No. 2 is not relevant to the Group's business operation.

- *Amendment to IFRS No. 3 Business Combinations (effective for periods starting on or after 1 July 2009).* The Standard's scope of application was amended and the description of the purpose was expanded. The amendment of IFRS 3 also includes other potentially material amendments such as:

– All types of remunerations by buyers shall be recognized and appraised at the fair value on the day of acquisition, with remunerations subject to future events included.

– Transaction costs shall not be included in the acquisition accounting.

– The Company's buyer may choose to appraise any of the to-be-acquired non-controlling block of shares at its fair value on the day of its acquisition (absolute goodwill) or the respective portion of the assets and liabilities of the target company at their fair value.

– Acquisition of an additional non-controlling block of shares upon businesses combined shall be reflected in the accounting as a capital transaction.

The amendment of IFRS 3 will be important for future business combinations of the Company, if any.

- *IFRS No. 8 Operating Segments (effective as of 1 January 2009).* This standard sets forth the requirements for revealing of information on segments as to components used by the management in decision making. Operating segments are the entity's components, information on which is assessed on a regular basis by the decision maker and used for allocation of resources and evaluation of performance. The Group is trying to assess the influence of the new standard.

Notes to consolidated financial statements

Significant accounting policies (continued)

Effect on financial statements of application of new standards and amendments and new interpretations to standards (continued)

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

- *IAS No. 23 Borrowing Costs (effective as of 1 January 2009 once adopted by EU)*. The revised standard eliminates the option of expensing all borrowing costs and requires borrowing costs to be capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset. According to transitional provisions of the Standard, the Company shall apply the standard prospectively. In accordance with the transitional requirements of the Standard, the Group will adopt this as a prospective change. Accordingly, borrowing costs will be capitalised on qualifying assets with a commencement date after 1 January 2009. At present, the Group is not able to estimate an impact of this amendment on the future financial position and results.

- *Amendment to IAS No. 27 Consolidated and Individual Financial Statements (effective for annual periods starting on or after 1 July 2009)*. The amendment to the Standard replaced the term "minority interest" with "non-controlling block of shares" which is defined a subsidiary's equity capital which is neither directly nor indirectly attributed to the parent company. The amendment to the Standard also alters the accounting of the loss of non-controlling block of shares, subsidiary's control as well as distribution of profit or loss between the controlling and non-controlling blocks of shares. Application of amendments to the standard will have no significant impact on the Group's financial statements.

- *Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements.* The amendments to Standard allow application of the exception to allocation principle as to IAS 32, i.e. certain puttable financial instruments and obligations arising on liquidation to be classified as equity. Amendments to IAS 32 and IAS 1 effective for annual periods beginning on or after 1 January 2009 once adopted by the EU. The Group does not expect these amendments to impact the financial statements of the Group.

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

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

Notes to consolidated financial statements

Significant accounting policies (continued)

Effect on financial statements of application of new standards and amendments and new interpretations to standards (continued)

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

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

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

- *IFRIC 16 "Hedges of a Net Investment in a Foreign Operation (effective for annual periods beginning on or after 1 October 2008)*. IFRIC 16 is not relevant to the Group's operations as the Group does not have any significant investments in a foreign operation.

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

  This interpretation is applicable on distribution of non-cash assets to owners as holders of shares. According to this interpretation, a liability to pay out dividends is defined after the dividends are approved and no longer remain in the company's disposition, and are valued at fair value of the distributable asset. The carrying amount of payable dividends is reviewed on each reporting date and all the changes of the carrying amount are stated under equity as an adjustment of the distributable amount. After the dividends are paid out, an eventual difference between the carrying amounts of the distributable asset and payable dividends is recognised in profit or loss. IFRIC 17 is effective for annual periods beginning on or after 15 July 2009. As the interpretation is applicable only as of the application date, it will not have any effect on the financial statements for the periods commencing before the application date of the interpretation. Furthermore, as it relates to future dividends, which are under the shareholders' discretion, it is not possible to determine the effects of application in advance.

Notes to consolidated financial statements

1. Segment reporting

The only business segment of the Group (primary segment reporting format) is production of milk products. Information on segments is presented taking into consideration geographical segments of the Group (secondary segment reporting format).

When presenting information on the basis of geographical segments, income from segments is recognised according to a geographical location of the client. Assets of segments are allocated as per geographical location of assets.

Segment results for 2008 by geographical segments are as follows:

Thousand Litas	Countries of European Union except Lithuania	Lithuania	Russia	Other countries	Total
Revenue	71 238	58 938	20 630	1 175	151 981
Segment result	-1 400	-2 638	1 620	61	-2 357
Not allocated costs					-7 228
Operating result					-9 695
Financial items, net					-3 721
Result before tax					-13 416
Income tax expenses					1 447
Net result for the year					-11 969
Segment receivables	4 140	12 820	1 624	0	18 584
Not allocated assets		119 180			119 180
Total assets	4 140	132 000	1 624		137 764
Not allocated liabilities					105 928
Not allocated cash flows from ordinary activities					-3 861
Not allocated cash flows from investing activities					-36 132
Not allocated cash flows from financing activities					39 133
Net cash flows					-860
Not allocated acquisitions of non-current assets					-10 832

Notes to consolidated financial statements

1. Segment reporting (continued)

Segment results for 2007 by geographical segments are as follows:

Thousand Litas	Countries of European Union except Lithuania	Lithuania	Russia	Other countries	Total
Revenue	69 594	52 367	14 279	34	136 274
Segment result	10 912	10 662	468	2	22 044
Not allocated costs					-8 373
Operating result					13 692
Financial items, net					-1 375
Result before tax					12 317
Income tax expenses					-2 303
Net result for the year					10 014
Segment receivables	1 072	10 505	2 098	0	13 675
Not allocated assets		65 810			65 810
Total assets	1 072	76 315	2 098		79 485
Not allocated liabilities					47 293
Not allocated cash flows from ordinary activities					8 279
Not allocated cash flows from investing activities					-8 952
Not allocated cash flows from financing activities					837
Net cash flows					164
Not allocated acquisitions of non-current assets					-8 952

Notes to consolidated financial statements

2. Administrative expenses

Thousand Litas	2008	2007
Staff costs	3 154	1 983
Repair	288	1 621
Depreciation and amortisation	494	372
Taxes, except for income tax	267	237
Insurance	223	325
Bank fees	367	182
Consulting	270	330
Other	2 165	1 271
Total	7 228	6 321

3. Net financing costs

Thousand Litas	2008	2007
Financing income		
Penalties and fines	22	
Other	452	
Interest	54	93
Total financing income	528	93
Financing costs		
Interest	-3 870	-1 300
Foreign exchange losses	-2	-70
Other	-377	-98
Total financing costs	-4 249	-1 468
	-3 721	-1 375

Notes to consolidated financial statements

4. Income tax expenses

Recognised in the income statement

Thousand Litas		**2008**	**2007**
Current income tax expense		-26	-2 395
Change in deferred tax	15	1 473	92
Total income tax expense recognised in the income statement		1 447	-2 303

According to prevailing tax legislation, the tax authorities can at any time check the Company's accounting registers and entries for a period of 5 years prior to the current taxable period, and impose additional taxes and penalties. The management is not aware of any circumstances which could result in additional material tax liabilities.

Reconciliation of effective tax rate

Thousand Litas	**2008**	**2007**
Profit (loss) before tax	-13 416	12 317
Non-deductible expenses (income)	3 769	508
Taxable profit (loss)	-9 647	12 825
Tax rate	15%	18%
Income tax for the year	1 447	-2 303

5. Earnings per share

	2008	**2007**
Number of issued shares calculated based on weighted average method, in thousand	11 296	9 353
Net profit, attributable to ordinary shareholders, in thousand Litas	-11 969	10 014
Basic earnings per share, in Litas	-1,06	1,07

The diluted earnings per share are the same as basic earnings per share.

Notes to consolidated financial statements

6. Property, plant and equipment

Thousand Litas	Land and buildings	Machinery and equipment	Other tangible assets	Construction in progress	Total
Cost					
Balance as at 1 January 2007	18 940	23 361	11 392	1 158	54 851
Acquisitions	446	7 402	3 101	2 483	13 432
Disposals		-1 680	-286	-	-1 966
Reclassification	341	3 639	-1 820	-2 160	0
Balance as at 31 December 2007	19 727	32 722	12 387	1 481	66 317
Balance as at 1 January 2008	19 727	32 722	12 387	1 481	66 317
Acquisitions	9 175	18 173	2 940	2 061	32 349
Disposals	-2	-455	-1 085	-	-1 542
Reclassification	149	164	8	-321	-
Balance as at 31 December 2008	29 049	50 604	14 250	3 221	97 124
Depreciation and impairment					
Balance as at 1 January 2007	44	11 741	4 940	-	16 725
Depreciation for the year	894	1 754	1 128	-	3 776
Disposals		-160	-276	-	-436
Reclassification	-214	112	102	-	0
Balance as at 31 December 2007	724	13 447	5 894	-	20 065
Balance as at 1 January 2008	724	13 447	5 894	-	20 065
Depreciation for the year	1 534	2 761	1 651	-	5 946
Disposals	-2	-259	-366	-	-627
Reclassification	2 256	15 901	7 179	-	25 384
Balance as at 31 December 2008					
Carrying amounts					
1 January 2007	18 896	11 620	6 452	1 158	38 126
31 December 2007	19 003	19 275	6 493	1 481	46 252
1 January 2008	19 003	19 275	6 493	1 481	46 252
31 December 2008	26 793	34 703	7 071	3 221	71 740

Pledges

To secure bank loans, the Group has pledged its non-current assets with a book value of 61 562 thousand Litas as at 31 December 2008 (2007 : 21 868 thousand Litas) (note 13).

Leased property, plant and equipment

The Group has acquired transport vehicles, constructions and equipment by way of finance lease. The carrying amount of the leased assets as at 31 December 2008 amounted to 4 029 thousand Litas (2007 : 4 079 thousand Litas).

Notes to consolidated financial statements

7. Property, plant and equipment (continued)

Depreciation

Depreciation is recorded in the following items:

Thousand Litas	**2008**	**2007**
Cost of finished goods	5 022	3 394
Distribution and administrative costs	602	3 394
Other operating income	322	382
Total	5 946	3 776

Valuation of buildings

AB Vilkyškių Pieninė and UAB Modest performed valuation of buildings as at 31 December 2006 and recorded valuation results in the financial statements. The market value of the buildings as determined by asset valuators was higher than the carrying amount by 10 283 thousand Litas. The value increase amounting to 10 328 thousand Litas was recognised under equity, the impairment of 45 thousand Litas was recorded in the income statement.

Assets of AB Kelmės Pieninė are evaluated at fair value at acquisition date (30 April 2008).

7. Intangible assets

Thousand Litas	**Goodwill**	**Software**	**Total**
Cost			
Balance as at 1 January 2007	1 033	586	1 619
Acquisitions	0	41	41
Balance as at 31 December 2007	1 033	627	1 660
Balance as at 1 January 2008	1 033	627	1 660
Acquisitions	22 842	471	23 313
Balance as at 31 December 2008	23 875	1 098	24 973
Amortisation and impairment			
Balance as at 1 January 2007	0	558	558
Amortisation for the year	0	28	28
Balance as at 31 December 2007	0	586	586
Balance as at 1 January 2008	0	586	586
Amortisation for the year	0	93	93
Balance as at 31 December 2008	0	680	680
Carrying amounts			
As at 1 January 2007	1 033	28	1 061
As at 31 December 2007	1 033	41	1 074
As at 1 January 2008	1 033	41	1 074
As at 31 December 2008	23 875	418	24 293

Notes to consolidated financial statements

7. Intangible assets (continued)

Amortisation charge is included in administrative expenses.

Goodwill occurred at the moment of business combination is mainly attributable to synergy, which is expected to be reached upon integration of the company in the Group‘s activity related to production of milk products**.**

8. Long-term receivables

Thousand Litas	2008	2007
Prepayments to related parties	1 213	842
Long-term receivables from farmers	20	88
Other	0	20
Total	1 233	950

An advance payment of 842 thousand Litas was made to a related party UKB Šilgaliai. In 2007 the agreement was amended based on which the prepayment must be fully covered until 31 December 2012. Starting from 2009, the prepayment will be covered by milk supplied by UAB Šilgaliai. The outstanding balance of the prepayment bears an annual interest of 5%.

A loan of 351 thousand Litas was issued to a related party ŪKB Šilgaliai. The loan matures on 31 December 2012. The outstanding balance bears an annual interest of 5%.

9. Inventories

Thousand Litas	2008	2007
Goods for resale	10	
Raw materials	2 494	1 071
Finished production	19 345	10 218
Spare parts and auxiliary materials	1 879	5 163
	23 728	16 452
Impairment of net realisable value	-3 127	-
Total	20 601	16 452

Impairment of net realisable value is stated under cost of sales.

As at 31 December 2008 inventories with the book value up to 15 million Litas (2007: up to 7 million Litas) were pledged to secure the bank loans (note 13).

Notes to consolidated financial statements

10. Receivable amounts

Thousand Litas		2008	2007
Trade receivable	a)	12 601	7 407
Capital grants receivable	b)	3 677	2 975
Prepayments	c)	259	366
Export compensations receivable			2
Receivable taxes		418	995
Other receivable		1 625	1930
Other current assets		4	
		18 584	13 675
Impairment of receivables		-	-
		18 584	13 675

a) There were no trade receivable amounts a full impairment of which was recognised as at 31 December 2008 and 2007. Trade and other receivables are written down when the management has no doubt that the amounts will not be recovered.

b) Capital grants receivable are related to realisation of BPD program for modernisation of production. The Company fulfilled all the conditions to receive the grant. It is expected that the grant will be received in the first half of 2009.

c) Prepayments mainly comprise advance payments to farmers for milk.

Trade and other receivables are interest free and their payment term is up to 30 days.

An analysis of ageing of trade and other receivables as at 31 December 2008 and 2007 is as follows:

	Trade and other receivables neither past due nor impaired	Trade receivables past due but not impaired					Total, thousand Litas
		Less than 30 days	30 – 59 days	60 – 89 days	90 – 359 days	More than 360 days	
2007	6 052	4 201	3 055	4	363		13 675
2008	9 509	3 380	5 449	0	246	0	18 584

With respect to trade receivables and other receivables that are neither impaired nor past due, there are no indications as of the reporting date that the debtors will not meet their payment obligations since the Company trades only with recognised, creditworthy third parties.

11. Cash and cash equivalents

Thousand Litas	2008	2007
Cash at bank	155	929
Cash in hand	40	126
	195	1 055

Notes to consolidated financial statements

12. Share capital

As at 31 December 2008 the share capital of the parent company comprised 11 943 000 ordinary shares, at a nominal value of 1 Litas each. In 2008 the share capital of AB Vilkyškių Pieninė was increased by issuing 2 590 000 new shares.

Holders of ordinary shares have at the shareholders meeting one voting right for one share and the right to dividends, which are announced from time to time, and to participate in capital on a winding up.

Revaluation reserve

The reserve amounting to 8 025 thousand Litas reflect an effect of revaluation of the parent company‘s buildings performed as at 31 December 2006 (net of arisen deferred tax liability).

Legal reserve

Following the legislation, annual allocation to the legal reserve should amount to at least 5% of the net profit until the reserve makes up 10% of the share capital. The reserve can not be distributed.

