Approval by responsible persons of the company *ŽEMAITIJOS PIENAS AB*

August 7, 2009

Telšiai

Regarding supplement to the annual announcement for the year 2008

The Management Board and the Top-Management of the company *Žemaitijos pienas AB* discussed and approved the additional information to be provided under the consolidated annual announcement for the year that ended on December 31, 2008 that has been submitted incomplete or has not submitted at all.

On behalf of the Board:	Irena Baltrušaitienė
Managing Director	Robertas Pažemeckas
Chief Accountant	Dalia Gecienė

Referring to the note on Annual Information received from the Securities Commission of the Republic of Lithuania, company *Žemaitijos pienas AB* submits additional information under the consolidated annual report for the year that ended on December 31, 2008 that was submitted incomplete or was not submitted at all.

1) Data on trade in Issuer's securities on the regulated markets:

Registered ordinary shares of the company *Žemaitijos pienas AB* have been admitted in the Current Trading List of the Vilnius Stock Exchange since October 13, 1997. Shares issued by the company are quoted on the Secondary List of the Vilnius Stock Exchange.

The type of the shares – registered ordinary shares;
Number of the shares – 48 375 000;
The total nominal value of the shares – 48 375 000 Lt.;
VP ISIN code LT0000121865;
Symbol at the Vilnius Stock Exchange – ZMP1L.

2) Shareholders

Shareholders possessing and holding by title more than 5 per cent of the authorized capital and votes of *Žemaitijos pienas AB*:

Shareholder	Number of shares owned	Share of the authorized capital and votes, %	Vote share possessed jointly with persons operating together, %
Pažemeckas Algirdas, ID	21 355 870	44.15	49.55
SKANDINAVISKA ENSKILDA BANKEN CLIENTS, code 50203290810, SERGELS TORG 2, 10640 STOCKHOLM, SWEDEN	3 841 690	7.94	7.94
AB Klaipėdos pienas, company code 240026930, Šilutės pl. 33, 91107 Klaipėda	3 601 844	7.45	7.45
Šunokienė Ona, ID	2 614 430	5.4	49.55
Other minor shareholders	16 961 166	35.06	35.06
Total Capital	**48 375 00**	**100**	

3) Employees

Change in the average number of employees during the last fiscal year was insignificant – approximately 2 per cent.

	31 12 2008	31 12 2007
Average number of employees	1839	1875

Grouping of employees according to their education level:

Number of employees 31 12 2008	**1839**
With university education	225
With post-secondary (college) education	413
With vocational education and training	440
With secondary education	583
With incomplete secondary education	178

Average wages according to the respective work groups of employees:

Department	**Average number of employees**	**Average wages**
Managerial Personnel	6	15709
Specialists	218	2978
Workers	1615	1972
Total:	**1839**	

4) The procedure of altering The Articles of Association of the Issuer

In its operation, the company *Žemaitijos pienas AB* follows the Laws of the Republic of Lithuania, Governmental decisions and other legal acts regulating business activity, and the Articles of Association.
The Articles of Association of the company *Žemaitijos pienas AB* can be altered under the procedure provided in the legal acts of the Republic of Lithuania.

5) Issuer's Management Bodies

Issuer's Management Bodies are as follows: General Meeting; Supervisory Council; Management Board; and Chief Executive Officer (Director General).

The Supervisory Council and the Management Board are collegial Management Bodies of the Company. The Supervisory Council of the Company consists of 3 (three) members, and the Management Board consists of 5 (five) members. Both The Supervisory Council and the Management Board are elected for the period of 4 years. The Supervisory Council elects its Chairman out of its members. The Management Board also elects its Chairman out of its members.

The General Meeting of Shareholders is entitled to:

alter and supplement The Articles of Association; select and recall the firm of auditors; select and recall the members of the Supervisory Council; approve the annual fiscal accountability; approve the Activity Report submitted by the Management Board of the Company; make a decision to increase the authorized capital; define the type and class of the shares to be issued by the Company, and define the minimal price of the share issue; make a decision to reduce the authorized capital; make a decision to issue convertible bonds; make a decision to convert the type or class of the shares to be issued by the Company, and approve the procedure of the conversion; make a decision for Company to acquire part of its own shares; make a decision to restructure or liquidate the Company or to revoke the liquidation of the Company; make a decision to reorganize the Company and to approve the project (terms and conditions) of reorganization. In the cases defined by the law, the decision regarding the reorganization of the Company in manner of merger can be made by the Management Board of the Company; make a decision on profit distribution; make a decision to build reserves, except for reappraisal reserve.

Powers and responsibility of the Supervisory Council are defined hereunder.
It elects and recalls the members of the Management Board. In case activity of the Company is unprofitable, the Supervisory Council must consider whether the members of the Management Board are suitable for the work they are appointed to. The Supervisory Council supervises the work of the Management Board and CEO of the Company; provides the General Meeting of Shareholders its suggestions regarding Company's business strategy, annual fiscal accountability, profit distribution project, and Company's Activity Report as well as the activity of the Management Board and CEO of the Company; determines (adjusts) monthly/quarterly limits of production intended for free delivery to the customers to taste with the purpose to research and/or expand the market, and approves them at the end of the quarter; provides suggestions for the Management Board and the CEO to revoke their decisions which contradict the laws and other legal acts, The Articles of Association or the decisions of the General Meeting of Shareholders; deals with other supervisory issues related to the activity of the Company or its Management Bodies and assigned to the Supervisory Council by the Articles of Association and decisions of the General Meeting of Shareholders; determines the wage for the CEO of the Company if the latter is a member of the Management Board; on Management Board's request, deals with the question of terminating the Employment Contract of the member of the Supervisory Council working in the company.

Management Board considers and approves the following:
Company's business strategy; Company's management structure and positions of the employees; positions to be occupied by means of competition; with the approval of the Supervisory Council, defines and approves the range and quantity of production to be delivered to the customers free of charge with the purpose to research and/or expand the market; The Articles of Association of the Company and its branches and agencies; wages and salaries of the Director General and its deputies.
Management Board elects and recalls the Chief Executive Officer. Management Board approves the candidacies for the positions of Deputy Director General or those to be occupied by means of competition proposed by the CEO.
Management Board analyzes and evaluates the material submitted by the Director General on the following issues:
realization of Company's business strategy; organization of corporate activity; financial status of the Company; results of the economic activity; estimates of return and expenses, data on inventory and other accounts of changes in capital; sources of financial resources' and ways of their utilization; Company's transactions.
Management Board analyzes and assesses annual fiscal accountability project and profit distribution project submitted by the Director General; and having approved the above-mentioned projects

submits them to the General Meeting of Shareholders for approval. Management Board determines the methods and standards of calculating the deterioration of material properties and amortization of non-material properties.
Management Board must arrange General Meetings of Shareholders on a timely basis; assure the list of the owners of ordinary registered shares to be prepared; prepare the agenda of the General Meeting of Shareholders; provide the shareholders with the Company's annual financial accountability and profit distribution project as well as the activity report and other information required for the discussion of the items included in the agenda.
Without the approval of the General Meeting of Shareholders, Management Board can make the following decisions:
decisions for the Company to become the founder/participant of other legal entities; decisions to establish branches or agencies of the Company; decisions on investment, transfer or lease of the long-term assets the balance value of which is more than 1/20 of the Company's authorized capital; decisions on mortgage of the long-term assets the balance value of which is more than 1/20 of the Company's authorized capital; decisions on taking over of, giving guarantee or surety to the liabilities of others the balance value of which is more than 1/20 of the Company's authorized capital; decisions to acquire long-term assets the price of which is more than 1/20 of the Company's authorized capital; decisions on the terms and conditions and/or projects of changing the structure of or reorganizing the Company(s); decisions for Company to join/secede associations, concerns and/or consortiums; decisions to allocate money for charity, health security, culture, science, physical culture and sports as well as for the liquidating the outcomes of natural disasters and states of emergencies; determines the size of the fund to be used by the CEO; deals with other issues assigned to the Management Board by the Articles of Association and decisions of the General Meeting of Shareholders.

CEO and Administration of the Company:
Chief Executive Officer (CEO) of the company is Director General, acting under the Articles of Association of the company, decisions of the General Meeting of Shareholders, decisions of the Management Board and Rules of Procedure of the Administration. Director General is elected and recalled by the Management Board of the Company. A competition can be arranged in order to select the person to occupy the position of Director General. Contract of employment with the Director General is signed by the Chairman of the Management Board. Contract of employment with the Director General, who is also a Chairman of the Management Board, is signed by the member of the Management Board authorized by the Management Board. Director General takes part in sessions of the Management Board of the company, in an advisory capacity, but only if he is not in a position of the Chairman of the Management Board.
Chief Executive Officer of the company (Director General):
Manages company's Administration; within his competence, enters into deals on behalf of the Company; represents company in relationships with the third parties and in courts or arbitrage. The right to represent the company is obtained by the CEO on the day established in his contract of employment; opens and closes bank accounts of the company in banking institutions; prepares and submits structure of the company, lists of posts, and remuneration and incentive systems to the Management Board for approval; prepares a draft of share subscription agreement; employs and fires personnel, concludes and terminates their contracts of employment, measures their performance, imposes disciplinary punishments and incentives to employees including those of the material nature; establishes internal work procedures, approves department regulations of the company and rules of procedure of the Administration; gives authorisation to perform functions within his competence; in cases provided in the Act Respecting Public Limited Liability Companies calls and arranges the General Meeting of Shareholders, prepares draft documentation necessary for the General Meeting of Shareholders; ensures protection of assets and trade secrets of the company;

undertakes other functions provided in law and these Articles of Association; has in his disposition corporate assets, including its monetary funds.
Director General of the company is directly accountable and regularly reports to the Management Board.

Structure of the Supervisory Council:

Name, Surname	Position within the Issuer	Number of shares under ownership and percentage of the authorized capital, %	Start of the term of office	End of the term of office	Start of the service at *Žemaitijos pienas*
Artūras Kanapienis	Chairman of the Supervisory Council	19 860 0.04	13 10 2007	12 10 2011	05 09 2008 Director General of AB *Žemaitijos pieno investicija*
Robertas Pažemeckas	Member of the Supervisory Council	-	13 10 2007	12 10 2011	26 08 2002
Romusas Jarulaitis	Member of the Supervisory Council	1 105 510 2.29	13 10 2007	12 10 2011	26 01 1988

Structure of the Board:

Name, Surname	Position within the Issuer	Number of shares under ownership and percentage of the authorized capital, %	Start of the term of office	End of the term of office	Start of the service at *Žemaitijos pienas*
Irena Baltrušaitienė	Chairwoman of the Board, Production Director	577 130 1.19	30 09 2008	29 09 2012	15 08 1975
Algirdas Bladžinauskas	Member of the Board, Sales Director	-	30 09 2008	29 09 2012	20 08 1996
Dalia Gecienė	Member of the Board, Chief Financial Officer	665 160 1.38	30 09 2008	29 09 2012	29 07 1986

Name, Surname	Position within the Issuer	Number of shares under ownership and percentage of the authorized capital, %	Start of the term of office	End of the term of office	Start of the service at *Žemaitijos pienas*
Romusas Jarulaitis	Member of the Board, Export Manager	1 105 510 2.29	30 09 2008	29 09 2012	26.01 1988
Algirdas Pažemeckas	Member of the Board, Director General	21 355 870 44.15	30 09 2008	29 09 2012	26 12 1986

Administration:

Name, Surname	Position	Number of shares under ownership	Share of the authorized capital, %
Robertas Pažemeckas	Director General at interim	-	-
Dalia Gecienė	Chief Financial Officer	665 160	1.38

6) amounts of money accumulated by the Issuer for the Management Bodies in a reporting period

The amount of money accrued for the Management Bodies in 2008 was 2234811.96 Litas. This amount was allocated as follows: 440571.01 Litas – for the members of the Supervisory Council and 1794240.95 Litas – for the members of the Board.

7) the enterprises incorporated in the group and their contact information

The subsidiaries run by the company:

Agricultural Cooperative *Tarpučių pienas ŽŪK*, register number: 1151449845.
Date and Place of Registration: 05 06 2001, Šilutė district municipality, Šilutė town, Klaipėdos st. 3
Authorized Capital – 496027 Lt. Company holds 10.08 per cent of shares.
Office Address – Klaipėdos st. 3, Šilutė.
Nature of business – chilling of raw milk.

Agricultural Cooperative *Sodžiaus pienas ŽŪK*, register number: 177975514.
Date and Place of Registration: 13 07 2001, Šilalė district municipality, Laukuva town, Šilalės st. 35
Authorized Capital – 694.570 Lt. Company holds 15.09% per cent of shares.
Office Address – Šilalės st. 35, Laukuva, Šilalė district.
Nature of business – chilling of raw milk.

Public Limited Company *Šilutės Rambynas ABF*, register number: 277141670.
Date and Place of Registration: 09 12 1992 Šilutė district municipality, Šilutė town, Klaipėdos st. 3
Authorized Capital – 8.596.650 Lt. Company holds 87.82 per cent of shares.
Office Address - Klaipėdos st. 3, Šilutė.
Nature of business – production of ferment cheese.

8) Environmental Protection

Žemaitijos pienas AB, a company engaged in production and sale of dairy products, based on the established criteria, is attributed to the Installations group set out in Appendix 1 of the regulations of environmental protection IPPC permit. On December 29, 2006 the company was granted a permit of Integrated Pollution Prevention and Control (IPPC) for an unlimited period of time which due to some changes, however, can be adjusted. The company has no such negative effect on the environment that could require to immediately take necessary actions to reduce it, however company continuously monitors its performance measures, plans and implements investment potentially enabling to reduce costs of production and operation as well energy consumption, and allowing to improve environmental status of the company in every possible way. We are always ready to deal with environmental issues jointly with the general public.
In 2008, company has implemented the integrated quality management and food safety management system that, in the effect, meets requirements of the ISO 9001:2008 and ISO 22000:2005 standards, and further intends to implement the ISO 14000 environment management system.
In 2008, company's emissions from stationary sources of air pollution into the atmosphere amounted for 100.863 tones. Its boiler-room uses fuel that causes the least air pollution in the atmosphere, namely natural gas. The maximum installed capacity of the boiler-room amounts for 19.2 MW thus it does not require a green-house gas (GHG) emissions permit.
Company has 494 vehicles in its disposition. In 2008 company's emissions from mobile sources of air pollution into the atmosphere amounted for 966.892 tones.
Its transport and mechanical workshop makes minor repairs of some cars and forklift trucks, including welding, painting, changing accumulators and tires, adjusting and aligning headlights, changing oil, etc. Major part of the transport means possessed by the company is usually being sent to the specialized auto service for repair.
Potable water is supplied for the company by the urban water supply system and the other part is obtained from company's own fresh water boreholes. Natural resources are used effectively and economically. Company pays environmental taxes for the natural resources. Contaminated wastewater is sent by the company to the urban wastewater treatment facility.
Environmental impact is controlled by means of compliance with the approved harmonized programs for monitoring of underground water, atmosphere air and wastewater.
Company has potential emergency scenarios and plans for identifying and eliminating their root causes, hazards identification, risk analysis and assessment in a safety respect of the ammonia

compressor driven cooling system and fuel station storage facility as of the hazardous object. Company regularly arranges practical emergency localization and elimination training and undertakes personnel training.
All the waste and packages are handled based on the established environmental requirements. *Žemaitijos pienas AB* carries out segregation of the secondary raw materials out of the overall waste flow and systematically sends this waste to waste recycling and collecting facilities.
Company continuously undertakes investment projects for the implementation of new modern technologies that allow using energy resources more effectively. On December 19, 2008 the company has submitted an application to National Paying Agency under the Ministry of Agriculture for the support in accordance with the 1st field of activity *Processing and marketing of agricultural products* of the measure *Adding value to agricultural and forestry products* under the *Rural Development Programme for Lithuania for the period 2007–2013*, on the basis of which company intends to acquire 11 new milk-trucks, milk/whey processing and packing equipment and air purifying filter at the total value of 14.2 mln. Litas. This investment in modern milk-trucks shall reduce a currently high consumption of fuel by obsolete trucks as well as costs of auto repair and technical maintenance, and shall also allow company to save on taxes paid for environmental pollution from the mobile vehicles and result in lower cost price of the raw material being supplied. After implementation of the project, the obsolete equipment will be replaced by the modern one resulting in higher product quality, reduced air pollution by solid particles from the flour packing line and wastewater contamination.

9) significant events after the end of the fiscal year

There were no significant events between the end of the fiscal year concerned and before the public announcement of the consolidated report of 2008.

10) activity plans and forecasts of the company

In a long-term perspective, *Žemaitijos pienas AB* expects to become a strong, technically modern, and reliable company attractive for investors; to build a profitable market for its production in European Union and the Baltic States; to retain the highest level of product quality; to fully exploit available production capacity; to systematically accumulate intellectual capital.
The main current goals of the company:

- to procure milk under market conditions but not more expensive than raw milk is purchased by other market players in Lithuania;
- to increase sales at the prices favourable for the company; to focus on the main product portfolio and to retain at least 20 per cent share of the internal market; and in the export markets, to focus on sales of the higher value-added products;
- to strengthen its marketing function and name of the company;
- to reduce production costs and product cost price;
- to abandon economically disadvantageous production as soon as possible;
- to reduce distribution costs;
- to give incentives for employees only for the final results and achievement of plans set.

As it is hard to predict the economic situation in the State, the corporate group of *Žemaitijos pienas AB* refrains from publishing its turnover and profit forecasts for the year 2009.

11) Number of all the acquired and own shares held by the company and their nominal value and percentage in the authorized capital

The Company didn't acquire its own shares during reported period.

12) Number of company's own shares acquired and transferred during the reporting period concerned, and their nominal value and percentage in the authorized capital

The Company neither acquired its own shares nor transferred them to others during reported period.

13) Information regarding payments for a company own shares should they be acquired and transferred for a fee

The Company neither acquired its own shares nor transferred them to others during reported period.

14) Reasons for acquisition of the company's own shares during the reporting period concerned

The Company neither acquired its own shares nor transferred them to others during reported period.

AKCINĖ
BENDROVĖ

STOCK
COMPANY

ŽEMAITIJOS PIENAS

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Acknowledgement of Authorised Representatives

April 6, 2009
Telsiai

According to the Securities Law, Article 22, and Regulations of the Securities Commission of the Republic of Lithuania on Preparation and Delivery of Recurrent and Additional Information, we, Managing Director at interim Robertas Pazemeckas and Chief Financier Dalia Gecienė, acknowledge that, as far as it is known to us, Audited Annual Financial Statements 2008 of *AB Žemaitijos pienas* are prepared according to International Financial Reporting standards applicable in the European Union; they convey the reality and show true assets, liabilities, financial state and profit (loss) of the company; the annual report fairly reveals the development and activities of the company, common state of consolidated companies taking into account main risks and uncertainties present.

Managing Director at interim Robertas Pazemeckas

Chief Financier Dalia Gecienė

ŽEMAITIJOS PIENAS AB

Independent Auditor's Report,
Consolidated Annual Report, Financial Statements
and Consolidated Financial Statements
for the year ended 31 December 2008

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INDEPENDENT AUDITOR'S REPORT

To the shareholders of Žemaitijos Pienas AB:

Report on the Financial Statements and the Consolidated Financial Statements

We have audited the accompanying financial statements (pages 14 to 46) of Žemaitijos Pienas AB (thereafter – the Company) and the consolidated financial statements of the Company and subsidiaries (thereafter – the Group), which comprise the balance sheet and the consolidated balance sheet as of 31 December 2008, and the income statements, statements of changes in equity and cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory notes. The financial statements of the Company and the consolidated financial statements of the Group as of 31 December 2007 were audited by another auditor whose report dated 28 February 2008 expressed an unqualified opinion on those statements.

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

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

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

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

Opinion
In our opinion, the financial statements and consolidated financial statements present fairly, in all material respects, the financial position of the Company and the Group as of 31 December 2008, and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards and International Financial Reporting Standards as adopted by the EU.

Report on Other Legal and Regulatory Requirements

Furthermore, we have read the accompanying Consolidated Annual Report for the year ended 31 December 2008 (page 4 to 13) and have not noted any material inconsistencies between the historical financial information included in it and the consolidated financial statements for the year ended 31 December 2008.

Deloitte Lietuva UAB
Torben Pedersen
Partner

Certified auditor Lina Drakšienė
Auditor's Certificate No. 000062

Vilnius, Lithuania
16 March 2009

CONSOLIDATED ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2008

I. GENERAL INFORMATION ABOUT THE COMPANY

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

The consolidated annual report has been prepared for the financial year 2008.

2. The Company and its contact information

Name	Žemaitijos Pienas AB
Legal form	Joint stock company
Registration date	Joint stock company was registered on 23 June 1993.
Company's code	180240752
VAT payer code	LT802407515
Share capital	48,375,000 LTL, which consists of 48,375,000 ordinary shares with a nominal value of 1 LTL each.
Address	Sedos str. 35, LT-87101 Telšiai
Phone	8-444-22201
Fax	8-444-74897
E-mail	info@zpienas.lt
Website	www.zpienas.lt

3. Main business activity of the Company

Main business activity of Žemaitijos Pienas AB is production and sale of dairy products.

4. Information on trading of the Company securities in the regulated markets

Žemaitijos Pienas AB ordinary shares are traded on Vilnius Stock Exchange (VSE) since 13 October 1997. The Company's shares included on an additional VSE trading list are as follows:

Share type – ordinary shares;
Amount of shares – 48,375,000;
Total nominal value – 48,375,000 LTL;
ISIN code LT0000121865;
VSE Symbol – ZMP1L

5. Information on contracts with brokers publicly trading on the stock market

On 16 July 2004 the Company has signed an agreement with Šiaulių Bankas AB, address: Tilžės str. 149, Šiauliai, according to which from 23 July 2004, the Company's issued securities account is administrated by Šiaulių Bankas AB.

6. Objective overview of position, business performance and development of the Group and the Company

Žemaitijos Pienas AB is one of the biggest and most modern dairy products' production companies in Lithuania.

Žemaitijos Pienas AB was established in 1924. That year Dairy of Telšiai commenced its operations and its operating capacity was considered to be as extremely significant at that time. At the end of 1984 Dairy of Telšiai began to operate in new premises and continued operating until the biggest in the Baltic States Creamery of Telšiai was established and privatized in 1993. Žemaitijos Pienas AB was registered on 23 June 1993 in Telšių Regional Municipality and reregistered on 16 October 1998 in Ministry of Economy of the Republic of Lithuania.

Experience gained during many years and unique recipes, today, allows to provide the customers with wide assortment of high quality and remarkable taste products.

While consulting with the best European and American companies, concentrating on implementation of new technologies, and using the most advanced in the world membranous milk refinement technology "Bactocath" the variety and quality of produced goods has been improved. The Company produces fresh dairy products, butter, fermented and drawn cheese, and dry milk products.

Production of the Company is appreciated by many customers in Lithuania and foreign countries. Žemaitijos Pienas AB products are exported to the European Union countries (including the Baltic States), Russia, Belarus, United States of America, Israel and other. The high quality of products is not only defined by their popularity, but also by many awards in national and international exhibitions.

Majority of products produced by Žemaitijos Pienas AB are adhering not only with European, but also with global standards, have won gold medals and were awarded by diplomas in international exhibitions.

In average, per year the Company processes 280 tons of raw milk, 3,800 tons of organic milk, produces 9,600 tons of fermented cheese, 2,900 tons of butter, 280 tons of fat-free milk flour, 8,500 tons of whey flour, 1,000 tons of organic milk, 200 tons of organic yogurt (natural and with ingredients) and other.

As of 13 December 2006 a Director of State Food and Veterinary Service of the Republic of Lithuania by order No. B1-800 "Regarding animal food processing subject veterinary validation" superseded the order No. 4-104 dated 20 July 1995 "Regarding veterinary handling registration" and confirmed Žemaitijos Pienas AB compliance with new hygiene regulation requirements, confirmed Žemaitijos Pienas AB as producer of dairy products by issuing certificate No. 78-01 P to the Company.

In 2006 German Accreditation Council DAR audited Žemaitijos Pienas AB laboratory compliance with DIN EN ISO/IEC 17025:2000 requirements and confirmed the compliance by providing DAR accreditation certificate with registration number DAP-PL-3977.00.

In 2007 the Company started to produce organic products. EKOAGROS VšĮ confirmed that Žemaitijos Pienas AB is in compliance with EU Council's regulation (EEB0 No. 2092/91) requirements and the rules of organic agriculture. Certified production of organic products: organic cheese with 45% fat, organic milk with 2.5% fat, organic yogurts (Certificate No. SER-K-07-00010, registration No. 060670P).

7. Description of main risk and uncertainties met by the Company

The Company is engaged in dairy processing. The main factors which create business risk for the Company are possible changes in raw material and product markets, possible political, legal, social and technological changes, which are directly or indirectly related to the business of Žemaitijos Pienas AB and may negatively influence the Company's cash flows and financial performance.

The main raw material for the Company is milk, it's sales volumes to the milk producers of European Union for futher processing is restricted by national milk quotas. The restriction of raw material supply may cause a lack of raw material and increase its cost. These changes may negatively affect the Company's cash flows and financial performance.

The Company's activity (especially milk collection and transportation) requires a lot of labor force. Changing prices of fuel and increasing wages may negatively affect the Company's growth potential and financial performance.

The Company focuses on production of fresh dairy products and cheeses; the main part of revenue consists of sales of those products. Consequently negative demand and price changes in fresh dairy product and cheese markets may have an impact on the Company's revenue, net profit and financial position. Competition in national and international dairy product market may negatively affect prices of products.

8. Analysis of the financial and operating results, information related to the environmental protection and human resources management

The main indicators reflecting the performance of the Group and the Company in 2008 (in thousands of LTL):

Financial indicators	The Group	The Company
Sales	471,829	471,511
Gross profit	72,149	70,164
Profit before tax, interest, depreciation and amortisation	15,060	12,797
(Loss) before income tax	(3,889)	(5,123)
Investments into property, plant and equipment	31,346	29,752

Comparison of tonnage and prices of purchased raw milk in 2008 and 2007:

Raw milk purchases (recalculated based on standard fat)	2008	2007
Amount of purchased milk, tons	340	335
Price of purchased milk, LTL/t.	752	709

Comparison of the sales of Žemaitijos Pienas AB in Lithuania and export by product groups in 2008 and 2007 was as follows (in thousands of LTL):

Product groups	Sales, LTL		The net change comparing 2008 and 2007 (%)
	2008	2007	
Fermented cheese	225,823	200,899	12.41
Fresh dairy products	143,780	120,957	18.87
Butter products	33,829	32,594	3.79
Ice-creams	15,121	13,646	10.81
Dry dairy products	13,194	36,381	(63.73)
Other	39,698	53,098	(25.24)
Export subsidies	66	6,712	(99.02)
	471,511	**464,287**	**1.56**

9. References and additional explanations on the information presented in the financial statements

Information presented in the explanatory notes of Consolidated Financial Statements is sufficient, comprehensive and is not explained additionally.

10. The number of acquired and owned own shares, their par value and the part of the share capital represented by such shares

During the reporting period the Company did not acquire or own its own shares.

11. The number of acquired and transferred own shares during the reported period, their par value and the part of the share capital represented by such shares

During the reporting period the Company did not acquire or transfer its own shares.

12. Information on payments for own shares if they are acquired and transferred for a fee

During the reporting period the Company did not acquire or transfer its own shares.

13. Reasons of the Company's own shares acquisitions during the reported period

During the reporting period the Company did not acquire or transfer its own shares.

14. Information about the Group's and the Company's branches, representation offices and subsidiaries

Subsidiaries controlled by the Company:

Tarpučių Pienas ŽUK, reg. code 1151449845
Share Capital – LTL 496,027. The Company owns 10.08%.
Registered address – Klaipėdos str. 3, Šilutė
Business activities –Raw milk cooling

Sodžiaus Pienas ŽUK, reg. code 177975514
Share Capital – LTL 694,570. The Company owns 15.09%.
Registered address – Šilalės str. 35, Laukuva, Šilalė district
Business activities – Raw milk cooling

Šilutės Rambynas ABF, reg. code 277141670
Share Capital – LTL 8,596,650. The Company owns 87.82%.
Registered address - Klaipėdos str. 3, Šilutė
Business activities – Production of fermented cheese

Žemaitijos Pienas AB has 7 branches:

- Vilnius branche, address: Algirdo str. 40/13, Vilnius
- Kaunas branche, address: Kėdainių str. 8A, Kaunas
- Anykščiai branche, address: Vilties str. 4A, Anykščiai
- Alytus branche, address: Putinų str. 23, Alytus
- Klaipėda branche, address: Šilutės rd. 33, Klaipėda
- Panevėžys branche, address: J. Janonio str. 9, Panevėžys
- Telšiai branche, address: Sedos str. 35, Telšiai

15. Significant events happened after the end of financial year

On 28 February 2008 Competition Council of the Republic of Lithuania after the research on cartel agreements and evaluation of Žemaitijos Pienas AB motives for possible violation of Law on Competition of the Republic of Lithuania section 5 part 1 article 1, concluded that there were no violation of the law in the activities of Žemaitijos Pienas AB and the case against the Company was terminated.

As of 31 December 2008 the Company's registered (authorized) share capital consisted of 48,375,000 ordinary shares with par value LTL 1 each. All shares are issued, subscribed and fully paid. As of 31 December 2008 the Company's subsidiaries did not own any shares of the Company; the Company as well did not possess its own shares.