13. Interest bearing loans and borrowings

The Group’s interest bearing loans and borrowings are as follows:

Credit institution	Ref.	Loan amount	Interest rate	Balance at 31-12-2008	Balance at 31-12-2007
AB SEB Bankas	a)	18 283	6 months LIBOR+1,3%	12 315	9 368
AB Snoro Bankas	b)	2 072	6 months LIBOR+1,55%	832	1 246
AB Snoro Bankas	b)	8 386	6 months LIBOR+1,55%	8 386	2 175
AB Snoro Bankas	b)	1 554	6 months LIBOR+1,55%	1 554	
AB SEB Bankas	c)	3 459	6 months LIBOR+1,3%	3 459	
AB SEB Bankas - factoring	d)	2 141	6 months LIBOR+1,3%	995	
AB Bankas Hansabankas	e)	6 300	6 months LIBOR+1,3%	6 290	
AB Bankas Hansabankas	f)	11 999	6 months LIBOR+ 2 %	11 999	
AB Bankas Hansabankas	f)	2 000	6 months VILIBOR+2%	2 000	
AB Bankas Hansabankas	g)	8 300	6 months LIBOR+1,5%	2 300	
AB SEB Vilniaus Bankas ES	h)	7 078	6 months LIBOR+1,3%	4 536	4 536
AB SEB Bankas -credit line	i)	7 506	6 months LIBOR+1,3%	7 007	4 506
AB Snoro Bankas	j)	5 429	6 months LIBOR+1,3%	4 469	
AB Snoro Bankas	k)	1 300	6 months VILIBOR+2,5%	1 300	
Finance lease liabilities	l)			3 105	2 843
Total liabilities		85 807		70 547	27 340
Less: current part				-21 601	-9 163
Total liabilities payable after one year				48 946	18 177

Notes to consolidated financial statements

13. Interest bearing loans and borrowings (continued)

a) The loan (3 475 thousand EUR) was used to re-finance the previously received loans of AB Vilkyškių Pieninė from AB SEB Bankas and AB Bankas Snoras as well as for working capital needs. The loan is repayable in equal monthly instalments, except for January and February. The loan matures on 26 December 2011. The second part (1 820 thousand EUR) was granted on 28-04-2008 for acquisition of AB Kelmės Pieninė. Repayment of the second part (1 820 thousand EUR) started on 30-06-2008, paying in equal quarterly instalments. The loan shall be repaid by 27-04-2015. AB Vilkyškių Pieninė obligated to the bank to maintain EBITDA of 13 million Litas and interest coverage ratio of 1,2. The Company has pledged its non-current assets (note 6), inventories (note 9), cash at bank, trade marks and shares (nominal value 3 960 726 Litas) pledged by the shareholders.

b) AB Vilkyškių Pieninė was granted credit facilities (in total amounting to 3 855,3 thousand EUR) for working capital needs. The maturity date is 24 January 2011. The liability is secured by the primary and secondary pledge of non-current assets, the land rent rights and cash at bank.

c) The loan (1 002 thousand EUR) was issued to AB Vilkyškių Pieninė on 21-04-2008 for financing the project of EU Structural Funds for the period 2007-2013. Repayment of the loan starts as of 31-03-2010, in equal quarterly instalments and ends on 31-03-2015. The loan is secured by pledging buildings and equipment by secondary pledge and equipment by primary pledge.

d) A factoring agreement was signed by AB Vilkyškių Pieninė on 05-06-2008 for the purpose of factorising several foreign clients and UAB Palink. The interest rate of the factoring agreements is related to 12 months Euribor + 1.3 margin. The final repayment date is 03-03-2009.

e) The loan was granted to AB Vilkyškių Pieninė (1 824,6 thousand EUR) on 28-04-2008 for acquisition of AB Kelmės Pieninė. Repayment of the loan starts as of 30-09-2008 in equal annual instalments until 28-04-2013. The loan is secured by pledging inventories, equipment, current and future cash inflows on account at AB Swedbankas, as well as 50 per cent of the shares of AB Kelmės Pieninė.

f) Loans issued to AB Kelmės Pieninė (3 475 thousand EUR and 2 000 thousand Litas) for working capital needs. Repayment of loans on a quarterly basis starts as of 31 October 2009 and ends on 31 December 2015. The loans are secured by pledging buildings, equipment, current and future cash inflows and inventories.

g) Loan issued to AB Kelmės Pieninė (2 404 thousand EUR) for realisation of the EU Structural Funds projects for 2004-2006. The loan shall be repaid in equal quarterly instalments by 28 June 2010. The loan is secured by pledging the equipment acquired under the EU support as well as buildings with a secondary pledge.

Notes to consolidated financial statements

13. Interest bearing loans and borrowings (continued)

h) The loan agreement was concluded on 11 February 2006 with AB Vilkyškių Pieninė. The funds received are used for acquisition of new equipment used in whey processing, production of cheese, expansion of capacities of the workshop for acceptance of milk. It is expected to receive a grant from the Structural Funds of EU, amounting to 2 189 thousand Litas, which will be used for partial repayment of the loan. To the secure the loan the Company pledged its movable and not movable assets. The loan is repayable in equal parts and matures on 20 December 2012. The Company took an obligation to maintain the annual EBITDA ratio not less than 10 million Litas in 2006 and 9 million Litas in subsequent periods.

i) According to the agreement, dated 14 June 2006, AB Vilkyškių Pieninė was granted a credit facility of 1 160 thousand EUR for working capital needs. The credit limit for a day is increased up to 2 174 tEUR as of 21 May 2008. The liability matures on 19 June 2009. To secure the liability the Company has pledged its real estate and equipment.

j) Based on the loan agreement dated 28-02-2007, UAB Modest received 2 066 thousand Litas for financing the EU project for 2004-2006. Based on the same agreement AB Bankas SNORAS granted 600 thousand Litas for working capital needs. The repayment in equal monthly instalments starts as of 28 March 2009 and ends on 28 November 2013. The loan is secured by pledging buildings, inventories and cash balances.

k) The loan was issued to UAB Modest for working capital needs. Repayment of the loan in equal monthly instalments starts as of 29 June 2009 and ends on 20 December 2010. The loan is secured by pledging buildings, equipment, inventories and cash balances.

l) Leasing agreements are drawn up mainly with UAB SEB Banko Lizingas and are valid until October 2013.

In 2008 the Company did not comply with several ratios prescribed in the loan agreements. After the balance sheet date the Company carried out negotiations with banks resulting in amendments to loan agreements. Therefore, the Company classifies the loans based on the amendments to loan agreements signed in 2009.

If the Company complied with the classification criteria as to IAS 1, payable loans of 21 615 thousand Litas would be classified as current liabilities.

Maturity of loans:

Thousand Litas	**2008**	**2007**
Within 1 year	21 601	8 289
From 1 to 5 years	48 946	16 208
Total	70 547	24 497

The effective annual interest rate applied in 2008 was 5.6% (2007 : 4.47%).

Notes to consolidated financial statements

13. Interest bearing loans and borrowings (continued)

Finance lease liabilities

The finance lease payments are as follows:

Thousand Litas	Minimum lease payments	Interest	Present value of minimum lease payments	Minimum lease payments	Interest	Present value of minimum lease payments
	31 December 2008			**31 December 2007**		
Within 1 year	1 293	138	1 155	994	120	874
From 1 to 5 years	2 184	234	1 950	2 131	162	1 969
After 5 years	0	0	0	0	0	0
Total	**3 477**	**372**	**3 105**	**3 125**	**283**	**2 843**

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

Leasing interest is variable, denominated in EUR LIBOR (6 or 12 months) + 1.2%-1.9% margin.

14. Capital grants

Thousand Litas	**2008**	**2007**
Balance at the beginning of the period	4 607	1 441
Grants received	4 674	209
Accrued receivable grants (note 10)		2 975
Recognised as income for the period	-387	-18
Balance at the end of the period	8 894	4 607

15. Deferred tax assets and liabilities

Deferred tax assets and liabilities calculated applying a 20% in 2008 (2007: 15%), are attributed to the following items:

Thousand Litas	**Assets**		**Impairment of assets**		**Liabilities**		**Net value**	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
Impairment of inventories	-535	0	363	0		0	-172	0
Property, plant and equipment		0		0	3 868	2 804	3 868	2 804
Capital grants	-156	0	0	0		0	-156	0
Taxable loss	-1 958	-22	203	0		0	-1 755	-22
Vacation reserve	-227	-183	33	0		0	-194	-183
Deferred tax (asset) / liabilities	-2 876	-205	599	0	3 868	2 804	1 591	2 599

Notes to consolidated financial statements

15. Deferred tax assets and liabilities (continued)

An increase in deferred tax liability by an amount of 409 thousand Litas, related to revaluation of non-current assets, was recognised by decreasing the revaluation reserve in equity. The decrease in deferred tax liability was recorded in the income statement by an amount of 1 473 thousand Litas.

Impairment of deferred tax assets is recognised due to uncertainty of realisation of the deferred tax assets of UAB Modest.

16. Trade and other amounts payable

Thousand Litas	2008	2007
Payable to suppliers	19 819	9 063
Payable salaries	2 374	1 705
Payable dividends	125	0
Other	2 578	777
Total	24 896	11 545

17. Related parties

Transactions with related parties are as follows:

Thousand Litas	2008		2007	
	Sales	Purchases	Sales	Purchases
ŪKB Šilgaliai	64	972	1	947
Total	64	972	1	947

Thousand Litas	31 December 2008		31 December 2007	
	Receivable	Payable	Receivable	Payable
ŪKB Šilgaliai	1 036	0	947	0
Total	1 036	0	947	0

UKB Šilgaliai is a supplier of milk. The major shareholder of the Group and persons related to him have ownership rights to participating part in UAB Šilgaliai.

Notes to consolidated financial statements

17. Related parties (continued)

Transactions of AB Kelmės Pieninė with related parties are as follows:

	Sales of goods and services		Purchase of goods and services	
	2008	**2007**	**2008**	**2007**
UAB Hermis Fondų Valdymas			25 492	84 195
L.Strėlis, Chairman of the Board of AB Kelmės Pieninė until May 2008 – income from disposal of shares of AB Agrowill Group	13 495 904			

The Group did not earn any profit nor incur any loss from disposal of the shares of AB Agrowill Group, because, upon acquisition of assets of AB Kelmės Pieninė, the shares were evaluated at fair value.

Remuneration to management is included in the item of administrative costs under „staff costs“ (note 2):

Thousand Litas	**2008**	**2007**
Remuneration to management	1 113	485

Amounts related to labour relations paid to management as at 31 December 2008 amounted to 1 113 thousand Litas (2007 : 485 thousand Litas).

A loan of 5 000 thousand Litas received from the management was repaid in 2008.

Prepayments to management are accounted for in the following receivable amounts:

Thousand Litas	**2008**	**2007**
Other amounts receivable from the management	712	959

18. Fair value of financial instruments

Fair value of financial instruments is defined in accordance with the IAS 39 *Financial instruments: disclosure and presentation.* Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties on an arm's length transaction, other than in forced or liquidation sale. As the trading of the major part of the Group's financial assets is not developed, determination of the fair value should be based on assumptions supported by present economic conditions and by risk inherent to a specific financial instrument.

Fair value of financial assets as at 31 December 2008 could be specified as follows:

Thousand Litas	Book value	Fair value
Long-term receivables	1 233	1 233
Receivable amounts	18 584	18 584
Cash and cash equivalents	195	195
Total	**20 012**	**20 012**

Notes to consolidated financial statements

18. Fair value of financial instruments (continued)

Fair value of financial liabilities as at 31 December 2008 could be specified as follows:

Thousand Litas	Book value	Fair value
Interest bearing borrowings and finance lease liabilities	70 547	70 547
Payable amounts	24 896	24 896
Total	**95 443**	**95 443**

Financial liabilities to banks and leasing companies are related to variable interest rate why the book value of these liabilities approximates to their fair value. The management is of the opinion that the fair value interest risk of financial assets and liabilities as at 31 December 2008 was minimum as the major part of the financial instruments is related to variable interest rate.

19. Post balance sheet events

On 8 April 2009 the Company signed amendments to the loan agreements with AB SEB Bankas regarding change in maturities of the loans. This resulted in a decrease of payable loan amounts during 2009.

No other significant events occurred after the balance sheet date.

CONSOLIDATED ANNUAL REPORT OF VILKYŠKIŲ PIENINĖ AB FOR THE YEAR 2008

I LETTER OF DIRECTOR GENERAL G. BERTAŠIUS OF VILKYŠKIŲ PIENINĖ AB TO THE INVESTORS

Despite the year 2007 was very successful, the year 2008 was loss-making for the group of companies of Vilkyskiu pienine AB (hereinafter in the text shall be referred as to the Company) because of slumped demand and decreased prices of products. Consolidated loss reached LTL 12 million (including the reappraisal of stock of LTL 3 million in the end of 2008). The main reasons of loss were decreased prices of dairy products due to the excess of production in the Europe, the reappraisal of stock and onetime expenses because of the acquisition of Kelmes pienine AB and its integration into the group of companies.

The Company expects that the results of the year 2009 will be more successful and the company will earn small profit because of lower price of raw milk compared with the price of year 2008 and because of significantly reduced expenses of production, management and administration.

The number of employees of the Company has been increasing and by the end of the year 2008 the number of employees reached 712:

- ✓ Vilkyskiu pienine AB – 427 employees;
- ✓ Modest UAB – 139 employees;
- ✓ Kelmes pienine AB – 146 employees.

In the year 2008 in Taurage Modest UAB introduced a new Mozzarella cheese production line.

As the economics is slowing down, the Company searches for new markets and orients into the production of products with higher added value. In the year 2008 the Company started working in the markets of the new EU member-countries and in the markets of Scandinavia and the Balkans.

In the nearest future the Company plans to automate the processes of production, to increase its capacities, to strengthen the department of sales, to introduce new means of marketing and to develop the products of fresh milk. Moreover, the Company plans purposeful transfer from the production of industrial cheese to brand cheese (having unique trade mark), to strengthen the trade marks of the Company and of certain products in Lithuanian and in foreign markets by expanding the assortment with new exceptional types of cheese.

In 2009 the situation will remain indistinct in the market: fluctuations of currencies, economic depression and the lack of plans how to survive during the hard times may present unpleasant surprises. However, after the performed internal reconstruction in the Company and because of properly chosen strategy the events of the future should not make any significant influence on the activity of the Company.

The successful year 2007 was followed by depression in milk markers of the EU in the year 2008 because of economic situation in the world's markets: overproduction of milk production, decreasing prices of milk and dairy products, reduction of demand. In the year 2008 the prices of dairy products reached historical depression. From 2007 till the middle of 2008 worldwide prices of dairy products have decreased more that by 60 percent and have reached the level of the years 2004-2005. Due to this reason the processors of dairy products had accumulated a lot of stock in their storehouses because they did not want to suffer higher losses. Moreover, the majority of companies aimed at minimizing their expenses of activity by reducing the number of employees, salaries and by limiting other expenses that are not related directly with the production.

The fall of prices in 2008 was determined not only by the slowdown of economy but also by favourable natural conditions. Compared with New Zealand, which was devastated by drought in 2007, Lithuanian farmers succeeded to grow relatively good harvest and reached high milk yield and these conditioned overproduction and significant growth of supply in the year 2008.

In order to rectify the formed situation, European Commission has revived export subsidies for some dairy products. Cheese export subsidies were established by the limit of 200 EUR/t. The participants of the market expected higher subsidies, however, the set subsidy level should be sufficient for the prices of diary products to reach the former levels. Moreover, there has been created the system of intervention warehouse where it is planed to store 108 thousand tones of skim milk and 30 thousand tones of butter. Presumptively these volumes, in case of necessity, will be increased.

Summarizing it could be stated that the reduction in milk production, actions of the EU institutions and inducement of intervention purchases will strike a balance between the demand and supply of production, whereas the prices of production, which have not been falling lately, demonstrates the period of stability or even the first signs of recovery. Milk processing is one of the branches of industry which will recover foremost as soon as the first signs of recovery in world economy appear.

Gintaras Bertašius

II GENERAL INFORMATION ABOUT THE ISSUER

1. Accounting period for which the annual report has been prepared

The report has been prepared for the year 2008.