Until 12 March 2008 the Company's registered (authorized) share capital was LTL'000 48,375, which consisted of 4,837,500 shares with par value LTL 10 each. On 12 March 2008 Žemaitijos Pienas AB has registered changes to the Company's Statute in the Register of Legal Entities regarding change of par value of ordinary shares from LTL 10 each to LTL 1 each.

In April 2008 a subsidiary of Žemaitijos Pienas AB Telšių autoservisas AB was signed out from the Register of Legal Entities.

In May 2008 Žemaitijos Pienas AB from Žemaitijos Pieno Investicija AB has acquired 87.82% of Šilutės Rambynas ABF (754,938 units) ordinary shares, for LTL 10,878,000; by paying LTL 14.41 per share.

On 9 March 2006 the Company and the Ministry of Social Security and Labour of the Republic of Lithuania have signed a grant agreement for the project "Training of common abilities and skills of employees of Žemaitijos Pienas AB". According to this agreement a support of LTL 810,523 was granted. All expenses of the project amounted to LTL 1,365,437. In 2006 LTL 39,517 or 2.90% were used, in 2007 LTL 720,185 or 52.74% were used, in 2008 LTL 605,735 or 44.36% were used. The implementation of this project was finished in May 2008.

In September 2008 a subsidiary of Žemaitijos Pienas AB, Žemaitijos Pieno Žaliava UAB was signed out from the Register of Legal Entities.

During the 17[th] international specialized exhibition AgroBalt 2008, YOGURT CREAM (for salad), 10% fat, was awarded with a gold medal.

Fermented cheese DŽIUGAS and cheese strips PIK-NIK were awarded with a gold medal during exhibition PRODEXPO 2008 held in Moscow.

Žemaitijos Pienas AB, Klaipėdos Pienas AB and Šilutės Rambynas ABF, started the development of integrated scheme of food safety and quality control (in accordance with ISO 22000:2006 and ISO 9001:2008 standards).

EKOAGROS VšĮ re-certified Žemaitijos Pienas AB production of the organic products. Re-certified:
Organic cheese, 45% fat content in the dry matter;
Organic milk, 2.5% fat;
Organic yogurt, 2.5% fat;
Organic yogurt with strawberries, 2.0% fat;
Organic yogurt with lemon and ginger, 2.0% fat;
2008 03 07 Certificate No. SER-K-08-00011, registration No. 060670P.

EKOAGROS VšĮ confirmed that Žemaitijos Pienas AB conformed to the requirements of EU Council Regulation (EEC) No. 2092/91 and the rules of organic agriculture. Production of certified organic products:
Organic yogurt with honey and wheat, 2.1% fat;
2008 05 09 Certificate No. SER-K-08-00020, registration No. 060670P.

EKOAGROS VšĮ confirmed that Žemaitijos Pienas AB conformed to the requirements of EU Council Regulation (EEC) No. 2092/91 and the rules of organic agriculture. Production of certified organic products:
Organic half fat curd, 9% fat;
2008 12 04 Certificate No. SER-K-08-03956, registration No. 060670P.

The validity of former certificates was extended by the Kaliningrad Centre of Certification and Metrology.

Produced goods of the Company were re-certified for Ukraine's market and the validity of former certificates was extended by the Kaliningrad Centre of Certification and Metrology and Belarus Centre of Certification BELGIM.

16. Plans and forecasts of the Group's and the Company's operations

The long-term goals of Žemaitijos Pienas AB Group are to become a strong, technically modern, reliable company attractive for investors; to create a profitable market for its products in the European Union and the Baltic States; to retain the highest quality of its products; to fully use existing production capacities; to systematically accumulate intellectual capital.

The main current goals of the Group and the Company:
- to purchase milk on market but in any case paying not more than paid by other market participants purchasing raw milk in Lithuania;
- to increase sales at prices favorable for the Company. To concentrate on the main collection of the strongest products and to maintain at least 20% share in the domestic market; in the foreign markets to go for sales of products bigger value added;
- to reinforce the marketing function and to promote the Company's name;
- to reduce production expenses and cost of products;
- to cease unprofitable production as soon as possible;
- to reduce distribution expenses;
- to give insensitive to employees only for the final result and fullfillment of plans.

17. Information on research and development of the Company and the Group

The Group and the Company has been investing and searching for the ways to retain steady growth and better operating effectiveness.

18. When the Group and the Company uses financial instruments and where this is of importance for the evaluation of the entity's assets, equity capital, liabilities, financial position and performance, the Group and the Company shall disclose financial risk management objectives, its policy for hedging major types of forecasted transactions for which hedge accounting is used, and the entity's exposure to price risk, credit risk, liquidity risk and cash flow risk

The Company and the Group did not use any derivative financial instruments for the risk management purpose during the reporting period. Information on the Group's and the Company's financial risk management is disclosed in the explanatory notes to the consolidated financial statements and financial statements (note 28).

II. OTHER INFORMATION ABOUT THE COMPANY

1. The structure of the Company's share capital

Share capital of LTL 48,375,000 has been registered in the Register of Legal Entities. It is divided into 48,375,000 registered shares with the par value of one Litas each. All shares are fully paid.

2. All restrictions on the transfer of securities

Restrictions on the transfer of securities are not applicable.

3. The shareholders of the Company

As of 31 December 2008 the Company had 3,177 shareholders.

Shareholders holding or controlling more than 5% of Žemaitijos Pienas AB share capital and votes:

	2008	
Shareholder	**Owned shares (units)**	**Portion of share capital and votes (%)**
Pažemeckas Algirdas	21,355,870	44.15
SKANDINAVISKA ENSKILDA BANKEN CLIENTS, code 50203290810, SERGELS TORG 2, 10640 STOCKHOLM, SWEDEN	3,841,690	7.94
Klaipėdos Pienas AB, company's code 240026930, Šilutės pl. 33, 91107 Klaipėda	3,601,844	7.45
Šunokienė Ona	2,614,430	5.40
Other minor shareholders	16,961,166	35.06
Total capital	**48,375,000**	**100**

4. Shareholders having special rights to execute control and description of these rights

There are no shareholders having special rights to execute control in the Company.

5. All restrictions on voting rights

There are no restrictions on voting rights of shareholders.

6. All agreements among the shareholders which are known to the Company and which may impose restrictions on the transfer of securities and (or) voting rights

The Company is not aware of agreements among shareholders which may impose restrictions on the transfer of securities and (or) voting rights.

7. Employees of the Company and the Group

During the previous financial years the average number of Žemaitiojos Pienas AB Group employees changed insignificantly:

	31 December 2008	**31 December 2007**
Average number of employees	1,839	1,875

Group's employees by education

Number of employees	**31 December 2008**
University degree	225
Higher education	413
Vocational education	440
Secondary education	583
Unfinished secondary education	178
Total	**1,839**

Žemaitijos Pienas AB Group's average monthly salary for a respective group of employees:

Department	31 December 2008 Number of employees	Average salary
Administration	122	4,110
Auxiliary	217	2,284
Transport division	264	2,810
Raw material collection division	236	1,411
Production division	652	1,704
Branches	348	2,336
Total	**1,839**	

8. Procedure for amendment of the issuer's articles of association

Žemaitijos Pienas AB operates in accordance with Laws of the Republic of Lithuania, Resolutions and Acts of Government of the Republic of Lithuania, regulating Companies' activities, the Law on Security market and the Company's Statute.

Žemaitijos Pienas AB statute is changed according to the Republic of Lithuania Legislation.

9. The Company's management bodies

The Company's management bodies are the Shareholders Meeting, the Supervisory Council and the Board.

The Supervisory Council and the Board are collegiate management bodies. The Supervisory Council is formed of 3 (three) persons and the Board of the Company is formed of 5 (five) persons. The members of both the Supervisory Council and the Board are appointed for a 4 (four) year-period.

Structure of the Supervisory Council:

Name, Surname	Position in the Company	Number of shares held (units)	Portion of share capital, (%)	Commencement date	Expiration date	Started working in Žemaitijos Pienas AB
Artūras Kanapienis	Chairman of the Supervisory Council	19,860	0.4	2007 10 13	2011 10 12	2008 09 05 General director of Žemaitijos Pieno Investicija AB
Robertas Pažemeckas	Member of the Supervisory Council	-	-	2007 10 13	2011 10 12	2002 08 26
Romusas Jarulaitis	Member of the Supervisory Council	1,105,510	2.29	2007 10 13	2011 10 12	1988 01 26

Structure of the Board:

Name, Surname	Position in the Company	Number of shares held	Portion of share capital, (%)	Commencement date	Expiration date	Started working in Žemaitijos Pienas AB
Irena Baltrušaitienė	Chairman of the Board, production manager	577,130	1.19	2008 09 30	2012 09 29	1975 08 15
Algirdas Bladžinauskas	Member of the Board, sales manager	-	-	2008 09 30	2012 09 29	1996 08 20
Dalia Gecienė	Member of the Board, chief accountant	665,160	1.38	2008 09 30	2012 09 29	1986 07 29
Romusas Jarulaitis	Member of the Board, export manager	1,105,510	2.29	2008 09 30	2012 09 29	1988 01 26
Algirdas Pažemeckas	Member of the Board, general director	21,355,870	44.15	2008 09 30	2012 09 29	1986 12 26

Administration:

Name, Surname	Position	Number of shares held (units)	Portion of share capital, (%)
Robertas Pažemeckas	Acting director	-	-
Dalia Gecienė	Chief accountant	665,160	1.38

10. All significant agreements where the Company is the counterparty, and which would come into effect, would be amended or terminated in the case of changes in the Company's control, as well as their impact, excluding the cases when due to the nature of these agreements their disclosure could cause significant damage to the Company

There are no agreements where the Company is the counterparty, and which would come into effect, would be amended or terminated in the case of changes in the Company's control.

11. All agreements among the company and the members of its management bodies or employees providing for compensation in the case of their resignation or dismissal without a justified reason or in the case of termination of their employment due to the changes in the Company's control.

There are no agreements among the Company and the members of its management bodies or employees providing for compensation in the case of their resignation or dismissal without a justified reason or in the case of termination of their employment due to the changes in the Company's control.

12. Information on compliance with the corporate governance code

The information on compliance with the Company's Corporate governance code is provided in the amendment to the annual report (pages 47 to 66).

III. DATA ABOUT PUBLICLY DISCLOSED INFORMATION

4 January 2008

Convocation of Žemaitijos Pienas AB extraordinary general shareholders' meeting.
On initiative and decision of the Board of Žemaitijos Pienas AB, Convocation of Žemaitijos Pienas AB was announced on 8 February 2008 at 3 p.m., company code 180240752, reg. address Sedos str. 35, Telšiai, extraordinary general shareholders' meeting.
Registration on 8 February 2008 from 13 p.m. till 14.45 p.m., meeting starts at 15 p.m. Meeting's location – the main office of the Company, Sedos str. 35, Telšiai. The meeting registration date: 1 February 2008
Meeting's agenda:

1. Regarding changing the par value and increasing the number of the Company's shares;
2. Amendment of the Company's articles of association;
3. Other matters.

28 January 2008

Draft resolutions of Žemaitijos Pienas AB extraordinary general shareholders' meeting scheduled for 8 February 2008.

11 February 2008

Resolutions of Žemaitijos Pienas AB extraordinary general shareholders' meeting held on 8 February 2008.
1. Regarding changing the par value and increasing the number of the Company's shares.
To change the par value of the Company's shares from LTL 10 (ten) per share to LTL 1 (one) per share. To replace each share with a par value of LTL 10 (ten) held by shareholders by 10 (ten) shares with a par value of LTL 1 (one).
2. Regarding the amendment of the Company's articles of association.
To change Žemaitijos Pienas AB Statute's article 5.1 and state it as follows:
5.1. The share capital of the company is LTL 48,375,000 (forty eight millions three hundred and seventy five thousands). Share capital consists of 48,375,000 (forty eight millions three hundred and seventy five thousands) ordinary shares with a par value of LTL 1 (one) each.
3. Empower General Director Algirdas Pažemeckas to sign up the amendments of the Company's articles of association and to deliver them to the Register of Legal Entities.

29 February 2008

Žemaitijos Pienas AB Group's operating result of 2007.
Žemaitijos Pienas AB Group's draft unaudited consolidated revenue – LTL 464.2 million (EUR 134.4 million); compared to 2006 revenue increased by 21.1%.
Žemaitijos Pienas AB Group's unaudited net profit of 2007 is LTL 24.5 million (EUR 7.1 million), which is 5.3% of revenue.

29 February 2008

Žemaitijos Pienas AB interim financial information for 12 months period of 2007.
Included:
- the Company's unaudited interim financial statements for the 12 months period of 2007;
- responsible persons' approval of information presented in the financial statements.

4 March 2008

Regarding the decision of Competition Council of the Republic of Lithuania.
Competition Council of the Republic of Lithuania after the research on cartel agreements and evaluation of Žemaitijos Pienas AB motives for possible violation of Law on Competition of the Republic of Lithuania 5 section 1 part 1 article, concluded that there were no violation of the law in the activities of Žemaitijos Pienas AB and the case against the Company was terminated

13 March 2008

Registered changes of Žemaitijos Pienas AB Statute.
On 12 March 2008 Žemaitijos Pienas AB registered changes of Statute in the Register of Legal Entities regarding change of par value of ordinary shares from LTL 10 each to LTL 1 each. Article 5.1 of Žemaitijos Pienas AB Statute was changed and stated as follows:
The share capital of the Company is LTL 48,375,000 (forty eight millions three hundred and seventy five thousands). Share capital consists of 48,375,000 (forty eight millions three hundred and seventy five thousands) ordinary shares with a par value of LTL 1 (one) each.

15 March 2008

Žemaitijos Pienas AB ordinary general shareholders' meeting will happen on 18 April 2008.
On initiative and decision by the Board of Žemaitijos Pienas AB, Convocation on 18 April 2008 at 3 p.m. of The meeting registration date, company code 180240752, reg. address Sedos str. 35, Telšiai, ordinary general shareholders' meeting. Registration on 18 April 2008 from 14 p.m. till 14.45 p.m., meeting starts at 15 p.m. Meeting's location – the main office of the Company, Sedos str. 35, Telšiai. The meeting registration date: 1 April 2008
Meeting's agenda:

1. The Company's Annual Report;
2. The Company's Independent Auditor's Report;
3. Approval of the Company's Financial Statements of 2007;
4. Distribution of the Company's profit of 2007;
5. The election of Audit Company and the settlement of payment terms;
6. Other questions.

7 April 2008

Decision of the Board of Žemaitijos Pienas AB.
Board's of Žemaitijos Pienas AB decision 18 March 2008.
On 18 March 2008 the Board of Žemaitijos Pienas AB decided to approve and provide ordinary shareholders' meeting with the Company's Annual Report, Independent Auditor's Report and the Company's Financial Statements, prepared according to International Financial Reporting Standards, for approval.
Board of the Company leaves the right to general shareholders' meeting to decide on payment/not payment of dividends.