Acquaintance with statement and other documents

Acquaintance with statement and other documents, which have been used for the preparation of the statement, is possible at Vilkyškių Pieninė AB, the address of which is Vilkyškiai, Pagėgių municipality, on weekdays from 8.00 to 16.30, and on the internet site of Vilkyškių pieninė AB, the address of which is: http://www.cheese.lt/investuotojams.
Mass communication: daily newspaper "Lietuvos Žinios" (*The News of Lithuania*).

Persons responsible for information presented in this financial statement:

General Director of Vilkyškių Pieninė AB - Gintaras Bertašius, tel. (8 441) 55330,
fax (8 441) 55242.
Finance Director of Vilkyškių Pieninė AB - Vilija Milaševičiutė, tel. (8 441) 55102,
fax (8 441) 55242.

Financial statement in accordance with the information presented by the representatives of the Issuer has been prepared by:

Financial Broker Company Orion Securities UAB, A. Tumėno g. 4B, LT-01109 Vilnius, tel. (8 5) 2603969, fax (8 5) 2313840. Representative – Analyst of Finances Jonas Narbutas.

2. Main data about the Issuer

Vilkyskiu pienine AB

Name of the Issue	Public Limited Company Vilkyskiu pienine (hereinafter referred as to the Company or Issuer)
Authorized capital	LTL 11 943 000
Registered office	Vilkyskiai, Pagegiai municipality
Telephone number	8-441 55330
Fax number	8-441 55242
E-mail address	centras@cheese.lt
Legal – organizational form	public limited company
Date and place of registration	The 10th of May 1993
Date and place of re-registration	The 30th of December 2005, Taurage Subsidiary of State Enterprise Center of Registers
Registration No.	060018
Code in the Register of Enterprises	277160980
Internet address	http://www.cheese.lt; http://www.suris.lt

Modest UAB

Name of the subsidiary	Private Limited Company Modest (hereinafter referred as to Modest UAB)
Authorized capital	LTL 128 408
Registered office	Gaures 23, Taurage
Telephone number	8-446 72693
Fax number	8-446 72734
E-mail address	modest@cheese.lt
Legal – organizational form	Private Limited Company
Date and place of registration	The 25th of March 1992
Date and place of re-registration	The 29th of December 2007, Taurage Subsidiary of State Enterprise Center of Registers
Registration No.	121313693
Code in the Register of Enterprises	277160980
Internet address	http://www.cheese.lt; http://www.suris.lt

Kelmes pienine AB

Name of the subsidiary	Public Limited Company Kelmes pienine ((hereinafter referred as to Kelmes pienine AB)
Authorized capital	LTL 2 494 808
Registered office	Raseiniu str. 2, LT-86160 Kelme
Telephone number	8-427 61246
Fax number	8-427 61235
E-mail address	kelmespienine@takas.lt
Legal – organizational form	Public Limited Company
Date and place of registration	The 3rd of August 1993, Siauliai Subsidiary of State Enterprise Center of Registers
Date and place of re-registration	04/07/2007 (new certificate was issued)
Registration No.	110109
Code in the Register of Enterprises	162403450
Internet address	http://www.cheese.lt; http://www.suris.lt

3. Nature of the Issuer's core business

Core business of Vilkyskiu pienine AB is the production of dairy products.

The Group of Companies also produces fermented cheese, melted cheese, curd, butter, cream, scalded cream and other fresh dairy products. The Company also processes whey.

4. Contracts with intermediaries of the public circulation of securities

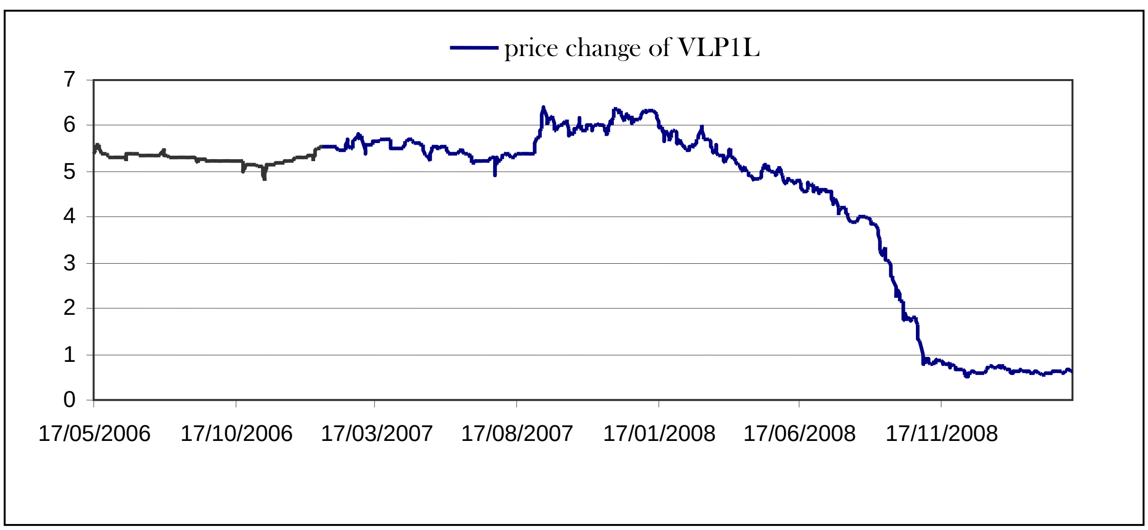
Vilkyskiu pienine AB has entered into the contract of service with Financial Broker Company Orion Securities UAB (address: A. Tumeno g. 4, B korp., LT-01109, Vilnius) on the record of shareholders of Vilkyskiu pienine AB.

On the 15th of October 2007 Vilkyskiu pienine AB entered into the contract with Financial Broker Company Orion Securities UAB on the market making.

5. Trading in the Issuer's securities on the regulated markets

Trading in ordinary registered shares of Vilkyskiu pienine AB on Vilnius Stock Exchange:

Period		Price, LTL		Turnover, LTL	
From	To	Max	Min	Max	Min
17/05/2006	31/09/2006	5.82	4.80	647.808	0.00
01/10/2006	31/12/2006	5.30	4.76	360.722	0.00
01/01/2007	31/03/2007	5.82	5.20	126.233	0.00
01/04/2007	30/06/2007	5.70	5.01	380.555	0.00
01/07/2007	30/09/2007	6.50	4.80	3.621.100	0.00
01/10/2007	31/12/2007	6.70	5.75	637.638	0.00
01/01/2008	31/03/2008	6.40	5.00	1 507.303	0.00
01/04/2008	30/06/2008	5.52	4.51	237.964	0.00
01/07/2008	30/09/2008	4.75	2.05	324.605	0.00
01/10/2008	31/12/2008	2.50	0.52	69.650	0.00
01/01/2009	31/03/2009	0.79	0.52	241.806	0.00
01/04/2009	07/04/2009	0.68	0.60	16.320	0.00



Securities that do not signify the participation in the authorized capital

Securities, which do not signify the participation in the authorized capital but the circulation of which is regulated by the Law on the Market of Securities of the Republic of Lithuania, have not been issued.

Secondary circulation of securities of the Issuer

Securities issued by the company have been included into the Current Trade List of Vilnius Stock Exchange since the 17th of May 2006. ISIN code of securities is LT0000127508.

From the 1st of January 2008 shares of Vilkyškių pieninė AB have been quoted in the Official List of Vilnius Stock Exchange.
The name of securities: Ordinary Registered Shares of Vilkyskiu pienine AB. The number of securities: 11 943 000 units. Nominal value of one share is LTL 1.00.

III INFORMATION ABOUT THE ISSUER'S ACTIVITIES

6. Legal basis for the Issuer's activities

In conducting its business Vilkyskiu pienine AB follows the legislation of the Republic of Lithuania, government's resolutions and regulatory enactments, which regulates the activity of companies, Law on Securities Market of the Republic of Lithuania, and Articles of Association.

7. Brief description of the Issuer's history

The history of Vilkyskiai dairy was renewed on the 10th of May 1993 when public company Vilkyskiu pienine was established in the dairy premise, which was build in 1934. The old dairy had implemented its production till 1985. During the period of dairy's closure all equipment were disassembled. The buildings were privatized and the owners of the dairy brought the first machinery from Eastern Germany where the restructurization of milk industry took place at that time.
The company had no initial capital. The company started operating as the owners of the company purchased the buildings. The company borrowed the needed circulating assets from banks.

Material events in the history of the Issuer

On the 2nd of November **1993** water tower, boiler-house and separation workshop were rebuilt. Since then the company started separating milk.

On the 15th of June **1994** cheese workshop started operating. The company started producing fat-free fermented cheese *Peptatas*.

In the beginning of June **1995** butter workshop was launched.

Afterwards the development of the company has accelerated. In 1997 the cheese workshop of the company started producing *Tilsit* type fermented cheese and in February 1998 *Gouda* type fermented cheese.

In **1997** LTL 2.87 million were invested into the company, LTL 0.5 million of which where used for the repair of the company. The company built the following: a modern boiler-house of Danish company BWE, a modern freezing chamber of Dutch company, where 400 tones of production can be stocked and warehoused, and a substation. The company also installed a computer network.

In **1998** nearly LTL 1.5 million were invested into motor transport, buildings, milk refrigerators, production equipment, new cheese workshop and other main installations.

In **1999** nearly LTL 8.5 million were invested. Almost all investment was used for the implementation of the project of new cheese production workshop (“Tetra Pak Tebel”).

In the same year the company started producing fermented cheese “Zemaiciu”, butter blend “Saules vaises” and fermented cheese “Tilziukas” with spice additives. That cheese won the golden medal at the international exhibition AgroBalt’1999 and became Lithuanian product of the year.

In **2000** the company started producing fermented cheese of “Maasdam” type. In 2001 cheese “Maasdam” won the golden medal at the international exhibition “AgroBalt“. Moreover, in 2000-2001 attractive inexpensive fermented cheeses “Kursiukas”, “Taupa” and “Sumustiniu” were offered to the consumers. During the period of fourteen years of company’s operation, the company has created entire necessary service infrastructure (mechanical workshop, automobile centre (50 automobiles), milk freezing equipment, zone of raw material purchase), has changed or additionally bought all the equipment of the dairy, has built new workshops.

In 2000 LTL 3.84 million were invested into the construction of new workshops and into the major repairs. The company finished installing new fully computerized and automated technological line of cheese production, the installation of which provided the company with the possibility to produce western standards corresponding production and to export it to the European Union.

In May of the same year the company received Export Licence to the European Union.

In June **2001** the company acquired Taurage workshop form Mazeikiai subsidiary of Pieno zvaigzdes AB. Taurage workshop is situated about 20 km form Vilkyskiai town. This workshop was built in 1965 as a creamery and it corresponds with all raised requirements. The workshop is consisted of milk collection division, milk separation division, two cheese workshops, ripening workshop, prewrap workshop, mechanical workshop, automobile centre for the transportation of milk, raw milk zone as well as all other necessary service infrastructure – refrigeration, steam and air.

The company started building ripening workshop and cleaning equipment.

In the end of the year 2001 the company started producing mould cheese in Taurage workshop.

In **2003** the company reconstructed freezing chamber.

In **2004** the company carried out roof reconstruction and repair of buildings.

In 2003 -2004 the company additional invested in the infrastructure of milk production. The company built new stations of milk purchase and bought modern transport for milk transportation.

In 2004 the company built new modern waster water treatment plant of Dutch company “New Water Technology”, which corresponds with the EU requirements. In the same year the company invested in the equipment of cheese packing and wrapping.

Ammonia freezing compressor was reconstructed.

In **2005** the company reconstructed the boiler-house of Taurage workshop by changing the type of fuel.

In January **2006** the Issuer acquired 80.25 percent of Modest UAB shares. According to the decision No. 1S-3 made by the Competition Board on 12/01/2006, the Issuer has a right to acquire up to 100 percent of Modest UAB shares.

At present the Issuer owns 87 percent of Modest UAB shares in total.

9 353 000 ordinary registered shares of Vilkyskiu pienine AB have been quoted in the Current Trade List of Vilnius Stock Exchange since the 17th of May 2006. Since 01/01/2008 the shares are quoted in the Official Trade List of Vilnius Stock Exchange.

In June **2007** up-to-date whey processing workshop of Vilkyskiu pienine AB started operating. Vilkyskiu pienine AB received the support of LTL 3.45 million from the European Union Structural Funds for the modernization of cheese production workshop and whey processing project. Investments provided the company with possibility to increase far better the effectiveness of production and production quality control, moreover, it allowed effective reduction of waste.

In 2007 Modest UAB, which is owned by Vilkyskiu pienine AB, was provided with the support of LTL 2.1 million from the European Union Structural Funds. Modest UAB has renewed specialized transport fleet of milk and dairy products.

In 2008 Vilkyskiai boiler-house was reconstructed and the company started building cheese ripening workshop.

In March **2008** Vilkyškių pieninė AB received the permission from the Competition Board to acquire 99.09 percent of shares of Kelmės pieninė AB and of its daughter-enterprise Kelmes pieno centras. Vilkyškių pieninė AB successfully distributed new emission of shares of 2.6 million, which was intended for the financing of this acquisition.

Financial brokerage company Finasta investicijų valdymas UAB, SEB funds and a private investor Linas Strėlis have acquired the new emission of shares and have become the shareholders of the company. The shareholders have acquired the shares for LTL 5.40 per share and the total value of new emission reached LTL 14 million. After the new emission of shares the authorized capital of Vilkyškiai pieninė AB increased to LTL 11.943 million.

On 28/04/2008 Vilkyškių pieninė AB finally finished the transaction of the acquisition of Kelmes pienine AB and took an ownership to 99.09 percent of company's shares. The Group of Vilkyskiai now consists of four companies: Vilkyskiu pienine AB, Modest UAB, Kelmes pienine AB and Kelmes pieno centras UAB.

In 2008 Modest UAB introduced a new production line of Mozzarella cheese. The value of the project reaches about LTL 4 million, LTL 1.5 million of which is the support of the European Union.

8 The activity of the Issuer

The main activity of the Issuer is the production of dairy products.

Vilkyskiu pienine AB specializes in the production of fermented cheese. The company also produces scalded cream and processes whey. Modest UAB produces melted cheese, smoked cheese, Mozzarella cheese. Kelmes pienine AB produces fresh dairy products – various curd products, cream, butter, butter blends.

Cheeses are produced according to the old Lithuanian ("Tilze" – *Tilsit* type cheese), worldwide ("Maasdam", „Gouda", „Edam") and original ("Prusija" – *Prussia*) recipes. Cheeses "Tilziukas" with spice additives (in 1999) and "Maasdam" (in 2001) won gold medals of the best product of the year at the international exhibition "AgroBalt".

After the investment in the automation of production in 2006, the productive capacity of the Issuer in Vilkyskiai workshop (excluding Modest UAB) increased up to 31 tone of cheese per twenty four hours. Taurage workshop is capable to produce 10 tones of cheese per twenty four hours. However, maximum productive capacity is limited by the lack of raw milk in winter season (in winter the amount of purchased milk is several times lower that in summer).

In total Vilkyskiu pienine AB produces even 13 types of cheeses of 56 different names plus butter and butter blends of 13 names, sour cream of 5 names and curd products of 17 names.

After 2002 year crisis in milk sector the volumes of milk purchase and production of the Issuer have been increasing rapidly. The increase has been highly accelerated by Lithuania's membership in the EU, which started in 2004

In 2008 the increase in group's income on sale was determined by the incorporation of Kelmes pienine AB to the group of companies.

Tables bellow summarizes consolidated key indicators of production and trade volumes of the Issuer.