21 April 2008

Resolutions of Žemaitijos Pienas AB ordinary general shareholders' meeting happened on 18 April 2008:

1. Annual Report of Žemaitijos Pienas AB was approved.
2. Independent Auditor's Report of Žemaitijos Pienas AB was approved.
3. The Financial Statements of Žemaitijos Pienas AB were approved.
4. The following profit (loss) distribution (LTL'000) was approved:

1) Retained earnings (accumulated losses) at the beginning of the financial year	18,412,591
2) Net profit (losses) of the financial year	24,247,722
3) Transferred from reserves	-
4) Shareholders' contributions to cover the Company's losses (if shareholders decided to cover all or a part of losses)	-
5) Total distributable profit (losses)	42,660,313
6) A part of profit distributed to legal reserve	-
7) Entity's part of profit distributed to reserve for own shares	-
8) Part of profit distributed to other reserves	-
9) Part of profit distributed to payment of dividends	-
10) Part of profit distributed to annual bonuses for the Board's and Supervisory Councils' members, employees and other purposes	-
11) Retained earnings (accumulated losses) at the end of the financial year, transferred to the following financial year	42,660,313

7 May 2008

Announcement about manager's agreement (-ents) regarding issuer of securities.
Algirdas Pažemeckas, the Chairman of the Board of Žemaitijos Pienas AB, acquired 1,650,000 units of ordinary shares.

13 May 2008

Žemaitijos Pienas AB operating results of the 1th quarter.
Žemaitijos Pienas AB unaudited consolidated 1st quarter of 2008 revenue – LTL 113.4 million (EUR 32.8 million); compared to 1st quarter of 2007 revenue increased by 13.04%. Unaudited consolidated net losses – LTL 5.37 million (EUR 1.56 million), 1st quarter of 2007 profit was LTL 1.21 million.

20 May 2008

Regarding the shares acquisition.
Žemaitijos Pienas AB from Žemaitijos Pieno Investicija AB has acquired 87.82% of Šilutės Rambynas ABF (754,938 units) ordinary shares, for LTL 10,878,000; by paying LTL 14.41 per share.

29 May 2008

Financial statements for the 1st quarter of 2008.
Provided Žemaitijos Pienas AB responsible persons' approval and unaudited consolidated interim financial statements for three months period of 2008.

17 June 2008

Complemented Consolidated Annual Report of 2007.

25 July 2008

Žemaitijos Pienas AB 1st half of 2008 results.
Žemaitijos Pienas AB Group's draft unaudited consolidated revenue for the 1st half of 2008 amounted to LTL 234.9 million (EUR 68.03 million); it is 15.77% higher than last year's for the same period.
1st half of 2008 unaudited consolidated losses amounted to LTL 10.4 million (EUR 3.01 million). 1st half of 2007 consolidated profit was LTL 6.2 million (EUR 1.8 million).

19 August 2008

Žemaitijos Pienas AB elected the Audit Company.
The Board of Žemaitijos Pienas AB confirmed Audit Company Deloitte Lietuva UAB, which will perform an audit of the Company's financial statements, prepared in accordance with International Financial Reporting Standards, for the year 2008.

29 August 2008	Žemaitijos Pienas AB interim information of six months of 2008. Provided Žemaitijos Pienas AB unaudited financial statements for the 1st half of 2008 and interim annual report for the period of six months.
30 September	The Supervisory Council's of Žemaitijos Pienas AB meeting's resolutions. On 29 September 2008 the Supervisory Council of Žemaitijos Pienas AB extended for new cadence mandates of the Board's members: Algirdas Pažemeckas, Dalia Gecienė, Irena Baltrušaitienė, Romusas Jarulaitis, Algirdas Bladzinauskas.
7 October 2008	Selection of the Chairman of the Board's of Žemaitijos Pienas AB. The Board elected Algirdas Pažemeckas for the position of the Chairman of the Board of Žemaitijos Pienas AB.
19 November 2008	Election of the Chairman of the Board of Žemaitijos Pienas AB. On 18 November 2008 the Board selected Irena Baltrušaitienė for the position of the Chairman of the Board Žemaitijos Pienas AB.
28 November 2008	Žemaitijos Pienas AB interim consolidated financial statements of the period of nine months of 2008. Provided Žemaitijos Pienas AB interim consolidated financial statements of the period of nine months of 2008.

The Company reports on all significant events to NASDAQ OMX securities exchange information system there it is also possible to get acquainted with the Company's announcements; also news is presented on the Company's website.

IV. OTHER INFORMATION

There is no other information that should have been disclosed according to the laws, acts or the Company's Statute, regulating companies' activities, that has not been disclosed in this Annual Report and Financial Statements.

Robertas Pažemeckas
Acting Director

16 March 2009

BALANCE SHEETS
AS OF 31 DECEMBER 2008
(All amounts in LTL thousands unless otherwise stated)

		The Group		The Company	
ASSETS	**Notes**	**2008**	**2007**	**2008**	**2007**
Non-current assets					
Intangible assets		201	571	194	571
Property, plant and equipment	5	88,481	50,751	64,303	50,450
Investment property	6	-	4,857	5,361	4,857
Investments available for sale		-	14	-	14
Investments into subsidiaries	1	-	-	11,033	1,000
Loans granted	7	1,124	2,191	1,102	2,191
Deferred income tax asset	23	1,152	653	971	653
Total non-current assets		**90,958**	**59,037**	**82,964**	**59,736**
Current assets					
Inventories	8	62,989	46,289	55,665	46,287
Prepayments		580	1,342	537	1,336
Trade accounts receivable	9	29,742	39,445	32,958	39,437
Other accounts receivable	10	8,367	6,717	8,036	6,652
Cash and cash equivalents	11	9,049	13,053	8,872	12,423
Total current assets		**110,727**	**106,846**	**106,068**	**106,135**
TOTAL ASSETS		**201,685**	**165,883**	**189,032**	**165,871**
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	12	48,375	48,375	48,375	48,375
Legal reserve	12	4,838	4,838	4,838	4,838
Retained earnings		39,270	42,942	37,855	42,660
Equity attributable to equity holders of the Company		**92,483**	**96,155**	**91,068**	**95,873**
Minority interest		2,552	1,037	-	-
Total Equity		**95,035**	**97,192**	**91,068**	**95,873**
Non-current liabilities					
Grants received	13	4,157	2,999	1,947	2,966
Borrowings	14	25,632	20,631	25,632	20,631
Obligations under finance lease	15	13,370	5,553	12,043	5,553
Deferred income tax liability	23	640	-	-	-
Total non-current liabilities		**43,799**	**29,183**	**39,622**	**29,150**
Current liabilities					
Borrowings	14	18,545	2,899	18,159	2,899
Obligations under finance lease	15	4,642	2,316	4,325	2,316
Trade accounts payable	17	29,450	24,663	27,257	26,470
Income tax payable		3	4,648	-	4,644
Other accounts payable	18	10,211	4,982	8,601	4,519
Total current liabilities		**62,851**	**39,508**	**58,342**	**40,848**
Total liabilities		**106,650**	**68,691**	**97,964**	**69,998**
TOTAL EQUITY AND LIABILITIES		**201,685**	**165,883**	**189,032**	**165,871**

The accompanying explanatory notes are an integral part of these consolidated financial statements and financial statements.

The consolidated financial statements and financial statements were approved on 16 March 2009 and signed by:

Robertas Pažemeckas
Acting Director

Dalia Gecienė
Chief Accountant

INCOME STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008
(All amounts in LTL thousands unless otherwise stated)

	Notes	The Group		The Company	
		2008	**2007**	**2008**	**2007**
Sales	19	471,829	464,226	471,511	464,287
Cost of sales		(399,680)	(362,030)	(401,347)	(362,464)
GROSS PROFIT		**72,149**	**102,196**	**70,164**	**101,823**
Operating expenses	20	(79,289)	(75,690)	(78,068)	(75,423)
Other operating income and expenses	21	4,647	5,956	5,327	5,782
(LOSS) PROFIT FROM OPERATIONS		**(2,493)**	**32,462**	**(2,577)**	**32,182**
Excess of the Group's interest in the fair value of net assets over the cost of the business combination	24	1,251	-	-	-
Finance costs		(2,783)	(2,188)	(2,742)	(2,188)
Other financial income and expenses	22	136	293	196	298
(LOSS) PROFIT BEFORE TAX		**(3,889)**	**30,567**	**(5,123)**	**30,292**
Income tax (benefit) expense	23	179	(6,057)	318	(6,044)
NET (LOSS) PROFIT		**(3,710)**	**24,510**	**(4,805)**	**24,248**
ATTRIBUTABLE TO:					
Shareholders of the Company		(3,672)	24,510	(4,805)	24,248
Minority interest		(38)	-	-	-
		(3,710)	**24,510**	**(4,805)**	**24,248**
Basic and diluted earnings per share (LTL)	25	**(0.08)**	**0.51**	**(0.10)**	**0.50**

The accompanying explanatory notes are an integral part of these consolidated financial statements and financial statements.

The consolidated financial statements and financial statements were approved on 16 March 2009 and signed by:

Robertas Pažemeckas
Acting Director

Dalia Gecienė
Chief Accountant

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2008
(All amounts in LTL thousands unless otherwise stated)

The Group	Share capital	Legal reserve	Retained earnings	Equity attributable to equity holders of the parent	Minority interest	Total
Balance as of 31 December 2006	**48,375**	**4,838**	**19,400**	**72,613**	**1,037**	**73,650**
Dividends paid	-	-	(968)	(968)	-	(968)
Net profit	-	-	24,510	24,510	-	24,510
Balance as of 31 December 2007	**48,375**	**4,838**	**42,942**	**96,155**	**1,037**	**97,192**
Acquisition of subsidiary	-	-	-	-	1,553	1,553
Net (loss)	-	-	(3,672)	(3,672)	(38)	(3,710)
Balance as of 31 December 2008	**48,375**	**4,838**	**39,270**	**92,483**	**2,552**	**95,035**

The Company	Share capital	Legal reserve	Retained earnings	Total
Balance as of 31 December 2006	**48,375**	**4,838**	**19,380**	**72,593**
Dividends paid	-	-	(968)	(968)
Net profit	-	-	24,248	24,248
Balance as of 31 December 2007	**48,375**	**4,838**	**42,660**	**95,873**
Net (loss)	-	-	(4,805)	(4,805)
Balance as of 31 December 2008	**48,375**	**4,838**	**37,855**	**91,068**

The accompanying explanatory notes are an integral part of these consolidated financial statements and financial statements.

The consolidated financial statements and financial statements were approved on 16 March 2009 and signed by:

Robertas Pažemeckas
Acting Director

Dalia Gecienė
Chief Accountant

ŽEMAITIJOS PIENAS AB
Company's code 180240752, Sedos str. 35, Telšiai, Lithuania

CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008
(All amounts in LTL thousands unless otherwise stated)

	The Group		The Company	
	2008	**2007**	**2008**	**2007**
Cash flow from operating activities				
Net (loss) profit	(3,710)	24,510	(4,805)	24,248
Adjustments to net (loss) profit				
Depreciation and amortization	16,166	16,676	15,178	16,038
Amortization of grants received	(2,247)	(2,509)	(1,019)	(2,193)
Loss (gain) from disposal and write-offs of property, plant and equipment.	7	(211)	7	(187)
Income tax expenses	(179)	6,057	(318)	6,044
Impairment of accounts receivable	65	(58)	41	(58)
Impairment of property, plant and equipment	(23)	-	-	-
Excess of the Group's interest in the fair value of net assets over the cost of the business combination	(1,251)	-	-	-
Interest (income)	(358)	(357)	(356)	(356)
Interest expenses	2,783	2,188	2,742	2,188
Write off inventories to net realizable value	267	1,764	(283)	1,795
Other financial (income) and expenses	222	64	(160)	57
Loss from liquidation of subsidiaries	315	-	273	-
	12,057	49,689	11,300	47,576
Changes in working capital:				
(Increase) in inventories	(3,711)	(8,976)	(9,095)	(9,006)
(Increase) decrease in trade receivables	(140)	7,540	(4,280)	7,548
Decrease (increase) in prepayments	808	(482)	799	(477)
(Increase) in other receivables	(1,650)	(1,886)	(1,601)	(1,869)
(Decrease) increase in trade payables	(6,889)	(5,860)	1,359	(5,550)
Increase (decrease) other accounts payable	1,142	(1,125)	4,279	(1,097)
Income tax paid	(4,645)	-	(4,644)	-
Interest paid	(2,783)	(2,188)	(2,742)	(2,188)
Net cash flows (to) from operating activities	**(5,811)**	**35,147**	**(4,625)**	**34,937**
Cash flows from (to) investing activities				
(Acquisition) of intangible assets and property, plant and equipment.	(13,585)	(14,171)	(14,841)	(14,195)
Proceeds on sale of property, plant and equipment	665	705	657	704
Acquisition of subsidiaries	207	-	-	-
Sale of investments available for sale	14	-	14	-
Repayment of loans granted	3,986	4,174	3,984	4,174
Loans granted	(2,919)	(4,459)	(2,875)	(4,459)
Interest received	358	357	356	356
Net cash flows (to) investing activities	**(11,274)**	**(13,357)**	**(12,705)**	**(13,420)**
Cash flows from (to) financing activities				
Dividends paid	-	(968)	-	(968)
Grants received	1,064	3,435	-	3,435
Loans received	23,389	6,219	22,457	6,219
Repayment of loans	(3,723)	(28,787)	(2,196)	(28,787)
Financial lease payments	(7,649)	(3,133)	(6,482)	(3,133)
Net cash flows from (to) financial activities	**13,081**	**(23,234)**	**13,779**	**(23,234)**
Net (decrease) in cash and cash equivalents	**(4,004)**	**(1,481)**	**(3,551)**	**(1,717)**
Cash and cash equivalents at the beginning of the year	**13,053**	**14,534**	**12,423**	**14,140**
Cash and cash equivalents at the end of the year	**9,049**	**13,053**	**8,872**	**12,423**

The accompanying explanatory notes are an integral part of these consolidated financial statements and financial statements.

The consolidated financial statements and financial statements were approved on 16 March 2009 and signed by:

Robertas Pažemeckas
Acting Director

Dalia Gecienė
Chief Accountant

1. GENERAL INFORMATION

Žemaitijos Pienas AB (hereinafter the Company) is a joint stock company registered in the Republic of Lithuania. The address of its registered office is as follows: Sedos Str. 35, Telšiai, Lithuania.

The Company produces dairy products and sells them in the Lithuanian and foreign markets. The Company has a number of wholesale departments with storage facilities and transport means in major Lithuanian towns. The Company started its operations in 1984. The Company's shares are traded on the Current List of the Vilnius Stock Exchange.

As of 31 December 2008 the share capital of the Company was LTL'000 48,375, which consisted of 48,375,000 ordinary shares with a nominal value of LTL 1 each.

During the extraordinary shareholder's meeting on 8 February 2008, the decision was made to change the par value of the Company's shares from LTL 10 per share to LTL 1 per share and to replace each share held by shareholders by 10 shares accordingly.