During the last five years the amount of milk purchased by Vilkyskiu pienine AB was as follows:

Purchase of raw milk (recalculated into base fatness)	2005	2006	2006 (consolidated)	2007 (consolidated)	2008 (consolidated)
Purchased milk, in tons	94.852	122.016	126.707	105.638	139.705
Purchased milk, in thousand LTL	56.180	73.134	75.592	75.619	95.603
Price of purchased milk, in LTL/t	592,3	599,4	596,6	715,8	684,0

Within the period of last five years the distribution of production Vilkyskiu pienine AB according to product type was as follows:

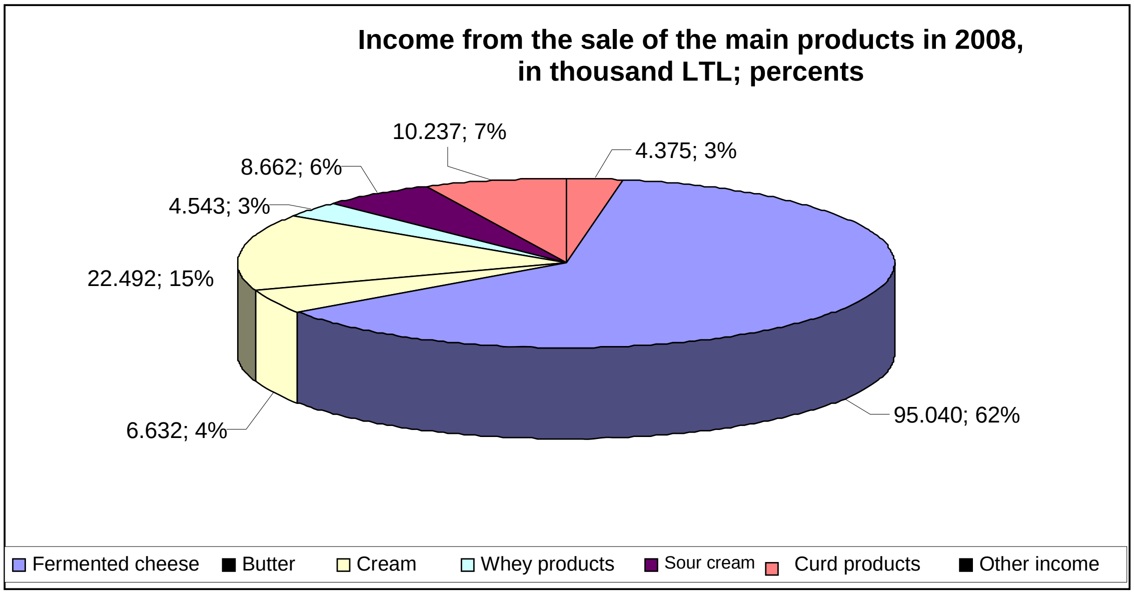
Amount of the main produced products, expressed in tons	2005	2006	2006 (consolidated)	2007 (consolidated)	2008 (consolidated)
Fermented cheese	8.293	10.204	10.341	8.317	10.710
Butter	1.247	587	587	630	749
Cream	2.090	4.831	4.831	5.499	5.774
Sour cream					2.150
Curd products					1.618

Within the period of last five years the distribution of sold production of Vilkyskiu pienine AB according to product type was as follows:

Amounts of sold main products, expressed in tons	2005	2006	2006 (consolidated)	2007 (consolidated)	2008 (consolidated)
Fermented cheese	7.969	9.472	9.620	8.610	9.265
Butter	1.380	608	608	600	869
Cream	2.090	4.831	4.831	5.564	5.641
Sour cream					2.150
Curd products					1.618

Within the period of last five years income of Vilkyskiu pienine AB from sold production according to product type distributed as follows:

Income on sold main products, expressed in LTL thousand	2005	2006	2006 (consolidated)	2007 (consolidated)	2008 (consolidated)
Fermented cheese	71.391	86.491	88.141	86.193	95.040
Butter	8.287	3.502	3.502	4.127	6.632
Cream	8.893	19.454	19.454	32.436	22.492
Whey products			1.975	6.533	4.543
Sour cream					8.662
Curd products					10.237
Other income	3.138	2.105	2.647	6.985	4.375
Total income	**91.709**	**111.552**	**115.719**	**136.274**	**151.981**



Vilkyskiu pienine AB constantly invests in the creation of new products and in the development of existing ones. In 2008 special attention was paid on the development of product assortment of Kelmes pienine AB and for the improvement of present ones.

On the 22nd of February 2006 Secretary of the State of the Ministry of Agriculture signed the decree on the basis of which Vilkyskiu pienine AB was provided with the support of LTL 3.45 million from the Structural Funds of the European Union. The support will be used for the project "Implementation of EU Requirements and Modernization of Production Base".

The company finished the first stage of the project, which is the modernization of cheese production technologies, in 2006. During the period of modernization, which lasted for more than a half of the year, the workshop of Vilkyskiai dairy has been expanded highly: the company equipped two new cheese production machines, three new pressing lines, a buffer container, and a new washing station of technological lines of cheese. Salting workshop and the processes of shipment and discharge from container have been automated as well. As the company finished the modernization of the creamery, the maximum productive capacity of the company increased from 10 to 14 thousand tones of cheese per year.

In the beginning of 2007 the company implemented the second stage of modernization – the project of whey processing. While implementing the second stage of the EU supported project, the remaining part of investment was used for the acquisition of whey processing equipment.

In the beginning of 2006 the company acquired the controlling block of shares of Modest UAB. At present Vilkyskiu pienine AB owns 87% of shares of Modest UAB in total. This capacitated the Issuer to supplement its assortment with "Mozzarela" type cheese.

On the 10th of August 2006 Modest UAB and National Paying Agency under the Ministry of Agriculture concluded the contract on the provision of Modest UAB with the support of LTL 2.12 million from the European Union Structural Funds.

In June 2007 up-to-date whey processing workshop of Vilkyskiu pienine AB started operating. Total value of whey processing workshop of Vilkyskiu pienine AB amounts to more than LTL 8 million. Vilkyskiu pienine AB received the support of LTL 3.45 million from the European Union Structural Funds for the modernization of cheese production workshop and whey processing project. The first part of support of LTL 1.2 million was received in 2007, and the remaining part of support will be received by the middle of the year 2009. Investments provided the company with possibility to increase the effectiveness of production and production quality control, moreover, it allowed effective reduction of waste. Until now the company had not processed whey by itself. The newly opened whey processing workshop is almost fully automated, only two employees work there.

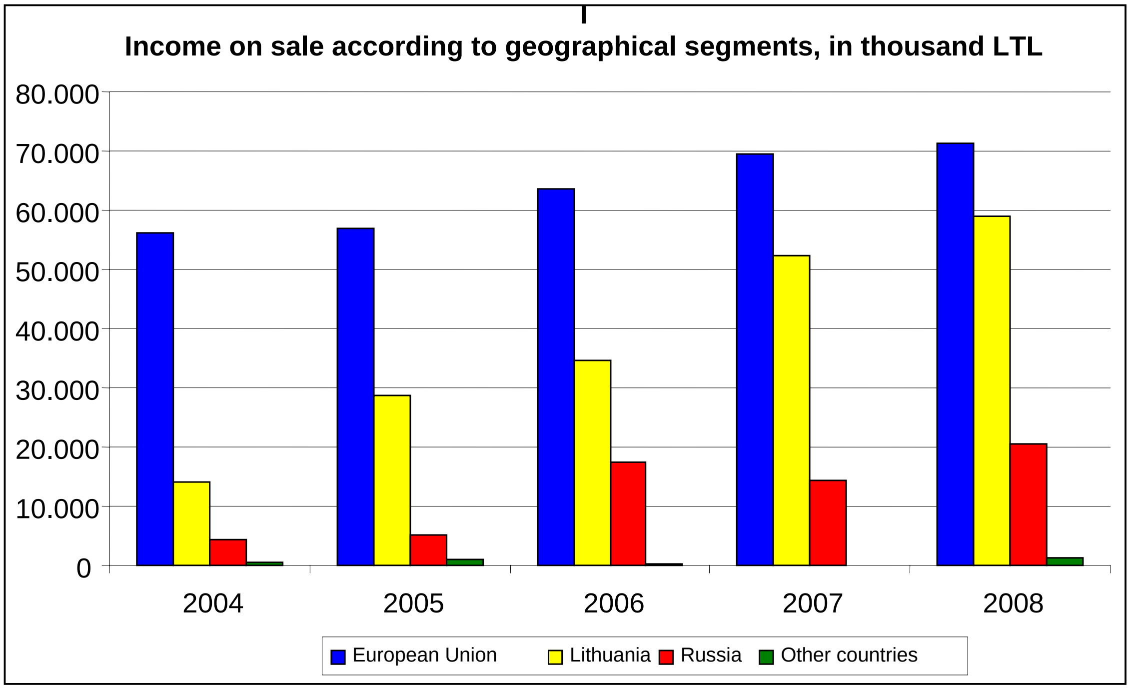
Modest UAB, which is owned by Vilkyskiu pienine AB, was provided with the support of LTL 2.1 million from the European Union Structural Funds. In 2007 Modest UAB renewed specialized milk and dairy products transport fleet. The company modernized production processes by launching new technologies of milk processing and modern production-packaging line of "Mozzarella" cheese, which is the main product produced by the company. These plans correspond with strategy of higher value added products production of the Group of Companies of AB Vilkyskiu Pieninė. The support form the EU Structural Funds will comprise 44% of all project value of Modest UAB. The company received the first part of support in the beginning of the year 2008 and the second part of support the company received in the beginning of the year 2009.

9. Sale markets

Consolidated income of Vilkyskiu pienine AB within the period of last 5 years according to the regions distributed as follows:

Sale income according to the geographical segments, expressed in LTL thousand

Market	2004	2005	2006	2007	2008
European Union	56 059	56 863	63 559	69 594	71 238
Lithuania	13 998	28 718	34 713	52 367	58 938
Russia	4 440	5 148	17 310	14 279	20 630
Other countries	605	980	137	34	1 175
Total	75 102	91 709	115 719	136 274	151 981



Vilkyskiu pienine AB sells its production in Russian market by concluding long-term trade contracts. In the countries of the EU the major part of the production is sold on the basis of short-term trade contracts. In Lithuanian market validation period of contracts varies, but it is not shorter than one year.

10. Supply

The main raw material used for the production of products of Vilkyskiu pienine AB is raw cow milk. The major suppliers of milk are small and big farmers, agricultural companies and other companies of milk purchase. Vilkyskiu pienine AB usually purchases milk on the basis of typical milk purchase contracts, prepared by Vilkyskiu pienine AB itself. Contacts with milk suppliers are concluded for a period of one year or for a longer period.

The company purchases other raw materials mostly in Lithuania. The amount of raw material purchased form foreign countries is small. The company usually purchases equipment from foreign countries. Contracts usually are concluded for a period of one year. However, the company performs the accidental transactions as well.

Sometimes Vilkyskiu pienine AB purchases raw milk form its direct competitors in Lithuania, including Marijampoles pieno konservai UAB, Rokiskio suris AB and Pieno zvaigzdes AB, Zemaitijos pienas.

11. Real estate and other main means

Statement of changes in long term assets is presented in the annual accounts.

12. Risk factors related to the activity of the Issuer

The major risk factors related to the activity of the Group of Companies of Vilkyskiu pienine AB is as follows:

Risk factors related to Company's business

- The main Company's activity is milk processing. The main factors creating business risk are possible changes in the raw material and product markets, as well as legal, political, technological and social changes, which are directly or indirectly related to the business of Vilkyskiu pienine AB and which are likely to affect Company's cash flows and operating results.

- The Company is specializing in the production of cheese. The largest part of its income is received from the sale of cheese and cheese products. Due to this reason company's income and profit is sensitive to negatives changes in demand and (or) in cheese prices in the market (market risk). The price of cheese can also be negatively affected by the competition in the international and in local cheese market.

- The main raw material of the company is cow milk. The amount of milk sold to the milk producers of the European Union for processing is limited by the national milk quotas. The limitation of raw material supply may influence the lack of raw material and the increase of raw material prices. These changes can negatively affect Company's cash flows and operating results.

- Production of fermented cheese is a time consuming process which can take from 1 to 3 months. Such production particularity does not allow reacting quickly to rapid changes in the cheese market and this can negatively affect Company's cash flows and operating results.

- Company's business (especially milk collection and its transportation together) is a labor intensive process. Shortage in labor force and growth in salaries can negatively affect Company's potential of growth and operating results.

- Company's credit risk is related to receivable amounts of trade. The risk that business partners would not meet their financial obligations is controlled by established procedures of control. Credit risk, related to cash held in banks, is limited because the Company works only with the largest Lithuanian banks (mainly with AB SEB Bankas). On the 31st December 2008 the ratio of all liabilities and all property was equal to 0.77. The interest rate of all major loans is related to EUR LIBOR ratio of interest rate. On the 31st of December 2008 the balance of financial loans was LTL 70 547 thousand. Loans are denominated in EUR. The loans are repaid in accordance with the schedule, no overdue payments are present. Risk of currency exchange. Operations with foreign currency are evaluated in LTL according to the exchange rate of operation date. Cash and liabilities denominated in foreign currency are evaluated in LTL applying exchange rate of the balance sheet formation date. Profit or loss from the currency exchange fluctuation is accounted in the profit (loss) statement. The main part of Company's income is received in EUR. The Company does not carry out such foreign currency transactions that could significantly affect Company's financial results due to exchange rate fluctuation.

Risk factors related to the Company's branch of industry

Agricultural sector (including milk production) is highly regulated in the countries of the European Union. A price level of raw milk is regulated through limitation of its supply for processing and consuming, using interventional purchases of milk products and applying import duties for dairy products imported form non-EU countries, export subsidies for dairy products exported to non-EU countries, and invoking other interventional means. The World Trade Organization and other organizations, which support free trade, incite to reduce the level of regulation in the agricultural sector of the EU. The liberalization of milk sector can reduce price of raw milk and dairy products, reduce export subsidies of dairy products, increase import of dairy products, and increase competition in the market of dairy products among non-EU countries. These changes can negatively affect Company's cash flows and operating results.

Dairy products are produced using raw materials of animal origin. Cattle infections (for example, mad cow disease) can negatively affect supply of raw milk for the production of dairy products and reduce the demand for dairy products because of fear of disease. These changes can negatively affect Company's cash flows and operating results.

13. Termination or reduction of production, which has had a material impact on the Issuer's operating results within the last 2 fiscal (business) years

Vilkyskiu pienine AB has not faced with such termination or reduction of production within the last 2 years.

14. The main investments of Vilkyskiu pienine AB during the last 4 years:

In 2005 there were no big investments' projects which would exceed 10 percent of the authorized capital of the Issuer.

In 2006 the Issuer invested LTL 3,487.6 thousand in the modernization of cheese workshop, LTL 2,927 thousand of which were borrowed, and LTL 560.6 thousand is own asset.

In 2007 Vilkyskiu pienine AB invested about LTL 7 million in whey processing workshop, 1.3 million litas in milk collection equipment and LTL 0.5 million in packaging and vacuum equipment.

In 2008 Modest UAB introduced a new production line of Mozzarella cheese. The value of the project reaches about LTL 4 million, LTL 1.5 million of which is the support of the European Union.

In 2008 Vilkyskiai boiler-house was reconstructed and the company started building cheese ripening workshop.

15. Patents, licences, contracts

On the 8th of May 2000 the company received Export Licence to the European Union which provided the company with the right to export its production to the European Union. The company has introduced quality management programme (Hazard Analysis Critical Control Points System).

On the 14th of October 2004 inspection due to the conformity with the requirements and certification of production to Russian market was carried out. Certification experts form Russian National Veterinary Inspectorate carried out the inspection.

On the 18th of May 2004 Taurage workshop of Vilkyskiu pienine AB was issued EU veterinary certificate.

The company is constantly advised on the issues of product certification in Russia by O. B. Jarymova and L. N. Matiusheva (О.Б. Ярымова, Л.Н. Матюшева), who work in Kaliningrad Centre of Standardization, Metrology and Certification. The analysis of technological process and production shows whether the company works in compliance with rules, standards and requirements and whether the production produced by the company is safe.