As of 31 December 2007 the share capital of the Company was LTL'000 48,375, which consisted of 4,837,500 ordinary shares with a nominal value of LTL 10 each.

All the shares are issued, subscribed and fully paid.

The Company did not hold any own shares as of 31 December 2008 and 31 December 2007.

The major shareholder of Žemaitijos Pienas AB is the general manager of the Company Mr. Algirdas Pažemeckas. As of 31 December 2008 Mr. Algirdas Pažemeckas owned 44.15% of the authorized share capital (31 December 2007 - 40.74%). As of 31 December 2008 Skandinavska Ensilda Banken (investment fund) clients had 7.94% (31 December 2007 - 7.99%), Klaipėdos Pienas AB had 7.45% (31 December 2007 - 6.77%), Mrs. Ona Šunokienė - 5.4% (31 December 2007 - 3.83%) of shares. There is no information available if there is any other single shareholder with the shareholding of 5% or more.

As of 31 December 2008 the Group consisted of Žemaitijos Pienas AB and the following subsidiaries (hereinafter the Group):

Subsidiary	Registration address	Ownership of the Group	Percentage in consoli-dation	Cost of investment 2008	Cost of investment 2007	Net assets as of 31 December 2008	Main activities
Šilutės Rambynas ABF	Klaipėdos str. 3, Šilutė, Lithuania	87.82%	87.82%	10,878	-	12,538	Cheese production and selling
Sodžiaus Pienas ŽŪK	Šilalės str. 35, Laukuva, Lithuania	15.09%	100%	105	105	1,305	Milk collection services
Tarpučių Pienas ŽŪK	Klaipėdos str. 3, Šilutė, Lithuania	10.08%	100%	50	50	482	Milk collection services
Telšių Autoservisas AB	Mažeikių str. 4, Telšiai, Lithuania	37.49%	100%	-	393	(33)	Repair of vehicles
Žemaitijos Pieno Žaliava UAB	Sedos str. 35, Telšiai, Lithuania	100%	100%	-	1,000	718	Milk collection services
				11,033	**1,548**		

As of 31 December 2007 companies Sodžiaus Pienas ŽŪK and Tarpučių Pienas ŽŪK were controlled indirectly, and for the investment in Telšių Autoservisas AB impairment loss in the amount LTL'000 393 was recognized. During the year 2008 the Company's subsidiaries Žemaitijos Pieno Žaliava UAB and Telšių Autoservisas UAB were liquidated.

According to IFRS a subsidiary is an entity that is controlled by another entity (known as the parent) and control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities, therefore since ŽŪK Tarpučių Pienas and ŽŪK Sodžiaus Pienas are performing nearly 100% of their sales to the Company they are considered subsidiaries fully controlled by the parent even if the Company's owning is less than 50%.

As of 31 December 2008 the number of employees of the Company was 1,636 (as of 31 December 2007 - 1,762). As of 31 December 2008 the number of employees of the Group was 1,839 (as of 31 December 2007 - 1,875).

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In 2008 the Company and the Group has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 January 2008. The adoption of these new and revised Standards and Interpretations has resulted in no changes to the Company's and the Group's accounting policies.

a) Standards, amendments and interpretations effective in 2008, but not relevant to the Group's and the Company's accounting policies

The adoption of these new and revised Standards and Interpretations has not resulted in changes to the Group's and the Company's accounting policies:

- Amendments to IAS 39 'Financial Instruments: Recognition and Measurement' and IFRS 7 'Financial Instruments: Disclosures' – 'Reclassification of Financial Assets' (effective on or after 1 July 2008);
- Amendments to IAS 39 'Financial Instruments: Recognition and Measurement' and IFRS 7 'Financial Instruments: Disclosures' – 'Effective date and transition' (effective on or after 1 July 2008, not yet endorsed by the EU);
- IFRIC 14, IAS 19 – 'The limit on a defined benefit asset, minimum funding requirements and their interaction' (effective from 1 January 2008), provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognized as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement;
- IFRIC 11, IFRS 2 – 'Group and treasury share transactions' (effective from 1 March 2007), provides guidance on whether share-based transactions involving treasury shares or involving group entities (for example, options over a parent's shares) should be accounted for as equity- settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent;
- IFRIC 12 'Service Concession Arrangements' (effective for accounting periods beginning on or after 1 January 2008, however, not yet adopted by EU). The interpretation addresses how service concession operators should apply existing International Financial Reporting Standards to account for the obligations they undertake and rights they receive in service concession arrangements.

b) Standards, amendments and interpretations that are issued, but not yet effective and have not been early adopted by the Group and the Company

At the date of authorization of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

- IAS 23 (Revised) 'Borrowing Costs' (effective for accounting periods beginning on or after 1 January 2009). According to this amendment borrowing costs, that are directly attributable to the acquisition, construction and production of a qualifying asset, should form part of the cost of that asset;
- IAS 1 (Revised), 'Presentation of financial statements' (effective from 1 January 2009). The revised standard will prohibit the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning of the comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period;
- IFRS 2 (Amendment), 'Share-based payment' (effective from 1 January 2009). The amendment deals with vesting conditions and cancellations;
- IAS 32 (Amendment), 'Financial instruments: Presentation', and IAS 1 (Amendment), 'Presentation of financial statements' – 'Puttable financial instruments and obligations arising on liquidation' (effective from 1 January 2009);
- IAS 27 'Consolidated and separate financial statements' (effective from 1 January 2009). The standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost;
- IAS 27 (Revised) 'Consolidated and separate financial statements' (effective from 1 July 2009, not yet endorsed by EU);
- IFRS 3 (Revised), 'Business combinations' (effective from 1 July 2009, not yet endorsed by EU). The standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice to measure the non – controlling interest either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition related costs should be expensed;
- IFRS 1 (Revised) 'First-time Adoption of IFRS (effective for accounting periods beginning on or after 1 January 2009, not yet endorsed by EU);
- Amendments to IFRS 1 'First-time Adoption of IFRS' and IAS 27 'Consolidated and separate financial statements' – Cost of Investment on first-time adoption (effective for accounting periods beginning on or after 1 January 2009);

- Amendment to IAS 39 'Financial Instruments: Recognition and Measurement' – 'Eligible Hedged Items' (effective for accounting periods beginning on or after 1 July 2009, not yet endorsed by EU);
- In May 2008 the Board of IASB issued its first omnibus of amendments to various standards and interpretations resulting from the Annual quality improvement project of IFRS (IAS 1, IFRS 5, IFRS 7, IAS 8, IAS 10, IAS 16, IAS 18, IAS 19, IAS 20, IAS 23, IAS 27, IAS 28, IAS 29, IAS 31, IAS 34, IAS 36, IAS 38, IAS 39, IAS 40, IAS 41) primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard.
- IFRS 5 (Amendment), 'Non-current assets held-for-sale and discontinued operations' (and consequential amendment to IFRS 1, 'First-time adoption') (effective from 1 July 2009, not yet endorsed by EU). The standard clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control.
- IFRS 8 Operating Segments (effective for accounting periods beginning on or after 1 January 2009); The standard sets out requirements for disclosure of information about an entity's operating segments and also about the entity's products and services, the geographical areas in which it operates, and its major customers;
- IFRIC 13 Customer Loyalty Programmes (effective for accounting periods beginning on or after 1 July 2008). The interpretation specifies how customer loyalty programs should be accounted for;
- IFRIC 15 'Agreements for the Construction of Real Estate' (effective for accounting periods beginning on or after 1 January 2009, not yet endorsed by EU);
- IFRIC 16 'Hedges of a Net Investment in a Foreign Operation' (effective October 1, 2008, not yet endorsed by EU);
- IFRIC 17 'Distribution of Non-cash Assets to Owners' (effective for accounting periods beginning on or after 1 July 2009, not yet endorsed by EU); and
- IFRIC 18 'Transfers of Assets from Customers' (effective for transfers of assets from customers received on or after 1 July 2009, not yet endorsed by EU).

The Group's and Company's management is of the opinion that adoption of these standards in the future will not significantly impact the financial statements of the Group and the Company.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance
The financial statements and the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and International Financial Reporting Standards ("IFRSs") as adopted by the European Union (the "EU"). IFRS as adopted by the EU do not currently differ from IFRS as issued by the International Accounting Standards Board (IASB) and currently effective for the purpose of these financial statements, except for certain hedge accounting requirements under IAS 39, which have not been adopted by the EU. The Group/the Company has determined that the unendorsed hedge accounting requirements under IAS 39 would not impact the Company's and the Group's financial statements had they been endorsed by the EU at the balance sheet date.

Basis of the preparation of the financial statements
The financial statements have been prepared on a cost basis, except for certain financial instruments, which are stated at fair value.

The financial year of the Company and other companies of the Group coincides with the calendar year.

The financial statements are presented in national Lithuanian currency – Litas (LTL).

The principal accounting policies are set out below:

Basis of consolidation and business combination
The consolidated financial statements incorporate the financial statements of the Company and enterprises controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities.

Acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets and liabilities that meet the recognition conditions under IFRS 3 are recognized at their fair values at the acquisition date. The initial accounting for the subsidiaries assets and liabilities are adjusted within twelve months of the acquisition date if additional data is received that allows a more precise determination of fair value of the subsidiaries' assets and liabilities.

Goodwill arising on acquisition is recognized as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized. If the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognized immediately in the income statement.

The interest of minority shareholders in the acquiree is measured at the minority's proportion of the net fair value of the assets and liabilities recognized.

The result of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

All intercompany transactions, balances, income , expenses and unrealized profits (losses) between Group companies are eliminated on consolidation.

Business combinations involving entities under common control
Business combinations involving entities under common control are outside the scope of IFRS 3. However, the Group's accounting policy for such business combinations is as follows. For acquisitions that took place starting from April 2004 the Group companies account for business combinations involving entities under commen control using the purchase method. The management believes that the purchase method combined with external expert valuations of the fair values used in the deals ensure the best treatment of the situations faced by the Group to present the true and fair view.

Goodwill
Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of acquisition over the Group's interest in the fair value of the net assets of the subsidiary recognized at the date of acquisition. Goodwill is initially recognized as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or their groups) expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Investments in subsidiaries
Investments in subsidiaries in the Company's stand alone balance sheet are recognized at cost. The dividend income from the investment is recognized only to the extent that the dividends are received from accumulated profits of the subsidiary arising after the date of acquisition. Distributions received in excess of such profits are regarded as a recovery of investment and are recognized as a reduction of the cost of the investment.

Intangible assets
Intangible assets are measured initially at cost. Intangible assets are recognized if it is probable that future economic benefits that are attributable to the asset will flow to the Group and the Company and the cost of asset can be measured reliably. The Group and the Company do not have any intangible assets with indefinite useful life, therefore after initial recognition intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses. Intangible assets are amortized on a straight-line basis over the best estimate of their useful lives. Amortisation expenses of intangible assets are included into operating expenses.

Software
The costs of acquisition of new software are capitalized and treated as an intangible asset if these costs are not an integral part of the related hardware. Software and licenses are amortized over a period of 3 years.

Costs incurred in order to restore or maintain the expected future economic benefits expects from the originally assessed standard of performance of existing software systems are recognized as an expense when the restoration or maintenance work is carried out.

Property, plant and equipment
Property, plant and equipment are stated at historical cost, less accumulated depreciation and any accumulated impairment losses.

Construction-in-progress represents property, plant and equipment under construction. Such assets are carried at acquisition cost, less any recognized impairment losses. Cost includes design, construction works, plant and equipment being mounted and other directly attributable costs.

Depreciation of property, plant and equipment, other than construction-in-progress, is charged so as to write off the cost of assets over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. Estimated useful lives of property, plant and equipment are as follows:

Buildings	20 - 40 years
Machinery and equipment	5 years
Vehicles and other equipment	4 - 10 years

The Group capitalizes property, plant and equipment purchases with useful life over one year and an acquisition cost above LTL 500.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets.

The gain or loss arising on the disposal of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the income statement.

Subsequent repair costs are included in the asset's carrying amount, only when it is probable that future economic benefits associated with the item will flow to the Group and the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are recognized in profit or loss in the period in which they are incurred.

Investment property
Investment property of the Group and the Company consist of investments in land and buildings that are held to earn rentals, rather than for own use in the ordinary course of business. Investment property is stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is computed on a straight-line basis over the estimated useful life of 20 - 40 years.

Transfers to or from investment property are made when and only when there is an evidence of a change in use.

Impairment of property, plant and equipment and intangible assets
At each balance sheet date, the Group and the Company reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group and the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-

generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Inventories
Inventories are initially measured at cost and are subsequently measured at the lower of cost and net realizable value. The First–In, First-Out method is used as a basis for calculating the cost. The cost of work in progress and finished goods comprises of raw materials, direct labor cost, other direct costs and related production overheads. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Financial assets
Financial assets are recognized on the Company's and the Group's balance sheet when the Company and the Group becomes a party to the contractual provisions of the instrument.

Loans and receivables
Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "Loans and receivables". Loans and receivables are measured at initial recognition at fair value, and are subsequently measured at amortized cost using the effective interest rate method less impairment loss recognized to reflect irrecoverable amounts.

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

Impairment of financial assets
Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are debited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand and cash in banks, demand deposits and other short-term highly liquid investments with original maturities of three months or less those are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Financial liabilities
A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another entity, a contractual obligation to exchange financial instruments with another entity under conditions that are potentially unfavorable, or a derivative or non-derivative contract that will or may be settled in the Company's own equity instruments.

Financial liabilities
Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Other financial liabilities
Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

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

Fair value of financial instruments
Fair value represents the amount at which an asset could be exchanged or liability settled on an arm's length basis. Where, in the opinion of the management, the carrying amounts of financial assets and financial liabilities recorded at amortized cost differ materially from their carrying value, such fair values are separately disclosed in the notes to the financial statements.

Grants
Grants are accounted for on an accrual basis, i.e. grants are credited to income statement in the periods when related expenses, which they are intended to compensate, incurr.

Grants related to assets
Grants related to assets include asset acquisition financing and non-monetary grants. Initially such grants are recorded at the fair value of the corresponding assets and subsequently credited to the income statement over the useful lives of related non-current assets.

Grants related to income
Grants related to income are received as a reimbursement for expenses already incurred or as a compensation for unearned revenue, and also all other grants than those related to assets. Grants are recognized when they are received or there is a reasonable assurance that they will be received.

Lease
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Company and the Group as lessor
Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

The Company and the Group as lessee
Assets held under finance leases are recognized as assets at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

Rentals payable under operating leases are recognized in profit or loss on a straight-line basis over the term of the relevant lease.

Revenue recognition
Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for VAT estimated customer returns, rebates and other similar allowances. Revenue is recognized on an accrual basis. Revenues are recognized in the financial statements irrespective of cash inflows, i.e. when they are earned.

Revenue from sales of goods
Revenue from the sale of goods is recognized when all the following conditions are satisfied:

- the Company and the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Company and the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from rendering services
Revenue from rendering services are recognized on performance of the services.

Interest income is recognized on a time proportion basis, by reference to the principal outstanding and at the effective interest rate applicable. Received interest is recorded in the cash flow statement as cash flows from investing activities.

Dividend income is recognized when the right to shareholders to receive payment is established. Received dividends are recorded in the cash flow statement as cash flows from investing activities

Expense recognition
Expenses are recognized on an accrual basis when incurred.

Foreign currency
Transactions denominated in foreign currency other than Litas (LTL) are translated into LTL at the official Bank of Lithuania exchange rate on the date of the transaction, which approximates the prevailing market rates. At each balance sheet date, monetary assets and liabilities denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date.

As of 31 December the applicable rates used for principal currencies were as follows:

2008	2007
1 EUR = 3.4528 LTL	1 EUR = 3.4528 LTL
1 USD = 4.8872 LTL	1 USD = 4.9567 LTL
1 LVL = 2.4507 LTL	1 LVL = 2.3572 LTL

All resulting gains and losses relating to transactions in foreign currencies are recorded in the income statement in the period in which they arise. Gains and losses on translation are credited or charged to the income statement using foreign exchange rates prevailing at the year-end.

Provisions
Provisions are recognized when the Company and the Group has a present obligation (legal or constructive) as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Taxation
Income tax charge consists of the current and deferred income tax.

Income tax
The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's and the Company's liability for current income tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date. The income tax rate applied for the Company and the Group was 15%. A 3% Provisional Social Tax rate was effective for 2008. From 1 January 2009 the income tax rate is 20% in the Republic of Lithuania.

Deferred income tax
Deferred income tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits of the Group and the Company will be available to allow all or part of the asset to be recovered.

Deferred income tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or asset realized.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred income tax for the period
Current and deferred income tax is charged or credited to profit or loss, except when they relate to items charged or credited directly to equity, in which case the deferred income tax is also dealt with in equity.

Segments
In these financial statements a business segment means a constituent part of the Group and the Company participating in production of an individual product or provision of a service or a group of related products or services, the risk and returns whereof are different from other business segments.

The Group and the Company does not split its activities into separate segments, as Management believes that the Group and the Company does not sell the products, the risk and returns whereof are different from other business segments.

In these financial statements a geographical segment means a constituent part of the Group and the Company participating in production of individual products or provision of services within certain economic environment the risk and returns whereof are different from other constituent parts operating in other economic environments. The Group and the Company separetas these geographical segments: Lithuania, Other Baltic States, Other Europien countries, USA and others.

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

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

Subsequent events
Post balance sheet events that provide additional information about the Group's and the Company's position at the balance sheet date (adjusting events) are reflected in the financial statements. Post balance sheet events that are not adjusting events are disclosed in the notes when material.

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Group's and the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Judgments
In the process of applying the Group's and the Company's accounting policies, management has made the following judgment, apart from those involving estimations, which has the most significant effect on the amounts recognized in the financial statements:

Operating Lease Commitments–Group and Company as Lessor
The Group and the Company has entered into commercial property leases on its investment property portfolio. The Group and the Company has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and so accounts for the contracts as operating leases.

Estimates and assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of non-financial assets
The Group and the Company assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Impairment of financial assets
At each balance sheet date, the Group and the Company reviews the financial assets to determine whether there is any indication that those assets have suffered an impairment loss. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. As of 31 December 2008 the Group and the Company recognized impairment losses for financial assets in amount of LTL'000 65 and LTL'000 41, respectively (2007 – none).

Deferred Tax Assets
Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of recognized tax losses in Group's financial statements as of 31 December 2008 and 31 December 2007 was LTL nil and the unrecognized tax losses in the Group's financial statements as of 31 December 2008 – LTL'000 921 (31 December 2007 – LTL'000 7). Further details are provided in Note 23.

5. PROPERTY, PLANT AND EQUIPMENT

As of 31 December property, plant and equipment of the Group consisted of the following:

The Group	Land, buildings and construc-tions	Machinery and equipment	Vehicles	Other property, plant and equipment	Construction in progress and prepayments	Total
Acquisition cost						
As of 31 December 2006	**15,099**	**87,686**	**13,604**	**13,792**	**38**	**130,219**
- additions	237	2,933	6,878	836	9,463	20,347
- disposals, write-offs	(253)	(1,414)	(502)	(3,267)	-	(5,436)
- transfers	221	-	-	-	(221)	-
As of 31 December 2007	**15,304**	**89,205**	**19,980**	**11,361**	**9,280**	**145,130**
- additions	1,030	23,278	1,616	1,035	4,384	31,343
- acquisition of a subsidiary	6,798	11,248	7,556	804	4,053	30,459
- disposals, write-offs	(35)	(4,692)	(183)	(369)	(157)	(5,436)
- transfers from investment property	8,481	-	-	-	-	8,481
- transfers	6,605	4,160	-	13	(10,778)	-
As of 31 December 2008	**38,183**	**123,199**	**28,969**	**12,844**	**6,782**	**209,977**
Accumulated depreciation						
As of 31 December 2006	**4,841**	**63,532**	**6,126**	**8,810**	**-**	**83,309**
- depreciation	473	9,806	3,278	2,354	-	15,911
- disposals, write-offs	(98)	(1,262)	(395)	(3,086)	-	(4,841)
As of 31 December 2007	**5,216**	**72,076**	**9,009**	**8,078**	**-**	**94,379**
- depreciation	880	8,846	4,437	1,598	-	15,761
- acquisition of a subsidiary	2,421	6,770	2,604	485	-	12,280
- transfers from investment property	3,811	-	-	-	-	3,811
- disposals, write-offs	(14)	(4,522)	(128)	(321)	-	(4,985)
As of 31 December 2008	**12,314**	**83,170**	**15,922**	**9,840**	**-**	**121,246**
Accumulated impairment losses						
As of 31 December 2006	**-**	**-**	**2**	**75**	**-**	**77**
- reversal of impairment losses	-	-	(2)	(75)	-	(77)
As of 31 December 2007	-	-	-	-	-	-
- reversal of impairment losses	-	-	-	(2)	(21)	(23)
- acquisition of subsidiary	233	-	-	12	28	273
As of 31 December 2008	**233**	**-**	**-**	**10**	**7**	**250**
Net book value:						
As of 31 December 2007	**10,088**	**17,129**	**10,971**	**3,283**	**9,280**	**50,751**
As of 31 December 2008	**25,636**	**40,029**	**13,047**	**2,994**	**6,775**	**88,481**

As of 31 December property, plant and equipment of the Company consisted of the following:

The Company	Land, buildings and construc-tions	Machinery and equipment	Vehicles	Other property, plant and equipment	Construction in progress and prepayments	Total
Acquisition cost						
As of 31 December 2006	**12,290**	**86,146**	**13,569**	**11,924**	**38**	**123,967**
- additions	236	2,933	6,878	836	9,463	20,346
- disposals, write-offs	(252)	(1,414)	(500)	(2,936)	-	(5,102)
- transfers from investment property	2,361	-	-	-	-	2,361
- transfers	221	-	-	-	(221)	-
As of 31 December 2007	**14,856**	**87,665**	**19,947**	**9,824**	**9,280**	**141,572**
- additions	76	23,267	1,471	969	3,011	28,794
- disposals, write-offs	(12)	(4,594)	(65)	(363)	(157)	(5,191)
- transfers	6,333	344	-	9	(6,686)	-
As of 31 December 2008	**21,253**	**106,682**	**21,353**	**10,439**	**5,448**	**165,175**
Accumulated depreciation						
As of 31 December 2006	**3,975**	**62,296**	**6,093**	**7,323**	**-**	**79,687**
- depreciation	378	9,503	3,278	2,047	-	15,206
- disposals, write-offs	(98)	(1,262)	(395)	(2,829)	-	(4,584)
- transfers from investment property	813	-	-	-	-	813
As of 31 December 2007	**5,068**	**70,537**	**8,976**	**6,541**	**-**	**91,122**
- depreciation	451	8,399	4,137	1,523	-	14,510
- disposals, write-offs	(1)	(4,427)	(17)	(315)	-	(4,760)
As of 31 December 2008	**5,518**	**74,509**	**13,096**	**7,749**	**-**	**100,872**
Net book value						
As of 31 December 2007	**9,788**	**17,128**	**10,971**	**3,283**	**9,280**	**50,450**
As of 31 December 2008	**15,735**	**32,173**	**8,257**	**2,690**	**5,448**	**64,303**

For the year ended 31 December 2008 the depreciation charge of the Group's and the Company's property, plant and equipment amounts to LTL'000 15,761 and LTL'000 14,510 (31 December 2007 – LTL'000 15,911 and LTL'000 15,206). Amounts of LTL'000 4,674 and LTL 4,386 of the Group and the Company for the year 2008 (2007 – LTL'000 3,973) each have been included into operating expenses in the Group's and the Company's income statement, respectively. The remaining amounts have been included into production costs of the Group and the Company for the year 2008 and 2007.

Property, plant and equipment of the Company with a net book value of LTL'000 18,628 as of 31 December 2008 (31 December 2007 – LTL'000 18,743) was pledged to banks as a collateral for the loans received by the Company. As of 31 December 2008 the subsidiary Šilutės Rambynas ABF has also pledged the property, plant and equipment with the net book value of LTL'000 49 for the loans received by the Company (31 December 2007 – LTL'000 54) (Note 14).

As of 31 December 2008 the Group's and the Company's property, plant and equipment having a carrying amount of LTL'000 21,284 and LTL'000 18,735 (31 December 2007: LTL'000 8,464) were acquired under finance lease.

As of 31 December 2008 part of property, plant and equipment of the Group and the Company with the acquisition cost of LTL'000 69,998 and LTL'000 65,639 respectively, was fully depreciated (31 December 2007 – LTL'000 52,727) but was still in active use.

6. INVESTMENT PROPERTY

As of 31 December investment property consisted of the following:

	The Group	The Company
Acquisition cost		
As of 31 December 2006	**8,481**	**10,842**
- transfers to property, plant and equipment	-	(2,361)
As of 31 December 2007	**8,481**	**8,481**
- additions	-	954
- transfers to property, plant and equipment	(8,481)	-
As of 31 December 2008	**-**	**9,435**
Accumulated depreciation		
As of 31 December 2006	**3,174**	**3,921**
- depreciation	450	516
- transfers to property, plant and equipment	-	(813)
As of 31 December 2007	**3,624**	**3,624**
- depreciation	187	450
- transfers to property, plant and equipment	(3,811)	-
As of 31 December 2008	**-**	**4,074**
Net book value		
As of 31 December 2007	**4,857**	**4,857**
As of 31 December 2008	**-**	**5,361**

The fair value of investment property approximates its book value.

As of 31 December 2008 the Group's depreciation of investment property amounted to LTL'000 187 (2007 - LTL'000 450). The Company's depreciation of the investment property for the year 2008 amounted to LTL'000 450 (2007 - LTL'000 516). Depreciation has been included into other operating expenses in the Group's and the Company's income statement (Note 21).

The Company's investment property in 2008 and 2007 represents rented property to Šilutės Rambynas ABF.

All rent contracts are easily cancellable with a few months prior notice made by the lessee or the lessor.

7. LOANS GRANTED

As of 31 December loans granted consisted of the following:

	The Group		The Company	
	2008	2007	2008	2007
Loans granted	3,213	5,031	3,182	5,031
Less: current portion of loans granted	(2,089)	(2,840)	(2,080)	(2,840)
	1,124	**2,191**	**1,102**	**2,191**

Part of these loans is non-interest bearing. The fair value of non-interest bearing loans is LTL'000 456 (2007 - LTL'000 1,006) and it is determined by discounting using the effective interest rate of 10.68% (2007 - 6%) for similar loans.

As of 31 December the remaining non-current loans granted bear 5-7% fixed interest rate.

All granted loans are in LTL. Loan's payback period is 1 - 9 years.

8. INVENTORIES

As of 31 December inventories consisted of the following:

	The Group		The Company	
	2008	**2007**	**2008**	**2007**
Raw materials	12,698	11,139	10,402	11,137
Finished goods and work in process	48,293	33,985	42,715	33,985
Goods for resale	4,754	3,654	4,754	3,654
	65,745	48,778	57,871	48,776
Less: write off to net realizable value	(2,756)	(2,489)	(2,206)	(2,489)
Total	**62,989**	**46,289**	**55,665**	**46,287**

In the year 2008 the Group and the Company wrote off unusable inventories amounting to LTL'000 215 (2007 - LTL'000 287). This amount is accounted for in the operating expenses in the income statement.

As of 31 December 2008 part of the Company's inventories in the amount of LTL'000 825 (2007 - LTL'000 2,350) were held at Šilutės Rambynas ABF warehouse.

As of 31 December for loans received from the banks the Company pledged inventories for LTL'000 32,160, which are held in the Company and subsidiary's Šilutės Rambynas ABF premises (Note 14).

9. TRADE ACCOUNTS RECEIVABLE

As of 31 December trade accounts receivable consisted of the following:

	The Group		The Company	
	2008	**2007**	**2008**	**2007**
Trade accounts receivable	26,762	26,882	25,657	26,880
Receivable from related parties	3,045	12,563	7,342	12,557
	29,807	39,445	32,999	39,437
Less: impairment loss	(65)	-	(41)	-
Total	**29,742**	**39,445**	**32,958**	**39,437**

Changes in impairment loss for doubtful trade accounts receivables for 2008 and 2007 are included into operating expenses in the income statement. The change in impairment loss for trade accounts receivable increased operating expenses of the year 2008.

Trade receivables are non-interest bearing and are generally on 30 - 90 days terms.

Movements in the allowance for impairment of trade accounts receivable were as follows:

	The Group		The Company	
	2008	**2007**	**2008**	**2007**
Balance as of 31 December 2007	-	-	-	-
Impairment loss	65	-	41	-
Balance as of 31 December 2008	**65**	**-**	**41**	**-**

The ageing analysis of trade accounts receivable as of 31 December 2008 and 2007 is as follows:

		Trade receivables past due but not impaired					
The Group	**Trade accounts receivable neither past due nor impaired**	**Less than 3 months**	**3 – 6 months**	**6 – 9 months**	**9 – 12 months**	**More than 1 year**	**Total**
2007	21,936	4,873	36	3	-	34	**26,882**
2008	25,596	551	596	15	2	2	**26,762**

		Trade receivables past due but not impaired					
The Company	**Trade accounts receivable neither past due nor impaired**	**Less than 3 months**	**3 – 6 months**	**6 – 9 months**	**9 – 12 months**	**More than 1 year**	**Total**
2007	21,936	4,871	36	3	-	34	**26,880**
2008	24,560	521	559	15	2	-	**25,657**

10. OTHER ACCOUNTS RECEIVABLE

As of 31 December other accounts receivables consisted of the following:

	The Group		The Company	
	2008	**2007**	**2008**	**2007**
Income tax paid in advance	3,351	-	3,351	-
Current portion of long-term loans granted	2,089	2,851	2,080	2,840
VAT receivable	2,492	3,404	2,393	3,404
Other receivables	435	462	212	408
Total	**8,367**	**6,717**	**8,036**	**6,652**

11. CASH AND CASH EQUIVALENTS

As of 31 December cash and cash equivalents consisted of the following:

	The Group		The Company	
	2008	**2007**	**2008**	**2007**
Cash at bank	8,246	11,967	8,085	11,357
Cash on hand	803	1,086	787	1,066
Total	**9,049**	**13,053**	**8,872**	**12,423**

12. SHAREHOLDERS' EQUITY

As of 31 December 2008 the share capital consisted of 48,375,000 ordinary shares with the par value of LTL 1 each. As of 31 December 2007 the share capital consisted of 4,837,500 ordinary shares with the par value of LTL 10 each. As of 31 December 2008 and 2007 all shares were fully paid.