In 2007 the main evaluation has been carried out in Vilkyskiu pienine AB in order to receive ISO Certificates of Quality Management and Food Safety Management. These certificates were presented in January 2008.
ISO 9001 Standard of Quality Management specifies requirements for quality management systems, including documentation requirements and requirements for processes of planning, management of recourses, product realization, measurement, analysis and improvement. This certificate demonstrates that a company is capable of managing and improving the quality of its supplied products and services, and its production meets with requirements of customers and law.
ISO 22000 Standard of Food Safety Management System demonstrates that food safety risk is identified, measured and controlled in the entire food management chain of Vilkyskiu pienine AB. This current certificate aims at ensuring food safety within the entire chain of food production and supply in order to ensure that food is safe at the time of human consumption. This standard is applied to all types of organizations within the food chain, i.e. for producers of food and food packages.

In May and in November 2008 ISO audits were carried out. It was established that the company meets the requirements of ISO 9001:2000 and ISO 22000:2000.

16. Litigation and arbitration processes

The processes of litigation and arbitration are not proceeded in Vilkyskiu pienine AB.

17. Competitors

Basing on the calculation of Vilkyskiu pienine AB, the company holds about 15 percent of Lithuania's cheese market, i.e. it takes the fourth place among the producers, after Rokiskio suris AB, Pieno zvaigzdes AB and Zemaitijos pienas AB. The company holds about 9% of Lithuania's market among the producers of fresh dairy products.

In foreign markets Vilkyskiu pienine AB has to compete with local producers, whose advantage is lower transportation expenses. However, Vilkyskiu pienine AB compensate this fact by offering higher value added cheese assortment.

18. Dividends paid

Vilkyskiu pienine AB has no preferred shares, thus dividends are paid only for ordinary registered shares.

The payment of dividends within the last 5 years:

Dividends	2004 (for 2003)	2005 (for 2004)	2006 (for 2005)	2007 (for 2006)	2008 (for 2007)
Dividends (in LTL)	0	1,177,000	2,500,000	2,057,660	2,030,310
Amount of dividends per share (in LTL)	0	0.13	0.27	0.22	0.17
Number of shares	99,500	99,500	9,353,000	9,353,000	11,943,000

Modest UAB has not paid dividends within the last 5 years.

Kelmes pienine AB has not paid dividends during the period of 2004-2007. In 2008 Kelmes pienine AB sold its owned shares of Agrowill AB and paid LTL 15 251 thousand of dividends. The dividends have been paid before Vilkyskiu pienine AB acquired Kelmes pienine AB.

IV OTHER INFORMATION ABOUT THE ISSUER

19. Structure of the Issuer's authorized capital

Type of shares	Number of securities	Nominal value (in LTL)	Total nominal value (in LTL)	ISIN code
Ordinary registered shares	11 943 000	1,00	11 943 000	LT0000127508

Structure of the authorized capital of Modest UAB

Type of shares	Number of securities	Nominal value (in LTL)	Total nominal value (in LTL)
Ordinary registered shares	128 408	1,00	128 408

Structure of the authorized capital of Kelmes pienine AB

Type of shares	Number of securities	Nominal value (in LTL)	Total nominal value (in LTL)
Ordinary registered shares	2 494 808	1,00	2 494 808

20. Restrictions to transfer the securities

There are no restrictions to transfer the securities.

21. Shareholders

Vilkyskiu pienine AB

Total number of shareholders was 695 on the 31st of December 2008. The following were the major shareholders who had an ownership or held more than 5 per cent of Company's share capital:

Shareholders	Shares	Nominal value in LTL	Total value in LTL
Gintaras Bertašius	6 016 506	1	6 016 506
Hansabank clients	563 964	1	563 964
SEB clients	2 673 606	1	2 673 606
Linas Strėlis	1 015 000	1	1 015 000
Other small shareholders	1 673 924	1	1 673 924
Capital in total	**11 943 000**	**1**	**11 943 000**

Modest UAB

Shareholders	Shares	Nominal value in LTL	Total value in LTL
AB Vilkyškių pieninė	111 207	1	111 207
Other small shareholders	17 201	1	17 201
Capital in total	**128 408**	**1**	**128 408**

Kelmes pienine AB

Shareholders	Shares	Nominal value in LTL	Total value in LTL
AB Vilkyškių pieninė	2 472 122	1	2 472 122
Other small shareholders	22 686	1	22 686
Capital in total	**2 494 808**	**1**	**2 494 808**

22. Basic characteristics of shares issued into public circulation of securities

Securities issued by the company have been included into the Current Trade List of Vilnius Stock Exchange since the 17th of May 2006. ISIN code of securities is LT0000127508.

In December 2007, as the company submitted the request to Vilnius Stock Exchange, company's securities were allowed to be included in the Official Trade List form since 1st of January.

The name of securities: Ordinary Registered Shares of Vilkyskiu pienine AB.

The number of securities: 11 943 000 units. Nominal value of one share is LTL 1.00.

In 2008 the authorized capital of the Company was increased up to LTL 11,943 thousand.

Period		Price, LTL			Turnover, thou LTL			Total turnover		Capitalization, LTL
From	To	Max	Min	Last	Max	Min	Last	Units	LTL	
17/05/2006	20/04/2007	5.82	4.80	5.70	647.8	0	0	531 126	2 821 828	53 310 000
01/01/2007	31/03/2007	5.82	5.20	5.70	126.2	0	0	56 635	312 038.6	53 312 000
01/04/2007	30/06/2007	5.70	5.01	5.20	380.5	0	20.4	167 957	930 576.2	48 635 600
01/07/2007	30/09/2007	6.50	4.80	5.90	3.621.1	0	25.6	1 647 863	9 163 708.7	55 182 700
01/10/2007	31/12/2007	6.70	5.75	6.20	637.6	0	1.8	455 408	2 762 468.4	57 988 600
01/01/2008	31/03/2008	6.40	5.00	5.30	1 507.3	0	12.3	693 973	3 848 098.2	63 297 900
01/04/2008	30/06/2008	5.52	4.51	4.70	237.9	0	15.5	244 910	1 209 573.1	56 132 100
01/07/2008	30/09/2008	4.75	2.05	2.26	324.6	0	3.1	245 700	912 782.9	27 468 900
01/10/2008	31/12/2008	2.50	0.52	0.6	69.6	0	0	731 354	696 019.0	5 971 500
01/01/2009	31/03/2009	0.79	0.52	0.62	241.8	0	0.5	1 040 145	660 301.9	7 165 800
01/04/2009	07/04/2009	0.68	0.60	0.63	16.3	0	3.4	51 189	32 633.9	7 165 800

23. Shareholders who have special rights of control

There are no shares which would provide the shareholders with special rights of control.

24. Voting right restrictions

There are no restrictions of voting right.

25. Interagreements of shareholders which are known to the Issuer and due to which transfer of securities and voting right may be restricted

There are no interagreements of shareholders which are known to the Issuer and due to which transfer of securities and voting right may be restricted.

26. Employees

Average salary according to certain work groups of employees is as follows:

Department	2006		2007		2008	
	Average number of employees	Average salary	Average number of employees	Average salary	Average number of employees	Average salary
The Management	44	3070.39	51	3200.18	**96**	**3028.45**
Operating personnel	54	1183.88	51	1460.24	**85**	**1684.87**
Transport Department	75	1348.00	78	1703.25	**91**	**2045.26**
Purchase of Raw Materials	116	942.14	120	825.05	**116**	**1023.11**
Production Department	213	908.70	207	1215.97	**265**	**1387.48**
Total:	502	879.44	507	1429.40	**653**	**1724.15**

27. Order of amendment of the Issuer's Articles of Association

The Issuer's Articles of Association can be amended during the General Meeting of the Shareholders. Decisions on the amendments of the Articles of Association are considered to be taken if 2/3 of votes of all shareholders are received.

28. Management Bodies of the Issuer

Structure of the Management Board is as follows:

Name, surname	Education, specialty	Position held in the Issuer	Start of cadence	End of cadence	Beginning of work in Vilkyskiu pienine AB
Gintaras Bertašius	Higher education, engineer - mechanic	Chairman of the Management Board, General Director	30/01/2006	30/01/2010	Since 1993, Vilkyskiu pienine AB
Sigitas Trijonis	Higher education, engineer - mechanic	Member of the Management Board, Technical Director	30/01/2006	30/01/2010	Since 1993, Vilkyskiu pienine AB
Rimantas Jancevičius	Further education, zoo - technician	Member of the Management Board, Stock Director	30/01/2006	30/01/2010	Since 1996, Vilkyskiu pienine AB
Ramūnas Šniepis	Higher education, engineer	Member of the Management Board	20/04/2007	30/01/2010	
Linas Strėlis	Higher education	Member of the Management Board	18/04/2008	30/01/2010	
Andrej Cyba	Higher education	Member of the Management Board, representative of Finasta investiciju valdymas UAB	18/04/2008	30/01/2010	

Members of the Managing Bodies:

Name, surname	Education, specialty	Position held in the Issuer	Beginning of work*
Gintaras Bertašius	Higher education, mechanical engineering	Chairman of the Management Board, General Director	01/01/2006**
Vilija Milaševičiutė	Higher *education, economist*	*Directress of Finances*	01/05/2000
Lina Genienė	Higher education, economist of international trade	Chief Accountant	29/09/2008
Sigita Montvilaitė	Further education, accounting	Deputy Chief Accountant	14/12/2006
Rimantas Jancevičius	Further education, zoo-technician	Member of the Management Board, Stock Director	02/01/1996
Sigitas Trijonis	Higher education, mechanical engineering	Member of the Management Board, Technical Director	01/09/1993
Arvydas Zaranka	Further education, technology of dairy products	Production Director	03/07/1995
Arminas Lunia	Higher education, chemical engineering	Sales Director	20/08/2007
Rita Juodikienė	Higher *education, engineer of informatics management*	*Head of the Purchase Department*	23/09/2002
Vaida Bendikienė	Higher *education, pedagogics*	*Head of the Personnel Department*	25/10/2007
Mindaugas Dūda	Higher *education, engineer of informatics*	*Head of IT Department*	01/08/2008
Ina Baltrušienė	Higher education, law	Lawyer	08/10/2007

* None of the labour contracts with the members of the Management Bodies is terminable.
** He has been appointed newly after the reorganization of the Issuer into public company, despite he has been working as a Director of the Issuer since 10/05/1993.

29. List of members of Management Bodies and Management Board of Vilkyskiu pienine AB

Name	Surname	Position held
Gintaras	Bertašius	General Director, Chairman of the Management Board
Sigitas	Trijonis	Technical Director, member of the Management Board
Rimantas	Jancevičius	Stock Director, member of the Management Board
Ramūnas	Šniepis	Member of the Management Board
Linas	Strėlis	Member of the Management Board
Andrej	Cyba	Representative of Finasta investiciju valdymas UAB, member of the Management Board
Arvydas	Zaranka	Production Director
Arminas	Lunia	Sales Director
Vilija	Milaševičiūtė	Finance Director

Members of the Managing Bodies and Management Board of Modest UAB

Name	Surname	Education, specialty	Position held in the Issuer	Start of cadence	End of cadence	Beginning of work in the company
Gintaras	Bertašius	Higher education, engineer - mechanic	Chairman of the Management Board	04/09/2006	30/01/2010	
Arvydas	Zaranka	Further education, technology of dairy products	Member of the Management Board	04/09/2006	30/01/2010	
Albertas	Šlėderis	Higher education, zoo-engineering	Head of Bagaslaviškis Workshop, member of the Management Board	04/09/2006	30/01/2010	15/09/1994
Jonas	Lengvinas	Further education	Director	-	-	16/04/2008
Milana	Buivydienė	Higher education, economics and organization of agriculture	Chief Accountant	-	-	04/07/2006
Jurgita	Laurinatienė	Higher education, technologist of food	Manager of Production	-	-	01/01/2008

Members of the Managing Bodies and Management Board of Kelmes pienine AB

Name	Surname	Education, specialty	Position held in the Issuer	Start of cadence	End of cadence	Beginning of work in the company
Gintaras	Bertašius	Higher education, engineer - mechanic	Chairman of the Management Board	06/05/2008	05/05/2012	
Arvydas	Zaranka	Further education, technology of dairy products	Member of the Management Board	06/05/2008	05/05/2012	
Algirdas	Žukauskas	Higher education, zoo-engineer	Director General	06/05/2008	05/05/2012	04/06/2008
Asta	Širmenienė	Higher education, economist, audit and analysis of economic activity	Directress of Finances			05/11/2008
Edita	Balčiūnienė	Higher education, engineer-technologist	Directress of Production			27/11/2006
Algirdas	Guntarskis	Further education, technician	Technical Director			21/02/2008
Asta	Mikalauskienė	Higher education, economist, finances and banking	Chief Accountant			17/07/2007

Information on participation in the activity of other companies:

Vilkyskiu Pienine AB

Name	Surname	Position held	Other information - shares, participation in the activity of other companies	Number of shares owned in Vilkyskiu pienine AB
Gintaras	Bertašius	Director General, Chairman of the Management Board	Shareholder of Silgaliai UKB (1 share), Chairman of the Management Board of Modest UAB, Chairman of the Management Board of Kelmes pienine AB	6 016 506
Sigitas	Trijonis	Technical Director, member of the Management Board	has no other shares, does not participate in the activity of other companies	425 538
Rimantas	Jancevičius	Stock Director, member of the Management Board	has no other shares, does not participate in the activity of other companies	2 054
Ramūnas	Šniepis	Member of the Management Board	has no other shares, does not participate in the activity of other companies	-
Arvydas	Zaranka	Production Director	Member of the Management Board of Modest UAB, Member of the Management Board of Kelmes pienine AB, has no other shares	1 923

Arminas	Lunia	Sales Director	has no other shares, does not participate in the activity of other companies	-
Andrej	Cyba	Member of the Management Board	Member of the Management Board of Finasta investiciju valdymas UAB	-
Linas	Strėlis	Member of the Management Board		1 015 155
Vilija	Milaševičiūtė	Directress of Finances	has no other shares, does not participate in the activity of other companies	-

Modest UAB

Name	Surname	Position held	Other information - shares, participation in the activity of other companies
Gintaras	Bertašius	Chairman of the Management Board	Shareholder of Silgaliai UKB (1 share), Director General of Vilkyskiu pienine AB, Chairman of the Management Board – 6 016 506 shares owned, Chairman of the Management Board of Kelmes pienine AB
Arvydas	Zaranka	Member of the Management Board	Shareholder of Vilkyskiu pienine AB – 1 923 shares owned, member of the Management Board of Kelmes pienine AB
Albertas	Šlėderis	Member of the Management Board	Has no other shares, does not participate in the activity of other companies
Jonas	Lengvinas	Director of Modest UAB	Has no other shares, does not participate in the activity of other companies
Milana	Buivydienė	Chief Accountant	Has no other shares, does not participate in the activity of other companies

Kelmes pienine AB

Name	Surname	Position held	Other information - shares, participation in the activity of other companies
Gintaras	Bertašius	Chairman of the Management Board	Shareholder of Silgaliai UKB (1 share), Director General of Vilkyskiu pienine AB, Chairman of the Management Board – 6 016 506 shares owned, Chairman of the Management Board of Modest UAB
Arvydas	Zaranka	Member of the Management Board	Shareholder of Vilkyskiu pienine AB – 1 923 shares owned, member of the Management Board of Modest UAB
Algirdas	Žukauskas	Director, member of the Management Board	Shareholder of Džiaugsmelis ŽŪK (1 share)
Asta	Širmenienė	Directress of Finances	Has no other shares, does not participate in the activity of other companies
Edita	Balčiūnienė	Directress of Production	Has no other shares, does not participate in the activity of other companies
Algirdas	Guntarskis	Technical Director	Has no other shares, does not participate in the activity of other companies
Asta	Mikalauskienė	Chief Accountant	Has no other shares, does not participate in the activity of other companies

30. Agreements the parties of which is the Issuer and which would enter into force on the change of Issuer's control

There are no any Agreements the parties of which is the Issuer and which would enter into force on the change of Issuer's control.