During the extraordinary shareholder's meeting on 8 February 2008, the decision was made to change the par value of the Company's shares from LTL 10 per share to LTL 1 per share and to replace each share held by shareholders by 10 shares accordingly, that was a stock split of 10 shares for 1 share. All references in the accompanying financial statements to the number of common shares for the calculation of per share amounts purpose for 2008 and 2007 have been restated to reflect the stock split.

As of 31 December 2008 the main shareholders of the Company were:

	2008		2007	
	Number of shares	**Ownership, %**	**Number of shares**	**Ownership, %**
Pažemeckas Algirdas	21,355,870	44.15	1,970,587	40.74
SKANDINAVISKA ENSKILDA BANKEN CLIENTS code 50203290810, SERGELS TORG 2 10640 STOCKHOLM, SWEDEN	3,841,690	7.94	537,027	11.10
Klaipėdos Pienas AB Company's code 240026930, Šilutės pl. 33, 91107 Klaipėda	3,601,844	7.45	327,562	6.77
Šunokienė Ona	2,614,430	5.40	261,443	5.40
Other small shareholders	16,961,166	35.06	1,740,881	35.99
Total	**48,375,000**	**100**	**4,837,500**	**100**

Legal reserve

A legal reserve is a compulsory reserve under Lithuanian legislation. Annual transfers of not less than 5% of net profit are compulsory until the reserve reaches 10% of the share capital. As of 31 December 2008 the legal reserve of the Company was fully formed. The legal reserve cannot be distributed to the shareholders.

Other reserves

Other reserves are formed based on a decision of the General Shareholders' Meeting on appropriation of distributable profit. These reserves can be used only for the purposes approved by the General Shareholders' Meeting. According to the Law of Stock Companies, the reserves formed by the Company other than the legal reserve if not used or planned to use should be restored to retained earnings and redistributed.

13. GRANTS RECEIVED

The movement of grants for the years ended 31 December consisted of the following:

	The Group	The Company
Grants received		
As of 31 December 2006	**9,338**	**7,723**
- received	3,435	3,435
As of 31 December 2007	**12,773**	**11,158**
- received	-	-
- acquisition of subsidiary	3,405	-
As of 31 December 2008	**16,178**	**11,158**
Accumulated amortisation		
As of 31 December 2006	**7,265**	**5,999**
- amortisation	2,509	2,193
As of 31 December 2007	**9,774**	**8,192**
- amortisation	1,181	1,019
- acquisition of subsidiary	1,066	-
As of 31 December 2008	**12,021**	**9,211**
Net book value		
As of 31 December 2007	**2,999**	**2,966**
As of 31 December 2008	**4,157**	**1,947**

On 11 April 2002 the Company signed a financing agreement with the National Payment Agency at the Ministry of Agriculture (hereinafter the NPA) in relation to the Company's Modernisation Project (hereinafter in this paragraph the Project). The financing is provided from the European Commission (hereinafter EC) Aid and National Budget in accordance with SAPARD financing programme Agriculture and Fishery Manufacturing and Marketing Modernisation. The NPA obliged to provide the Company with a total financing of LTL'000 7,723 for the implementation of the Project approved by the NPA on 29 March 2002. 75% of the support was provided by the EC and the remaining 25% by the National Budget. As of 31 December 2008 the net book value of the grant - none (31 December 2007 - LTL'000 308).

In 2003 the subsidiaries Tarpučių Pienas ŽŪK and Sodžiaus Pienas ŽŪK received financing amounting to LTL'000 611 and LTL'000 1,005, respectively, from the NPA for the acquisition of milk refrigeration equipment. The financing programm provided from the European Commission Aid and the National Budget in accordance with SAPARD financing stream Agriculture and Fishery Manufacturing and Marketing Modernisation. The net book value of the grants received by Tarpučių Pienas ŽŪK and Sodžiaus Pienas ŽŪK was equal to LTL nil and LTL'000 31 respectively, as of 31 December 2008 (31 December 2007 - LTL nil and LTL'000 33).

On 9 March 2006 the Company signed a subsidy agreement with the NPA in relation to the Company's Manufacturing Lines Modernisation Project (hereinafter in this and successive paragraphs the Project). The financing is provided from the European Commission Aid and National Budget in accordance with the financing programme Agriculture and Fishery Manufacturing and Marketing Modernisation. The Company has been provided with total financing of LTL'000 3,435 (or 44.72% of the total planed Project value). LTL'000 2,533 (or 73.74%) of the support will be provided by the EU Structural Funds and the remaining LTL'000 902 (or 26.26%) - by the National Budget for the implementation of the Project. As of 31 December 2008 the net book value of the grant was LTL'000 1,947 (31 December 2007 - LTL'000 2,658).

On 5 July 2005 Šilutės Rambynas ABF signed a financing agreement with the public institution Lithuanian Environmental Investment Fund for a grant of LTL'000 300. The grant is intended for the reconstruction of the boiler-house of Šilutės Rambynas ABF , whereupon the type of fuel used will be changed from fuel oil to liquid gas. The amount of the grant can not exceed 70% of the total value of the reconstruction project. The reconstruction of the boiler-house was finished in December 2005, therefore starting from 1 January 2006 the grant amount started to be amortized within 8 years of useful life reducing the depreciation expenses of the boiler-house accounted for under cost of sales caption. As of 31 December 2008 the balance of the grant was LTL'000 187 (31 December 2007 - LTL'000 225).

On 24 January 2006 ABF Šilutės Rambynas signed a financing agreement with the National Paying Agency under the Ministry of Agriculture for a grant of LTL'000 3,395. The grant is intended for the project "Šilutės Rambynas ABF Modernisation of Milk Processing Production" including the acquisition of new vehicles and equipment. Šilutės Rambynas ABF purchased new equipment and vehicles in June and July 2006, therefore starting from the next month after acquisition the amortization of the subsidy within the 5-year useful live period was started reducing the deprecation expenses of the equipment and vehicles accounted for under cost of sales. The subsidy to Šilutės Rambynas ABF was paid out on 31 January 2007. The amortisation of the grant in the amount of LTL'000 621 reduced the 2007 cost of sales. As of 31 December 2008, the balance of the grant was LTL'000 1,992 (31 December 2007 - LTL'000 2,223).

The amortisation of the financing was offset against depreciation and accounted for under depreciation and amortisation caption in cost of sales in the statement of income for 2008 and 2007. The granted financing is amortized in equal parts over the depreciation period of the assets acquired using the financing received.

14. BORROWINGS

As of 31 December the Group's borrowing consisted of the following:

	Contract date	Maturity date	Curren-cy	Interest rate	Balance 2008	Balance 2007
DnB NORD bankas AB	2004 05	2012 06	EUR	LIBOR EUR 6 months + 0.75%	20,717	10,358
SEB bankas AB	2003 07	2009 12	LTL	4.7%	16,000	5,505
DnB NORD bankas AB	2006 06	2013 04	EUR	LIBOR EUR 3 months + 0.75%	4,915	4,915
Laviga UAB	2008 12	2009 02	EUR	6%	1,603	-
SEB bankas AB	2002 05	2009 05	EUR	LIBOR EUR 6 months + 0.85%	556	2,752
SEB bankas AB	2007 08	2009 12	EUR	LIBOR EUR 3 months + 0.92%	386	-
Total					**44,177**	**23,530**
Less: short-term borrowings					(1,603)	-
Less: current portion of long-term borrowing					(16,942)	(2,899)
Total long-term borrowings					**25,632**	**20,631**

As of 31 December the Company's borrowings consisted of the following:

	Contract date	Maturity date	Curren-cy	Interest rate	Balance 2008	Balance 2007
DnB NORD bankas AB	2004 05	2012 06	EUR	LIBOR EUR 6 months + 0.75%	20,717	10,358
SEB bankas AB	2003 07	2009 12	LTL	4.7 proc.	16,000	5,505
DnB NORD bankas AB	2006 06	2013 04	EUR	LIBOR EUR 3 months + 0.75%	4,915	4,915
Laviga UAB	2008 12	2009 02	EUR	6 proc.	1,603	-
SEB bankas AB	2002 05	2009 05	EUR	LIBOR EUR 6 months + 0.85%	556	2,752
Total					**43,791**	**23,530**
Less: short-term borrowings					(1,603)	-
Less: current portion of long-term borrowing					(16,556)	(2,899)
Total long-term borrowings					**25,632**	**20,631**

Terms of repayment of non-current borrowings to the Group and the Company were as follows:

	The Group 2008	The Group 2007	The Company 2008	The Company 2007
Within one year	18,545	2,899	18,159	2,899
In the second year	1,499	12,429	1,499	12,429
In the third year	1,499	2,775	1,499	2,775
In the fourth and thereafter	22,634	5,427	22,634	5,427
Total	**44,177**	**23,530**	**43,791**	**23,530**

Parts of loans of the Group and the Company at the end of the year in national and foreign currencies were as follows:

	The Group 2008	The Group 2007	The Company 2008	The Company 2007
EUR	28,177	18,025	27,791	18,025
LTL	16,000	5,505	16,000	5,505
Total	**44,177**	**25,530**	**43,791**	**23,530**

As of 31 December 2008 the weighted average effective interest rate of loans outstanding was 5.5% (31 December 2007 – 5.3%). Variable interest rates are related to 6 and 3 months EUR LIBOR.

As of 31 December 2008 and 2007 for the loans received the Company has pledged inventories for LTL'000 32,160 (Note 8), which are in the Company's and subsidiary's Šilutės Rambynas ABF premises. In addition, the Company pledged property, plant and equipment with the net book value of LTL'000 18,628 as of 31 December 2008 (LTL'000 18,743 as of 31 December 2007) (Note 5). As of 31 December 2008 the subsidiary Šilutės Rambynas ABF also pledged the property, plant and equipment with the net book value of LTL'000 49 (31 December 2007 – LTL'000 54) for Company's loans.

15. OBLIGATIONS UNDER FINANCE LEASE

As of 31 December the Group's and the Company's obligations under finance lease consisted of the following:

	2008		2007	
The Group	**Minimum lease payments**	**Present value of minimum lease payments**	**Minimum lease payments**	**Present value of minimum lease payments**
Within one year	5,355	4,642	2,700	2,316
In the second to fifth years inclusive	14,426	13,370	6,007	5,553
Minimum lease payments	**19,781**	**18,012**	**8,707**	**7,869**
Less: future finance charges	(1,769)		(838)	
Present value of minimum lease payments	**18,012**		**7,869**	

	2008		2007	
The Company	**Minimum lease payments**	**Present value of minimum lease payments**	**Minimum lease payments**	**Present value of minimum lease payments**
Within one year	4,521	4,325	2,700	2,316
In the second to fifth years inclusive	12,990	12,043	6,007	5,553
Minimum lease payments	**17,941**	**16,368**	**8,707**	**7,869**
Less: future finance charges	(1,574)		(838)	
Present value of minimum lease payments	**16,368**		**7,869**	

As of 31 December 2008 and 2007 the Group's and the Company's finance lease agreements were in EUR.

As of 31 December 2008 the interest rate of the balance of finance lease liability, which is equal to LTL'000 2,858, varies depending on the 6 month EUR LIBOR plus 0.8%, LTL'000 2,541 varies depending on the 6 month EUR LIBOR plus 0.7%, LTL'000 156 varies depending on the 12 month EUR LIBOR plus 1.1%, LTL'000 10,813 varies depending on the 6 month EUR LIBOR plus 0.63%.

As of 31 December 2007 the interest rate of the balance of financial lease liability, which is equal to LTL'000 4,613, varies depending on the 6 month EUR LIBOR plus 0.8%, LTL'000 3,256 varies depending on the 6 month EUR LIBOR plus 0.7%.

16. OPERATING LEASE

The Group and the Company concluded several contracts of operating lease. The terms of lease do not include restrictions of the activities of the Group and the Company in connection with the dividends, additional loans or additional lease agreements. For the year ended 31 December 2008 the lease expenses of the Group and the Company amounted to LTL'000 3,714 (LTL'000 3,111 for the year ended 31 December 2007) and are accounted for under operating expenses services caption.

Future lease payments according to the signed operating lease contracts are as follows:

	The Group		The Company	
	2008	**2007**	**2008**	**2007**
Within one year	3,752	3,062	3,081	2,891
In the second to fifth years	3,279	2,293	595	2,135
After five years	-	3	-	-
Total	**7,031**	**5,358**	**3,676**	**5,026**

The currency of the payment of operating lease is Litas (LTL).

17. PAYABLES

Terms and conditions of financial liabilities:
- Trade payables are non-interest bearing and are normally settled on 30-day terms.
- Other payables are non-interest bearing and have an average term of one month.
- Interest payable is normally settled monthly throughout the financial year.
- For terms and conditions relating to related parties refer to Note 28.

18. OTHER LIABILITIES

As of 31 December other liabilities consisted of the following:

	The Group		The Company	
	2008	2007	2008	2007
Accrued expenses	4,704	2,210	4,164	2,135
Wages and salaries payable	2,740	4	2,518	-
Social security payable	1,124	1,334	999	1,334
Taxes payable, other than income tax	817	316	95	22
Advances received	809	795	809	795
Other current liabilities	17	323	16	230
Total	**10,211**	**4,982**	**8,601**	**4,516**

19. INFORMATION ON SEGMENTS

For management purposes the Group's and the Company's business activity is organized as one main segment – dairy products production and trading (prime segment). Sales by geographical segments (secondary segments) are presented below:

	The Group		The Company	
	2008	2007	2008	2007
Sales				
Lithuania	252,900	217,876	252,582	217,937
Other Baltic States and CIS members	119,153	121,971	119,153	121,971
Other Europe countries	94,476	116,887	94,476	116,887
USA	148	-	148	-
Other	5,152	7,492	5,152	7,492
Total	**471,829**	**464,226**	**471,511**	**464,287**

The investments made by the Group and the Company during the year 2008 for the acquisition of property, plant and equipment and intangible assets amounted to LTL'000 31,346 and LTL'000 29,752 (2007 – LTL'000 20,729 and LTL'000 20,728). As all assets of the Group and the Company are in Lithuania, all acquisitions are related with the geographical segment of Lithuania.