V INFORMATION CONCERNING DISCLOSURE OF COMPLIANCE WITH THE GOVERNANCE CODE OF THE COMPANIES

Announcement of Vilkyskiu pienine AB concerning disclosure of compliance with the Governance Code of the companies whose securities were traded on a regulated market in 2008

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

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 constantly presents information related with the development strategy and with the optimization of shareholder value via the information system of the Stock Exchange, on its website (www.suris.lt/investuotojams/), and via agency BNS.
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	All management bodies of the company act in furtherance of the declared strategic objectives.
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	The company has set up the Management Board which acts for the interests of the company's shareholders, is responsible for the strategic management of the company, supervises the activity of the chief executive officer of the company, organizes meetings of the Management Board and cooperates with the management bodies of the company.
1.4. A company's supervisory and management bodies should ensure that the rights and interests of persons other than the company's shareholders (e.g. employees, creditors, suppliers, clients, local community), participating in or connected with the company's operation, are duly respected.	Yes	The company acts in compliance with the provisions that are set in this clause.

Principle II: The corporate governance framework **The corporate governance framework should ensure the strategic guidance of the company, the effective oversight of the company's management bodies, an appropriate balance and distribution of functions between the company's bodies, protection of the shareholders' interests.**		
2.1. Besides obligatory bodies provided for in the Law on Companies of the Republic of Lithuania – a general shareholders' meeting and the chief executive officer, it is recommended that a company should set up both a collegial supervisory body and a collegial management body. The setting up of collegial bodies for supervision and management facilitates clear separation of management and supervisory functions in the company, accountability and control on the part of the chief executive officer, which, in its turn, facilitate a more efficient and transparent management process.	No	The bodies of the company are a general shareholders' meeting, Management Board and chief executive officer (Director General). The company does not set up a supervisory board as a collegial management body. The Management Board is responsible for the supervision of company's activity and management.
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 functions that are indicated in this recommendation are implemented by the Management Board.
2.3. Where a company chooses to form only one collegial body, it is recommended that it should be a supervisory body, i.e. the supervisory board. In such a case, the supervisory board is responsible for the effective monitoring of the functions performed by the company's chief executive officer.	No	The company does not follow this recommendation, where a company chooses to form only one collegial body, as Management Board is the one collegial body. The company does not follow the Recommendation 2.3 of the Governance Code – at present the only collegial body of the company is a management body, not a supervisory one. The management body of the company implements the supervisory functions as well.
2.4. The collegial supervisory body to be elected by the general shareholders' meeting should be set up and should act in the manner defined in Principles III and IV. Where a company should decide not to set up a collegial supervisory body but rather a collegial management body, i.e. the board, Principles III and IV should apply to the board as long as that does not contradict the essence and purpose of this body.[1]	Yes	

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

2.5. Company's management and supervisory bodies should comprise such number of board (executive directors) and supervisory (non-executive directors) board members that no individual or small group of individuals can dominate decision-making on the part of these bodies.[2]	Yes	At present, in accordance with the Articles of Association, the Management Board of the company is composed of 6 members who are appointed for the period of four years. The number of members of the collegial body is sufficient to dominate decision-making. The Management Board of Modest UAB consists of 3 members.
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	In accordance with the Articles of Association, the members of the Management Board are appointed for the period of four years without limiting the number of their terms of office. The Articles of Association provides the company with the possibility to withdraw the whole Management Board or any of its members. The withdrawal of a member of the Management Board should be based on the legislation.
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.	No	The company does not follow the Recommendation 2.7 because the head of the Management Board is Director General of the Company. The independence of supervision is guaranteed by the other five member of the Management Board. Modest UAB follows the Recommendation.
Principle III: The order of the formation of a collegial body to be elected by a general shareholders' meeting **The order of the formation a collegial body to be elected by a general shareholders' meeting should ensure representation of minority shareholders, accountability of this body to the shareholders and objective monitoring of the company's operation and its management bodies.[3]**		
3.1. The mechanism of the formation of a collegial body to be elected by a general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure objective and fair monitoring of the company's management bodies as well as representation of minority shareholders.	Yes	While electing the collegial body of the company, the shareholders may take the cognizance of comprehensive information about the candidates early enough before the meeting of the shareholders and during it as well.

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

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

3.2. Names and surnames of the candidates to become members of a collegial body, information about their education, qualification, professional background, positions taken and potential conflicts of interest should be disclosed early enough before the general shareholders' meeting so that the shareholders would have sufficient time to make an informed voting decision. All factors affecting the candidate's independence, the sample list of which is set out in Recommendation 3.7, should be also disclosed. The collegial body should also be informed on any subsequent changes in the provided information. The collegial body should, on yearly basis, collect data provided in this item on its members and disclose this in the company's annual report.	Yes	The company follows all provisions that are indicated in this recommendation, moreover, the company could additionally mention the document (such as the operating regulation of that body), if any, which determines the specific order of data exchange among the member of that collegial body. The company accumulates and discloses the entire information about the members of collegial body, their professional education, qualification and conflicts of interest, following the order set out in these recommendations, i.e. via publicly announced periodical reports of the company.
3.3. Should a person be nominated for members of a collegial body, such nomination should be followed by the disclosure of information on candidate's particular competences relevant to his/her service on the collegial body. In order shareholders and investors are able to ascertain whether member's competence is further relevant, the collegial body should, in its annual report, disclose the information on its composition and particular competences of individual members which are relevant to their service on the collegial body.	Yes	The company could comprehensively comment the implemented practice (for instance, prior to the announcement of company's annual report to the shareholders, each member of collegial body informs the collegial body about the in-service trainings, relevant to their service on the collegial body, which she/he has attended within the last accounting year). During the meetings of the shareholders, curriculum vitae of candidates to become members of the Management Board are presented, which include such information as their education, professional background, etc. Information about the composition of the Management Board is set out in the reports of the company.
3.4. In order to maintain a proper balance in terms of the current qualifications possessed by its members, the collegial body should determine its desired composition with regard to the company's structure and activities, and have this periodically evaluated. The collegial body should ensure that it is composed of members who, as a whole, have the required diversity of knowledge, judgment and experience to complete their tasks properly. The members of the audit committee, collectively, should have a recent knowledge and relevant experience in the fields of finance, accounting and/or audit for the stock exchange listed companies.	Yes	The company follows the recommendations set out in this clause. The members of the Management Board of the company have required competencies to hold their office and are responsible for the supervision of the main operational processes of the company (technology, management of raw materials, coordination of trade).
3.5. All new members of the collegial body should be offered a tailored program focused on introducing a member with his/her duties, corporate organization and activities. The collegial body should conduct an annual review to identify fields where its members need to update their skills and knowledge.	Yes	Members of the Management Board constantly take part in various refresher courses and seminars where they are provided with the information about the essential changes in legislation that regulates the activity of the company. Moreover, in case of necessity, the members of the Management Board either individually or during the meetings of the Management Board are also informed about the other changes, which have an impact on the activity of the company.

3.6. In order to ensure that all material conflicts of interest related with a member of the collegial body are resolved properly, the collegial body should comprise a sufficient[4] number of independent[5] members.	No	The company does not follow the Recommendation 3.6 of the Governance Code as the company neither has defined the independence criteria of a member of the Management Board nor has discussed the content of "sufficiency" concept of independent members.
3.7. A member of the collegial body should be considered to be independent only if he is free of any business, family or other relationship with the company, its controlling shareholder or the management of either, that creates a conflict of interest such as to impair his judgment. Since all cases when member of the collegial body is likely to become dependant are impossible to list, moreover, relationships and circumstances associated with the determination of independence may vary amongst companies and the best practices of solving this problem are yet to evolve in the course of time, assessment of independence of a member of the collegial body should be based on the contents of the relationship and circumstances rather than their form. The key criteria for identifying whether a member of the collegial body can be considered to be independent are the following: 1) He/she is not an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) of the company or any associated company and has not been such during the last five years; 2) He/she is not an employee of the company or some any company and has not been such during the last three years, except for cases when a member of the collegial body does not belong to the senior management and was elected to the collegial body as a representative of the employees; 3) He/she is not receiving or has been not receiving significant additional remuneration from the company or associated company other than remuneration for the office in the collegial body. Such additional remuneration includes participation in share options or some other performance based pay systems; it does not include compensation payments	No	The company has not defined the independence criteria of a member of the Management Board.

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

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

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 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.		

3.9. Necessary information on conclusions the collegial body has come to in its determination of whether a particular member of the body should be considered to be independent should be disclosed. When a person is nominated to become a member of the collegial body, the company should disclose whether it considers the person to be independent. When a particular member of the collegial body does not meet one or more criteria of independence set out in this Code, the company should disclose its reasons for nevertheless considering the member to be independent. In addition, the company should annually disclose which members of the collegial body it considers to be independent.	No	The company has not implemented the practice of evaluation and disclosure of independence criteria of a member of the Management Board.
3.10. When one or more criteria of independence set out in this Code has not been met throughout the year, the company should disclose its reasons for considering a particular member of the collegial body to be independent. To ensure accuracy of the information disclosed in relation with the independence of the members of the collegial body, the company should require independent members to have their independence periodically re-confirmed.	No	The company has not implemented the practice of evaluation and disclosure of independence criteria of a member of the Management Board.
3.11. In order to remunerate members of a collegial body for their work and participation in the meetings of the collegial body, they may be remunerated from the company's funds.[6]. The general shareholders' meeting should approve the amount of such remuneration.	Not applicable	Members of the Management Board are not remunerated for their service on the Management Board (however, such possibility is set out in the Articles of Association).
Principle IV: The duties and liabilities of a collegial body elected by the general shareholders' meeting **The corporate governance framework should ensure proper and effective functioning of the collegial body elected by the general shareholders' meeting, and the powers granted to the collegial body should ensure effective monitoring[7] of the company's management bodies and protection of interests of all the company's shareholders.**		
4.1. The collegial body elected by the general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure integrity and transparency of the company's financial statements and the control system. The collegial body should issue recommendations to the company's management bodies and monitor and control the company's management performance.[8]	Yes	The Management Board evaluates the project of company's annual financial statements and the project of profit (loss) distribution and issues them to the general shareholders' meeting.

[6] It is notable that currently it is not yet completely clear, in what form members of the supervisory board or the board may be remunerated for their work in these bodies. The Law on Companies of the Republic of Lithuania (*Official Gazette*, 2003, No 123-5574) provides that members of the supervisory board or the board may be remunerated for their work in the supervisory board or the board by payment of annual bonuses (tantiems) in the manner prescribed by Article 59 of this Law, i.e. from the company's profit. The current wording, contrary to the wording effective before 1 January 2004, eliminates the exclusive requirement that annual bonuses (tantiems) should be the *only* form of the company's compensation to members of the supervisory board or the board. So it seems that the Law contains no prohibition to remunerate members of the supervisory board or the board for their work in other forms, besides bonuses, although this possibility is not expressly stated either.
[7] See Footnote 3.
[8] See Footnote 3. In the event the collegial body elected by the general shareholders' meeting is the board, it should provide recommendations to the company's single-person body of management, i.e. the company's chief executive officer.

4.2. Members of the collegial body should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders with due regard to the interests of employees and public welfare. Independent members of the collegial body should (a) under all circumstances maintain independence of their analysis, decision-making and actions (b) do not seek and accept any unjustified privileges that might compromise their independence, and (c) clearly express their objections should a member consider that decision of the collegial body is against the interests of the company. Should a collegial body have passed decisions independent member has serious doubts about, the member should make adequate conclusions. Should an independent member resign from his office, he should explain the reasons in a letter addressed to the collegial body or audit committee and, if necessary, respective company-not-pertaining body (institution).	Yes	Basing on company's data, the members of the Management Board act in good will with regard to the company, follow the interests of the company, not the interests of their own or of the third parties, act in conformity with the principles of fairness and prudence, under an obligation of confidentiality and with due responsibility, thus they aim at maintaining the independence of decision-making.
4.3. Each member should devote sufficient time and attention to perform his duties as a member of the collegial body. Each member of the collegial body should limit other professional obligations of his (in particular any directorships held in other companies) in such a manner they do not interfere with proper performance of duties of a member of the collegial body. In the event a member of the collegial body should be present in less than a half[9] of the meetings of the collegial body throughout the financial year of the company, shareholders of the company should be notified.	Yes	In the year 2008 the members of the Management Board held the meetings of the Management Board (each meeting had the proper quorum) and each member devoted sufficient time to perform her/his duties as a member of the Management Board.
4.4. Where decisions of a collegial body may have a different effect on the company's shareholders, the collegial body should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed on the company's affairs, strategies, risk management and resolution of conflicts of interest. The company should have a clearly established role of members of the collegial body when communicating with and committing to shareholders.	Yes	The management bodies of the company, prior to making the decisions, discuss their impact on shareholders and announce the main information about the company's activity in the periodical reports.
4.5. It is recommended that transactions (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions), concluded between the company and its shareholders, members of the supervisory or managing bodies or other natural or legal persons that exert or may exert influence on the company's management should be subject to approval of the collegial body. The decision concerning approval of such transactions should be deemed adopted only provided the majority of the independent members of the collegial body voted for such a decision.	Yes	The management bodies of the company enter into transactions following the legislation, which is approved by the Articles of Association, for the attainment of benefit and welfare to the company.

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

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.	Yes	In all senses the Management Board makes decisions on the interest of the company. The Management Board of the company and its committees are provided with entire resources that are necessary to exercise their functions. Under the necessity, the employees of the company take part in the meetings of the Management Board and committees and present all the necessary information that is relevant to the issues under discussion.
4.7. Activities of the collegial body should be organized in a manner that independent members of the collegial body could have major influence in relevant areas where chances of occurrence of conflicts of interest are very high. Such areas to be considered as highly relevant are issues of nomination of company's directors, determination of directors' remuneration and control and assessment of company's audit. Therefore when the mentioned issues are attributable to the competence of the collegial body, it is recommended that the collegial body should establish nomination, remuneration, and audit committees. Companies should ensure that the functions attributable to the nomination, remuneration, and audit committees are carried out. However they may decide to merge these functions and set up less than three committees. In such case a company should explain in detail reasons behind the selection of alternative approach and how the selected approach complies with the objectives set forth for the three different committees. Should the collegial body of the company comprise small number of members, the functions assigned to the three committees may be performed by the collegial body itself, provided that it meets composition requirements advocated for the committees and that adequate information is provided in this respect. In such case provisions of this Code relating to the committees of the collegial body (in particular with respect to their role, operation, and transparency) should apply, where relevant, to the collegial body as a whole.	Yes	The Management Board of the company has established 2 committees, which are Nomination and Remuneration Committee and Audit Committee. Following the provisions of Audit Law of the Republic of Lithuania, it is planed to constitute a committee, the members of which and the regulations of activity of the committee will be approved by General Meeting of Shareholders.

[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.

4.8. The key objective of the committees is to increase efficiency of the activities of the collegial body by ensuring that decisions are based on due consideration, and to help organize its work with a view to ensuring that the decisions it takes are free of material conflicts of interest. Committees should present the collegial body with recommendations concerning the decisions of the collegial body. Nevertheless the final decision shall be adopted by the collegial body. The recommendation on creation of committees is not intended, in principle, to constrict the competence of the collegial body or to remove the matters considered from the purview of the collegial body itself, which remains fully responsible for the decisions taken in its field of competence.		The function of Nomination and Remuneration Committee is to provide the bodies of the company and persons, who nominate or elect members of the management bodies and executive officers of the company, with recommendations and to ensure the transparent policy, principles and order of the calculation of remuneration to members of the management bodies and executive officers. The Committee provides the Management Board with help while supervising (i) election and nomination of the chief executive office and other executive officers, (ii) the calculation of remuneration to the members of the Management Board, to the chief executive office and to other executive officers. The key function of Audit Committee is to supervise the performance of audit of financial accountability of the company and the presentation order of financial information to persons in interest. The Committee provides the Management Board with help while supervising (i) the quality and consistency of financial, accounting and other relevant documents, (ii) the qualification of the independent auditor, his/her independency and proper performance of his/her office, (iii) the implementation of internal control.
4.9. Committees established by the collegial body should normally be composed of at least three members. In companies with small number of members of the collegial body, they could exceptionally be composed of two members. Majority of the members of each committee should be constituted from independent members of the collegial body. In cases when the company chooses not to set up a supervisory board, remuneration and audit committees should be entirely comprised of non-executive directors. Chairmanship and membership of the committees should be decided with due regard to the need to ensure that committee membership is refreshed and that undue reliance is not placed on particular individuals.	Yes	Each committee of the company is composed of three members.
4.10. Authority of each of the committees should be determined by the collegial body. Committees should perform their duties in line with authority delegated to them and inform the collegial body on their activities and performance on regular basis. Authority of every committee stipulating the role and rights and duties of the committee should be made public at least once a year (as part of the information disclosed by the company annually on its corporate governance structures and practices). Companies should also make public annually a statement by existing committees on their composition, number of meetings and attendance over the year, and their main activities. Audit committee should confirm that it is satisfied with the independence of the audit process and describe briefly the actions it has taken to reach this conclusion.	Yes	The activity of Nomination and Remuneration Committee and Audit Committee is regulated by Regulations Statute Rules of these committees, approved by the Management Board. Following the provisions of Audit Law of the Republic of Lithuania, it is planed to constitute a committee, the members of which and the regulations of activity of the committee will be approved by General Meeting of Shareholders.

4.11. In order to ensure independence and impartiality of the committees, members of the collegial body that are not members of the committee should commonly have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or demand participation in the meeting of particular officers or experts. Chairman of each of the committees should have a possibility to maintain direct communication with the shareholders. Events when such are to be performed should be specified in the regulations for committee activities.	Yes	If necessary, the employees of the company, who are responsible for the spheres of activity that are discussed by the committee, take part in the meetings of the committees and provide the committees with entire required information.
4.12. Nomination Committee. 4.12.1. Key functions of the nomination committee should be the following: • Identify and recommend, for the approval of the collegial body, candidates to fill board vacancies. The nomination committee should evaluate the balance of skills, knowledge and experience on the management body, prepare a description of the roles and capabilities required to assume a particular office, and assess the time commitment expected. Nomination committee can also consider candidates to members of the collegial body delegated by the shareholders of the company; • Assess on regular basis the structure, size, composition and performance of the supervisory and management bodies, and make recommendations to the collegial body regarding the means of achieving necessary changes; • Assess on regular basis the skills, knowledge and experience of individual directors and report on this to the collegial body; • Properly consider issues related to succession planning; • Review the policy of the management bodies for selection and appointment of senior management. 4.12.2. Nomination committee should consider proposals by other parties, including management and shareholders. When dealing with issues related to executive directors or members of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) and senior management, chief executive officer of the company should be consulted by, and entitled to submit proposals to the nomination committee.	Yes	The functions of nomination committee, which are set out in this recommendation, basically are carried out by the Nomination and Remuneration Committee of the company.
4.13. Remuneration Committee. 4.13.1. Key functions of the remuneration committee should be the following: • Make proposals, for the approval of the collegial body, on the remuneration policy for members of management bodies and executive directors. Such policy should address all forms of compensation, including the fixed remuneration, performance-based remuneration schemes, pension arrangements, and termination payments. Proposals considering performance-based remuneration schemes should be accompanied with recommendations on the related objectives and evaluation criteria, with a view to properly aligning the pay of executive director and	Yes	The functions of remuneration committee, which are set out in this recommendation, basically are carried out by the Nomination and Remuneration Committee of the company.

members of the management bodies with the long-term interests of the shareholders and the objectives set by the collegial body; • Make proposals to the collegial body on the individual remuneration for executive directors and member of management bodies in order their remunerations are consistent with company's remuneration policy and the evaluation of the performance of these persons concerned. In doing so, the committee should be properly informed on the total compensation obtained by executive directors and members of the management bodies from the affiliated companies; • Make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies; • Assist the collegial body in overseeing how the company complies with applicable provisions regarding the remuneration-related information disclosure (in particular the remuneration policy applied and individual remuneration of directors); • Make general recommendations to the executive directors and members of the management bodies on the level and structure of remuneration for senior management (as defined by the collegial body) with regard to the respective information provided by the executive directors and members of the management bodies. 4.13.2. With respect to stock options and other share-based incentives which may be granted to directors or other employees, the committee should: • Consider general policy regarding the granting of the above mentioned schemes, in particular stock options, and make any related proposals to the collegial body; • Examine the related information that is given in the company's annual report and documents intended for the use during the shareholders meeting; • Make proposals to the collegial body regarding the choice between granting options to subscribe shares or granting options to purchase shares, specifying the reasons for its choice as well as the consequences that this choice has. 4.13.3. Upon resolution of the issues attributable to the competence of the remuneration committee, the committee should at least address the chairman of the collegial body and/or chief executive officer of the company for their opinion on the remuneration of other executive directors or members of the management bodies.		

4.14. Audit Committee. 4.14.1. Key functions of the audit committee should be the following: • Observe the integrity of the financial information provided by the company, in particular by reviewing the relevance and consistency of the accounting methods used by the company and its group (including the criteria for the consolidation of the accounts of companies in the group); • At least once a year review the systems of internal control and risk management to ensure that the key risks (inclusive of the risks in relation with compliance with existing laws and regulations) are properly identified, managed and reflected in the information provided; • Ensure the efficiency of the internal audit function, among other things, by making recommendations on the selection, appointment, reappointment and removal of the head of the internal audit department and on the budget of the department, and by monitoring the responsiveness of the management to its findings and recommendations. Should there be no internal audit authority in the company, the need for one should be reviewed at least annually; • Make recommendations to the collegial body related with selection, appointment, reappointment and removal of the external auditor (to be done by the general shareholders' meeting) and with the terms and conditions of his engagement. The committee should investigate situations that lead to a resignation of the audit company or auditor and make recommendations on required actions in such situations; • Monitor independence and impartiality of the external auditor, in particular by reviewing the audit company's compliance with applicable guidance relating to the rotation of audit partners, the level of fees paid by the company, and similar issues. In order to prevent occurrence of material conflicts of interest, the committee, based on the auditor's disclosed inter alia data on all remunerations paid by the company to the auditor and network, should at all times monitor nature and extent of the non-audit services. Having regard to the principals and guidelines established in the 16 May 2002 Commission Recommendation 2002/590/EC, the committee should determine and apply a formal policy establishing types of non-audit services that are (a) excluded, (b) permissible only after review by the committee, and (c) permissible without referral to the committee; • Review efficiency of the external audit process and responsiveness of management to recommendations made in the external auditor's management letter. 4.14.2. All members of the committee should be furnished with complete information on particulars of accounting, financial and other operations of the company. Company's management should inform the audit committee of the methods used to account for significant and unusual transactions where the accounting treatment may be open to different approaches. In such case a special consideration should be given to company's operations in offshore centers and/or activities carried out through special		The company substantially follows the provisions of these recommendations. The key function of the Audit Committee is to observe the performance of audit of financial accountability of the company and the presentation order of financial information to persons in interest. The Committee provides the Management Board with help while observing (i) the quality and consistency of financial, accounting and other relevant documents, (ii) the qualification of the independent auditor, his/her independency and proper performance of his/her office, (iii) the implementation of internal control.

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

4.15. Every year the collegial body should conduct the assessment of its activities. The assessment should include evaluation of collegial body's structure, work organization and ability to act as a group, evaluation of each of the collegial body member's and committee's competence and work efficiency and assessment whether the collegial body has achieved its objectives. The collegial body should, at least once a year, make public (as part of the information the company annually discloses on its management structures and practices) respective information on its internal organization and working procedures, and specify what material changes were made as a result of the assessment of the collegial body of its own activities.	No	The company has no practice of assessment of activities of the Management Board and disclosure of information on its activity. The Management Board plans to conduct the assessment of its activities in the future.
Principle V: The working procedure of the company's collegial bodies The working procedure of supervisory and management bodies established in the company should ensure efficient operation of these bodies and decision-making and encourage active co-operation between the company's bodies.		
5.1. The company's supervisory and management bodies (hereinafter in this Principle the concept 'collegial bodies' covers both the collegial bodies of supervision and the collegial bodies of management) should be chaired by chairpersons of these bodies. The chairperson of a collegial body is responsible for proper convocation of the collegial body meetings. The chairperson should ensure that information about the meeting being convened and its agenda are communicated to all members of the body. The chairperson of a collegial body should ensure appropriate conducting of the meetings of the collegial body. The chairperson should ensure order and working atmosphere during the meeting.	Yes	The chairman of the Management Board heads up the meetings of the Management Board. The employee of the company organizes the work of the Management Board by order of the chairman of the Management Board.
5.2. It is recommended that meetings of the company's collegial bodies should be carried out according to the schedule approved in advance at certain intervals of time. Each company is free to decide how often to convene meetings of the collegial bodies, but it is recommended that these meetings should be convened at such intervals, which would guarantee an interrupted resolution of the essential corporate governance issues. Meetings of the company's supervisory board should be convened at least once in a quarter, and the company's board should meet at least once a month[11].	Yes	The meetings of the Management Board, which is the collegial body of the company, are carried out according to the schedule approved in advance at certain intervals of time (or on demand).

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

5.3. Members of a collegial body should be notified about the meeting being convened in advance in order to allow sufficient time for proper preparation for the issues on the agenda of the meeting and to ensure fruitful discussion and adoption of appropriate decisions. Alongside with the notice about the meeting being convened, all the documents relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body are present or certain issues of great importance to the company require immediate resolution.	Yes	Each member of the management body may take the cognizance of the issues on the agenda of the meeting before the day of the meeting. Issues under discussion (thesis of reports, draft resolutions, etc.) are presented in advance alongside with the notice about the meeting being convened. Usually the announced agenda of the meeting is not changed unless it is decided otherwise during the meeting, when all members of the Management Board are present, and if the material for the supplemented issue is sufficient in order to make the decision on the issue that has not been announced on the agenda. Issues of agenda of the meetings and draft resolutions are prepared and presented by the chief executive office of the company, by the members of the Management Board, or by special groups, which are formed on the decision of the Management Board and which may include specialists who are not the employees of the company.
5.4. In order to co-ordinate operation of the company's collegial bodies and ensure effective decision-making process, chairpersons of the company's collegial bodies of supervision and management should closely co-operate by co-coordinating dates of the meetings, their agendas and resolving other issues of corporate governance. Members of the company's board should be free to attend meetings of the company's supervisory board, especially where issues concerning removal of the board members, their liability or remuneration are discussed.	No	The company can not follow Recommendation 5.4 because the company does not establish any collegial supervisory bodies.
Principle VI: The equitable treatment of shareholders and shareholder rights **The corporate governance framework should ensure the equitable treatment of all shareholders, including minority and foreign shareholders. The corporate governance framework should protect the rights of the shareholders.**		
6.1. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all their holders.	Yes	The capital of the company consists of ordinary registered shares that grant the same personal property and not-property right to all holders of company's shares.
6.2. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.	Yes	
6.3. Transactions that are important to the company and its shareholders, such as transfer, investment, and pledge of the company's assets or any other type of encumbrance should be subject to approval of the	No	The Articles of Association does not determine the criteria of important transactions, according to which the company could decide what transaction should be subject to approval of the shareholders' meeting,

[12] The Law on Companies of the Republic of Lithuania (*Official Gazette*, 2003, No 123-5574) no longer assigns resolutions concerning the investment, transfer, lease, mortgage or acquisition of the long-terms assets accounting for more than 1/20 of the company's authorised capital to the competence of the general shareholders' meeting. However, transactions that are important and material for the company's activity should be considered and approved by the general shareholders' meeting. The Law on Companies contains no prohibition to this effect either. Yet, in order not to encumber the company's activity and escape an unreasonably frequent consideration of transactions at the meetings, companies are free to establish their own criteria of material transactions, which are subject to the approval of the meeting. While establishing these criteria of material transactions,

general shareholders' meeting.[12] All shareholders should be furnished with equal opportunity to familiarize with and participate in the decision-making process when significant corporate issues, including approval of transactions referred to above, are discussed.		
6.4. Procedures of convening and conducting a general shareholders' meeting should ensure equal opportunities for the shareholders to effectively participate at the meetings and should not prejudice the rights and interests of the shareholders. The venue, date, and time of the shareholders' meeting should not hinder wide attendance of the shareholders. Prior to the shareholders' meeting, the company's supervisory and management bodies should enable the shareholders to lodge questions on issues on the agenda of the general shareholders' meeting and receive answers to them.	Yes	The company chooses such venue, date, and time of company's meetings which ensure equal opportunities for all shareholders to effectively participate at the meetings.
6.5. It is recommended that documents on the course of the general shareholders' meeting, including draft resolutions of the meeting, should be placed on the publicly accessible website of the company in advance[13]. It is recommended that the minutes of the general shareholders' meeting after signing them and/or adopted resolutions should be also placed on the publicly accessible website of the company. Seeking to ensure the right of foreigners to familiarize with the information, whenever feasible, documents referred to in this recommendation should be published in English and/or other foreign languages. Documents referred to in this recommendation may be published on the publicly accessible website of the company to the extent that publishing of these documents is not detrimental to the company or the company's commercial secrets are not revealed.	Yes	Following the order that is set in the legislation and in the Articles of Association, the company announces draft resolutions of the convened meetings on the company's website. Moreover, all the necessary information is announced via the information systems of the stock exchanges in Lithuanian and English languages.
6.6. Shareholders should be furnished with the opportunity to vote in the general shareholders' meeting in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.	Yes	Each shareholder may take part in the meeting personally or may commission her/his representation to another person and to demand voting in advance on issues that are announced on the agenda of the meeting. In such cases advance voting ballots are prepared.

companies may follow the criteria set out in items 3, 4, 5 and 6 of paragraph 4 of Article 34 of the Law on Companies or derogate from them in view of the specific nature of their operation and their attempt to ensure uninterrupted, efficient functioning of the company.

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

6.7. With a view to increasing the shareholders' opportunities to participate effectively at shareholders' meetings, the companies are recommended to expand use of modern technologies in voting processes by allowing the shareholders to vote in general meetings via terminal equipment of telecommunications. In such cases security of telecommunication equipment, text protection and a possibility to identify the signature of the voting person should be guaranteed. Moreover, companies could furnish its shareholders, especially foreigners, with the opportunity to watch shareholder meetings by means of modern technologies.	No	The company neither has possibility to guarantee text protection nor to identify the signature of the voting person.
Principle VII: The avoidance of conflicts of interest and their disclosure **The corporate governance framework should encourage members of the corporate bodies to avoid conflicts of interest and assure transparent and effective mechanism of disclosure of conflicts of interest regarding members of the corporate bodies.**		
7.1. Any member of the company's supervisory and management body should avoid a situation, in which his/her personal interests are in conflict or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory and management body should, within reasonable time, inform other members of the same collegial body or the company's body that has elected him/her, or to the company's shareholders about a situation of a conflict of interest, indicate the nature of the conflict and value, where possible.	Yes	The members of the management bodies act insomuch that the conflicts of interests would not occur.
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.		
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.		
7.4. Any member of the company's supervisory and management body should abstain from voting when decisions concerning transactions or other issues of personal or business interest are voted on.	Yes	The members of the management bodies of the company are informed about the provisions of this recommendation and they would abstain from voting when decisions of their personal or business interest are voted on.

Principle VIII: Company's remuneration policy **Remuneration policy and procedure for approval, revision and disclosure of directors' remuneration established in the company should prevent potential conflicts of interest and abuse in determining remuneration of directors, in addition it should ensure publicity and transparency both of company's remuneration policy and remuneration of directors.**		
8.1. A company should make a public statement of the company's remuneration policy (hereinafter the remuneration statement). This statement should be part of the company's annual accounts. Remuneration statement should also be posted on the company's website.	No	The company does not follow the recommendations due to public statement of the company's remuneration policy. The company follows the approved policy in accordance with which the system of remuneration and premiums as well as other payments, which are related with labour relations, is not publicly announced, and the company attributes such information to information of commercially confidential nature. But the average salaries of employees of company's departments are announced in half-year and annual financial statements.
8.2. Remuneration statement should mainly focus on directors' remuneration policy for the following year and, if appropriate, the subsequent years. The statement should contain a summary of the implementation of the remuneration policy in the previous financial year. Special attention should be given to any significant changes in company's remuneration policy as compared to the previous financial year.	No	
8.3. Remuneration statement should leastwise include the following information: • Explanation of the relative importance of the variable and non-variable components of directors' remuneration; • Sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration; • Sufficient information on the linkage between the remuneration and performance; • The main parameters and rationale for any annual bonus scheme and any other non-cash benefits; • A description of the main characteristics of supplementary pension or early retirement schemes for directors.	No	
8.4. Remuneration statement should also summarize and explain company's policy regarding the terms of the contracts executed with executive directors and members of the management bodies. It should include, inter alia, information on the duration of contracts with executive directors and members of the management bodies, the applicable notice periods and details of provisions for termination payments linked to early termination under contracts for executive directors and members of the management bodies.	No	

8.5. The information on preparatory and decision-making processes, during which a policy of remuneration of directors is being established, should also be disclosed. Information should include data, if applicable, on authorities and composition of the remuneration committee, names and surnames of external consultants whose services have been used in determination of the remuneration policy as well as the role of shareholders' annual general meeting.	No	
8.6. Without prejudice to the role and organization of the relevant bodies responsible for setting directors' remunerations, the remuneration policy or any other significant change in remuneration policy should be included into the agenda of the shareholders' annual general meeting. Remuneration statement should be put for voting in shareholders' annual general meeting. The vote may be either mandatory or advisory.	No	The company does not publicly announce the policy of remuneration.
8.7. Remuneration statement should also contain detailed information on the entire amount of remuneration, inclusive of other benefits, that was paid to individual directors over the relevant financial year. This document should list at least the information set out in items 8.7.1 to 8.7.4 for each person who has served as a director of the company at any time during the relevant financial year. 8.7.1. The following remuneration and/or emoluments-related information should be disclosed: • The total amount of remuneration paid or due to the director for services performed during the relevant financial year, inclusive of, where relevant, attendance fees fixed by the annual general shareholders meeting; • The remuneration and advantages received from any undertaking belonging to the same group; • The remuneration paid in the form of profit sharing and/or bonus payments and the reasons why such bonus payments and/or profit sharing were granted; • If permissible by the law, any significant additional remuneration paid to directors for special services outside the scope of the usual functions of a director; • Compensation receivable or paid to each former executive director or member of the management body as a result of his resignation from the office during the previous financial year; • Total estimated value of non-cash benefits considered as remuneration, other than the items covered in the above points. 8.7.2. As regards shares and/or rights to acquire share options and/or all other share-incentive schemes, the following information should be disclosed: • The number of share options offered or shares granted by the company during the relevant financial year and their conditions of application; • The number of shares options exercised during the relevant financial year and, for each of them, the number of shares involved and the exercise price or the value of the interest in the share incentive scheme at the end of the financial year;	No	

• The number of share options unexercised at the end of the financial year; their exercise price, the exercise date and the main conditions for the exercise of the rights; • All changes in the terms and conditions of existing share options occurring during the financial year. 8.7.3. The following supplementary pension schemes-related information should be disclosed: • When the pension scheme is a defined-benefit scheme, changes in the directors' accrued benefits under that scheme during the relevant financial year; • When the pension scheme is defined-contribution scheme, detailed information on contributions paid or payable by the company in respect of that director during the relevant financial year. 8.7.4. The statement should also state amounts that the company or any subsidiary company or entity included in the consolidated annual financial statements of the company has paid to each person who has served as a director in the company at any time during the relevant financial year in the form of loans, advance payments or guarantees, including the amount outstanding and the interest rate.		
8.8. Schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements should be subject to the prior approval of shareholders' annual general meeting by way of a resolution prior to their adoption. The approval of scheme should be related with the scheme itself and not to the grant of such share-based benefits under that scheme to individual directors. All significant changes in scheme provisions should also be subject to shareholders' approval prior to their adoption; the approval decision should be made in shareholders' annual general meeting. In such case shareholders should be notified on all terms of suggested changes and get an explanation on the impact of the suggested changes.	No	The company does not apply 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.
8.9. The following issues should be subject to approval by the shareholders' annual general meeting: • Grant of share-based schemes, including share options, to directors; • Determination of maximum number of shares and main conditions of share granting; • The term within which options can be exercised; • The conditions for any subsequent change in the exercise of the options, if permissible by law; • All other long-term incentive schemes for which directors are eligible and which are not available to other employees of the company under similar terms. Annual general meeting should also set the deadline within which the body responsible for remuneration of directors may award compensations listed in this article to individual directors.	Not	

8.10. Should national law or company's Articles of Association allow, any discounted option arrangement under which any rights are granted to subscribe to shares at a price lower than the market value of the share prevailing on the day of the price determination, or the average of the market values over a number of days preceding the date when the exercise price is determined, should also be subject to the shareholders' approval.	applicable	
8.11. Provisions of Articles 8.8 and 8.9 should not be applicable to schemes allowing for participation under similar conditions to company's employees or employees of any subsidiary company whose employees are eligible to participate in the scheme and which has been approved in the shareholders' annual general meeting.		
8.12. Prior to the annual general meeting that is intended to consider decision stipulated in Article 8.8, the shareholders must be provided an opportunity to familiarize with draft resolution and project-related notice (the documents should be posted on the company's website). The notice should contain the full text of the share-based remuneration schemes or a description of their key terms, as well as full names of the participants in the schemes. Notice should also specify the relationship of the schemes and the overall remuneration policy of the directors. Draft resolution must have a clear reference to the scheme itself or to the summary of its key terms. Shareholders must also be presented with information on how the company intends to provide for the shares required to meet its obligations under incentive schemes. It should be clearly stated whether the company intends to buy shares in the market, hold the shares in reserve or issue new ones. There should also be a summary on scheme-related expenses the company will suffer due to the anticipated application of the scheme. All information given in this article must be posted on the company's website.		
Principle IX: The role of stakeholders in corporate governance **The corporate governance framework should recognize the rights of stakeholders as established by law and encourage active co-operation between companies and stakeholders in creating the company value, jobs and financial sustainability. For the purposes of this Principle, the concept "stakeholders" includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interest in the company concerned.**		
9.1. The corporate governance framework should assure that the rights of stakeholders that are protected by law are respected.	Yes	The company has established conditions under which each stakeholder may participate in the management of the company and they have access to relevant information. The employees, who hold the shares of the company, participate in the meetings of the shareholders, are interested in the activity of the company and its results. If the company works profitably, dividends are paid to the shareholders.
9.2. The corporate governance framework should create conditions for the stakeholders to participate in corporate governance in the manner prescribed by law. Examples of mechanisms of stakeholder participation in corporate governance include: employee participation in adoption of certain key decisions for the company; consulting the employees on corporate governance and other important issues; employee participation in the company's share capital; creditor involvement in governance in the context of the company's insolvency, etc.		

9.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.		
Principle X: Information disclosure and transparency **The corporate governance framework should ensure that timely and accurate disclosure is made on all material information regarding the company, including the financial situation, performance and governance of the company.**		
10.1. The company should disclose information on: • The financial and operating results of the company; • Company objectives; • Persons holding by the right of ownership or in control of a block of shares in the company; • Members of the company's supervisory and management bodies, chief executive officer of the company and their remuneration; • Material foreseeable risk factors; • Transactions between the company and connected persons, as well as transactions concluded outside the course of the company's regular operations; • Material issues regarding employees and other stakeholders; • Governance structures and strategy. This list should be deemed as a minimum recommendation, while the companies are encouraged not to limit themselves to disclosure of the information specified in this list. 10.2. It is recommended that consolidated results of the whole group to which the company belongs should be disclosed when information specified in item 1 of Recommendation 10.1 is under disclosure. 10.3. It is recommended that information on the professional background, qualifications of the members of supervisory and management bodies, chief executive officer of the company should be disclosed as well as potential conflicts of interest that may have an effect on their decisions when information specified in item 4 of Recommendation 10.1 about the members of the company's supervisory and management bodies is under disclosure. It is also recommended that information about the amount of remuneration received from the company and other income should be disclosed with regard to members of the company's supervisory and management bodies and chief executive officer as per Principle VIII. 10.4. It is recommended that information about the links between the company and its stakeholders, including employees, creditors, suppliers, local community, as well as the company's policy with regard to human resources, employee participation schemes in the company's share capital, etc. should be disclosed when information specified in item 7 of Recommendation 10.1 is under disclosure.	Yes, except for items 4 and 6 Yes No Not applicable	Information on company's financial situation, its activity and the management of the company is disclosed in the reports to press, in the reports on material events of the company, in the annual and interim reports of the company as well as on the website of the company. Information regarding the professional background, labour experience, position held of the members of the management bodies of the company, as well as the information regarding their participation in the activity of other companies and company's shares that are held by them, is publicly disclosed in the periodical reports and on the website of the company.

10.5. Information should be disclosed in such a way that neither shareholders nor investors are discriminated with regard to the manner or scope of access to information. Information should be disclosed to all simultaneously. It is recommended that notices about material events should be announced before or after a trading session on the Vilnius Stock Exchange, so that all the company's shareholders and investors should have equal access to the information and make informed investing decisions.	Yes	The company presents the information via the information disclosure system applied by Vilnius Stock Exchange simultaneously in Lithuanian and English languages insofar as it is possible so that the Stock Exchange would announce the received information on its website and in the trading system, thus ensuring the simultaneous access to information for everybody. The company endeavors to announce the information before or after a trading session on Vilnius Stock Exchange and to present the information to all stock exchanges on which the securities of the company are traded. The company keeps the confidentiality with regard to information that may have an impact on the price of its issued stocks and does not disclose such information neither in commentaries, nor during interviews, nor otherwise as long as such information is publicly announced via the information system of the stock exchange.
10.6. Channels for disseminating information should provide for fair, timely and cost-efficient access to relevant information by users. It is recommended that information technologies should be employed for wider dissemination of information, for instance, by placing the information on the company's website. It is recommended that information should be published and placed on the company's website not only in Lithuanian, but also in English, and, whenever possible and necessary, in other languages as well.	Yes	The company publicly announces all the essential information (in Lithuanian and English languages) on the website of the company, thus ensuring fair, timely and cost-efficient access to relevant information.
10.7. It is recommended that the company's annual reports and other periodical accounts prepared by the company should be placed on the company's website. It is recommended that the company should announce information about material events and changes in the price of the company's shares on the Stock Exchange on the company's website too.	Yes	The company follows this recommendation and places all the essential information on the company's website.
Principle XI: The selection of the company's auditor **The mechanism of the selection of the company's auditor should ensure independence of the firm of auditor's conclusion and opinion.**		
11.1. An annual audit of the company's financial statements and report should be conducted by an independent firm of auditors in order to provide an external and objective opinion on the company's financial statements.	Yes	The company follows this recommendation as the audit of company's annual financial statement is conducted by an independent firm of auditors.

11.2. It is recommended that the company's supervisory board and, where it is not set up, the company's board should propose a candidate firm of auditors to the general shareholders' meeting.	Yes	The Management Board of the company proposes a candidate firm of auditors to the shareholders' meeting. The firm of auditors is approved by the shareholders' meeting
11.3. It is recommended that the company should disclose to its shareholders the level of fees paid to the firm of auditors for non-audit services rendered to the company. This information should be also known to the company's supervisory board and, where it is not formed, the company's board upon their consideration which firm of auditors to propose for the general shareholders' meeting.	Not applicable	The firm of auditors has not rendered to the company any not-audit services and it has not received from the company any remuneration for not-audit services.

VI DATA CONCERNING PUBLICLY ANNOUNCED INFORMATION

31. Summary of materials events of 2008

From the 1st of January 2008 shares of Vilkyškių pieninė AB have been quoted in the Official List of Vilnius Stock Exchange.

On the 31st of January 2008 Vilkyškių pieninė AB has concluded the contract on the purchase of 99.09 percent of shares of Kelmės pieninė AB. In March Vilkyškių pieninė AB received the permission from the Competition Board to acquire up to 100 percent of shares of Kelmės pieninė AB.

On the 4th of March 2008 Vilkyškių pieninė AB was issued ISO Certificates of Quality Management and Food Safety Management. ISO 22000 Standard of Food Safety Management System demonstrates that food safety risk is controlled in the entire food management chain of Vilkyškių pieninė AB. ISO 9001 Standard of Quality Management specifies requirements for quality management systems, including documentation requirements and requirements for processes of planning, management of recourses, product realization, measurement, analysis and improvement. This certificate demonstrates that a company is capable of managing and improving the quality of its supplied products and services, and its production meets with requirements of customers and law.

On the 7th of March 2008 the Extraordinary General Meeting of Shareholders decided to increase Company's authorized capital by issuing a new emission of 2,590,000 shares, with the redemption price of a new emission not lower than LTL 5.40 per share. The money received form the increase of the authorized capital was used to acquire Kelmės pieninė AB.

The Extraordinary General Meeting of Shareholders decided to increase the number of Board members of Vilkyškių pieninė AB to 6 members, electing Linas Strėlys and Andrej Cyba, who is the representative of Finasta investiciju valdymas UAB, as new members.

On the 17th of April 2008 Vilkyškių pieninė AB presented the prospect of the registration of share emission.

On the 17th of April 2008 Vilkyškių pieninė AB submitted the prospect of the registration of share emission of 2,590,000 shares to the Securities Commission of the Republic of Lithuania. As soon as the Securities Commission of the Republic of Lithuania certifies the prospect, the new emission will be added to the present emission of shares which is quoted in the market.

On the 28th of April 2008 Vilkyškių pieninė AB finally finished the transaction of the acquisition of Kelmes pienine AB and took an ownership to 99.09 percent of company's shares. The Group of Vilkyskiai now consists of four companies: Vilkyskiu pienine AB, Modest UAB, Kelmes pienine AB and Kelmes pieno centras UAB. Operating results of the group will start being consolidated since the moment of the acquisition and already will be reflected in the financial statements of the first-half of 2008.

On the 8th of May 2008 the Securities Commission of the Republic of Lithuania certified the prospect of ordinary registered shares of Vilkyskiu pienine AB to be added in to the Trade List of Vilnius Stock Exchange: number of ordinary registered shares 2,590,000. Total nominal value of the emission is LTL 2,590,000, nominal value of one share is LTL 1.

The report of a person/group about the acquisition/loss of block of shares, presented on the 30th of May 2008.

The report of a person/group about the acquisition/loss of block of shares, presented on the 6th of June 2008.

On the 24th of June 2008 Modest UAB, which is a daughter enterprise of Vilkyskiu pienine AB, introduced a new production line of Mozzarella cheese. The value of the project reaches about LTL 4 million (EUR 1.16 million), LTL 1.5 million (EUR 0.43 million) of which is the support of the European Union. As a result, the company will be able to produce more than 10 tones of Mozzarella cheese per twenty four hours, whereas until now the company could produce only 0.5 tones. The company will have the possibility to produce dairy products for local market under better conditions and to export the well-liked Mozzarella cheese abroad.