20. OPERATING EXPENSES

As of 31 December operating expenses consisted of the following:

	The Group		The Company	
	2008	2007	2008	2007
Wages, salaries and social security*	35,754	34,189	35,060	34,072
Services	14,322	12,991	14,703	13,124
Marketing	9,255	8,851	9,198	8,851
Fuel and spare parts	6,002	5,762	5,926	5,762
Depreciation and amortisation	5,086	4,294	4,792	4,293
Change in write off of inventoriews to net realizable value	267	1,764	(283)	1,795
Materials	1,708	2,350	1,687	2,350
Taxes, other than income tax	943	948	858	945
Other expenses	5,952	4,541	6,127	4,231
Total	**79,289**	**75,690**	**78,068**	**75,423**

* For the year ended 31 December 2008 the Group's and the Company's wages, salaries and social security expenses amounted to LTL'000 71,705 and LTL'000 63,350, respectively (2007 – LTL'000 61,172 and LTL'000 59,517). LTL'000 35,754 and LTL'000 35,060, respectively, of this amount are accounted for in the operating expenses (2007 – LTL'000 34,189 and LTL'000 34,072) and LTL'000 2,725 of this amount are accounted for in the other operating expenses (2007 – LTL'000 4,228). The remaining expenses are accounted for in production cost for the year.

21. OTHER OPERATING INCOME AND EXPENSES

As of 31 December other operating income and expenses consisted of the following:

	The Group		The Company	
	2008	**2007**	**2008**	**2007**
Other operating income				
Gain on sales of property, plant and equipment and goods for resale sales income	3,692	8,258	3,682	6,234
Transportation service	1,040	932	1,040	932
Rental income	970	1,831	928	1,831
Income of the canteen	875	831	875	831
Other	3,633	2,624	4,288	4,715
	10,210	**14,476**	**10,813**	**14,543**
Other operating expenses				
Cost of goods for resale sold	(4,646)	(6,467)	(4,646)	(6,652)
Other	(917)	(2,053)	(840)	(2,109)
	(5,563)	**(8,520)**	**(5,486)**	**(8,761)**
TOTAL	**4,647**	**5,956**	**5,327**	**5,782**

22. OTHER FINANCIAL INCOME AND EXPENSES

As of 31 December other financial income and expenses consisted of the following:

	The Group		The Company	
	2008	**2007**	**2008**	**2007**
Income from financial activity				
Interest income	358	357	356	356
	358	**357**	**356**	**356**
Expenses from financial activity				
Foreign currency exchange (loss)	(168)	(56)	(160)	(58)
Other financial expenses	(54)	(8)	-	-
	(222)	**(64)**	**(160)**	**(58)**
TOTAL	**136**	**293**	**196**	**298**

23. INCOME TAX EXPENSE (BENEFIT)

For the years ended 31 December 2008 and 31 December 2007 income tax consisted of the following:

	The Group		The Company	
	2008	**2007**	**2008**	**2007**
(Loss) profit before tax	(3,889)	30,567	(5,123)	30,292
Tax at the statutory income taxes rate	(583)	5,502	(768)	5,452
Tax effect of non-taxible differences	678	334	694	379
Change in deferred tax asset valuation allowance	-	76	-	69
Change in deferred tax due to change in income tax rate (2008 - 15%, 2009 - 20%)	(274)	145	(244)	144
Income tax expenses (benefit) charged to the income statement	**(179)**	**6,057**	**(318)**	**6,044**
Prior year income tax correction	(2)	-	-	-
Current period income tax	-	6,412	-	6,399
Change in deferred income tax	(177)	(355)	(318)	(355)
Income tax expenses (benefit) charged to the income statement	**(179)**	**6,057**	**(318)**	**6,044**
Effective tax rate	5%	20%	6%	20%

	The Group		The Company	
	2008	2007	2008	2007
Deferred income tax asset				
Tax loss carry forward	921	7	-	-
Inventories	491	373	331	373
Accrued vacation reserve	627	314	606	314
Other accrued expenses	34	35	34	35
Total deferred income tax asset	**2,073**	**729**	**971**	**722**
Less: valuation allowance	(921)	(76)	-	(69)
Deferred income tax liabilities				
Difference in property, plant and equipment depretiation rates	(322)	-	-	-
Fair value adjustment for property, plant and equipment at acquisition of a subsidiary	(318)	-	-	-
Total deferred income tax liabilities	**(640)**	**-**	**-**	**-**
Deferred income tax asset, net	**512**	**653**	**971**	**653**

24. ACQUISTION AND DISPOSAL OF SUBSIDIARY

On 20 May 2008, the Company acquired 87.72% of the issued share capital of Šilutės Rambynas ABF for the price of LTL 10,878,000. This transaction has been accounted for using purchase method.

The excess of the Group's interest in the fair value of net assets over the cost of the business combination, is as follows:

	Acquiree's carrying amount before combination	Fair value adjustments	Fair value
Šilutės Rambynas ABF net assets acquired:			
Intangible assets	9	-	9
Property, plant and equipment	16,340	1,592	17,932
Investments available for sale	129	-	129
Deferred income tax asset	120	-	120
Inventories	13,256	-	13,256
Prepayments	46	-	46
Trade and other receivables	1,322	-	1,322
Cash and cash equivalents	207	-	207
Total assets	**31,429**	**1,592**	**33,021**
Total liabilities	**(18,892)**	**(318)**	**(19,210)**
Acquired net assets	**12,537**	**1,274**	**13,811**
Group's share of net assets (87.82%)			12,129
Acquisition cost			10,878
Excess of the Group's interest in the fair value of net assets over the cost of the business combination			(1,251)
Net cash outflow arising on acquisition:			
Cash consideration paid*			-
Cash and cash equivalents acquired			(207)

* As of 20 May 2008 from the related party Žemaitijos Pieno Investicija UAB the Company acquired 82.87% shares of Šilutės Rambynas ABF for LTL'000 10,878. Shares were paid not in cash, consideration was made setting liabilities and accounts receivable between Žemaitijos Pieno Investicija UAB and Šilutes Rambynas ABF.

In April and September 2008 the Company liquidated it's subsidiaries Žemaitijos Pieno Žaliava UAB and Telšių Autoservisas UAB. Subsidiaries had no active operations in 2008 and by the Company's Board decision not consolidated from 1 January 2008.

The net assets of the disposed subsidiaries during 2008 and the gain (loss) on disposal were as follows:

	Žemaitijos Pieno Žaliava UAB	Telšių Autoservisas UAB	Total
Property, plant and equipment	155	-	155
Current assets	605	-	605
Total liabilities	(32)	(33)	(65)
Net assets	**728**	**(33)**	**695**
Disposal of investments carrying value in the parent company's balance sheet	1,000	-	1,000
(Loss) on disposal of subsidiaries*	(272)	(33)	(305)

*(Loss) on disposal of subsidiaries is included in operating expenses.

25. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit attributable to the shareholders by the weighted average number of ordinary shares issued and paid during the year.

	The Group		The Company	
	2008	**2007**	**2008**	**2007**
Net (loss) profit attributable to the shareholders	(3,710)	24,510	(4,805)	24,248
Weighted average number of shares (in thousands)	48,375	48,375	48.375	48.375
Basic earnings (loss) per share (LTL)	**(0.08)**	**0.51**	**(0.10)**	**0.50**

Diluted earnings per share equal to basic earnings per share as there were no potential shares issued as of 31 December 2008 and 2007.

26. DIVIDENDS PER SHARE

	The Group		The Company	
	2008	**2007**	**2008**	**2007**
Dividends paid	-	968	-	968
Number of shares (thousands)	48,380	4,838	48,380	4,838
Dividends per share (LTL)	**-**	**0.20**	**-**	**0.20**

27. COMMITMENTS AND CONTINGENCIES

During the reorganization that took place in 2004 the Company transferred the finance lease agreement with Nordea Finance Lithuania UAB to a newly established company AB Žemaitijos Pieno Investicija. Assets and related liabilities were transferred according to a trilateral agreement between the Company, Žemaitijos Pieno Investicija AB and Nordea Finance Lithuania UAB dated 14 November 2004. On the same day the Company signed a guarantee agreement with Nordea Finance Lithuania UAB, and guaranteed for liabilities of Žemaitijos Pieno Investicija AB, according to the transferred agreement. The liability of AB Žemaitijos Pieno Investicija according to this agreement was LTL'000 812 as of 31 December 2008 (LTL'000 1,736 as of 31 December 2007).

As of 31 December 2008 and 2007 the Group and the Company had no material purchase commitments for the acquisition of property, plant and equipment.

At 31 December 2008 and 2007 the Group and the Company was not involved in any legal proceedings, which in the opinion of management would have a material impact on the financial statements.

28. FINANCIAL RISK MANAGEMENT

Credit risk

As of 31 December the maximum exposures of the Company and the Group to credit risk consisted of the following:

	The Group		The Company	
	2008	2007	2008	2007
Cash and cash equivalents	9,049	13,053	8,872	12,423
Loans granted	1,124	2,191	1,102	2,191
Trade accounts receivable	29,742	39,445	32,958	39,437
Other accounts receivable	8,367	6,717	8,036	6,652
Total financial assets	**48,282**	**61,406**	**50,968**	**60,703**

The Group and the Company has no significant concentration of trading counterparties, which is related with one partner or group of partners with similar characteristics. Customers' risk, or the risk, that the partners will not keep to their obligations, is managed by approving credit terms and procedures of control. The Group's procedures are in force to ensure on a permanent basis that sales are made to customers with an appropriate credit history and do not exceed an acceptable credit exposure limit.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, if any, in the balance sheet. Consequently, the Group considers that its maximum exposure is reflected by the amount of receivables (Note 9), net of impairment losses recognized at the balance sheet date.

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 recognized, creditworthy third parties. The counterparties are splitted into group, other related parties and non related parties and starting from the end of 2007 newly concluded trading agreements include paragraph about credit limits assigned according to the volume and amount of sales. Some customers are also required to make prepayments.

The credit risk on liquid funds is limited because the counterparties of the Group and the Company are banks with high credit ratings assigned by international credit-rating agencies.

Interest rate risk

Part of the Group's loans is with variable rates, related to EUR LIBOR, which creates an interest rate risk. There were no financial instruments designated to manage its exposure to fluctuation in interest rates outstanding as of 31 December 2008 and 2007.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, (increase and decrease in percentage points was determined based on Lithuanian economic environment and the Company's and the Group's historical experience) with all other variables held constant, of the Group's and the Company's profit before tax (through the impact on floating rate borrowings). There is no impact on the Group's and the Company's equity, other than current year profit impact.

	Increase/ decrease in percentage points	Effect on profit before tax
2008		
EUR	+0.5	(173)
EUR	-0.5	173
2007		
EUR	+0.5	(90)
EUR	-0.5	90

Liquidity risk

The Group's policy is to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of committed credit facilities, bank overdrafts and credit lines to meet its commitments at a given date in accordance with its strategic plans.

The tables below summarise the maturity profile of the Group's and the Company's financial liabilities as of 31 December 2008 and 2007 based on contractual undiscounted payments.

The Group	On demand	Up to 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years	Total
Interest bearing loans and borrowings	-	-	18,545	25,632	-	44,177
Interest bearing finance lease liabilities	-	1,074	3,568	13,370	-	18,012
Trade payables	-	29,450	-	-	-	29,450
Balance as of 31 December 2008	**-**	**30,524**	**22,113**	**39,002**	**-**	**91,639**
Interest bearing loans and borrowings	-	-	4,082	23,119	-	27,201
Interest bearing finance lease liabilities	-	583	2,117	6,007	-	8,707
Trade payables	-	26,470	-	-	-	26,470
Balance as of 31 December 2007	**-**	**27,053**	**6,199**	**29,126**	**-**	**62,378**
	-	**3,471**	**15,914**	**9,876**	**-**	**29,261**

The Company	On demand	Up to 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years	Total
Interest bearing loans and borrowings	-	-	18,159	25,632	-	43,791
Interest bearing finance lease liabilities	-	758	3,567	12,043	-	16,368
Trade payables	-	27,257	-	-	-	27,257
Balance as of 31 December 2008	**-**	**28,015**	**21,726**	**37,675**	**-**	**87,416**
Interest bearing loans and borrowings	-	-	4,082	23,119	-	27,201
Interest bearing finance lease liabilities	-	583	2,117	6,007	-	8,707
Trade payables	-	26,470	-	-	-	26,470
Balance as of 31 December 2007	**-**	**27,053**	**6,199**	**29,126**	**-**	**62,378**
	-	**962**	**15,527**	**8,549**	**-**	**25,038**

Foreign exchange risk

Major currency risks of the Group occur due to the fact that the Group borrows foreign currency denominated funds as well as is involved in imports and exports. The Group's policy is to match cash flows arising from highly probable future sales and purchases in each foreign currency. The Group does not use any financial instruments to manage its exposure to foreign exchange risk other than aiming to borrow in EUR, to which LTL is pegged.

As of 31 December 2008 monetary assets and liabilities stated in various currencies were as follows:

	The Group		The Company	
	Assets	**Liabilities**	**Assets**	**Liabilities**
LTL	61,076	66,700	36,016	66,700
EUR	17,764	29,270	17,764	29,188
USD	24	-	24	-
LVL	2,612	128	2,612	128
Total	**81,476**	**96,098**	**56,416**	**96,016**

As of 31 December 2007 monetary assets and liabilities stated in various currencies were as follows:

	The Group		The Company	
	Assets	**Liabilities**	**Assets**	**Liabilities**
LTL	49,289	43,725	48,586	45,140
EUR	11,521	18,928	11,521	18,928
USD	7	-	7	-
LVL	589	34	589	34
Total	**61,406**	**62,687**	**60,703**	**64,102**

All sales and purchases transactions as well as the financial debt portfolio of the Group and the Company are denominated in LTL and EUR. Therefore, the sensitivity analysis to the foreign currency fluctuations was not disclosed due to immateriality of the balances and transactions in currencies other than LTL and EUR.

Fair value of financial assets and liabilities

The Group's and the Company's principal financial assets and liabilities not carried at fair value are trade and other receivables, trade and other payables, long-term and short-term loans.

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

A comparison between carrying amount and fair value of all of the Group and the Company financial instruments presented in financial statements by it's categories is set out below:

The Group	Carrying amount		Fair value	
	2008	**2007**	**2008**	**2007**
Financial assets				
Cash	9,049	13,053	9,049	13,053
Investments available for sale	-	14	-	14
Loans granted	1,112	2,191	1,112	2,191
Financial liabilities				
Interest bearing loans and borrowings:				
Obligations under finance lease and hired purchase contracts	18,012	7,869	18,012	7,869
Floating interest rate borrowings	26,574	18,025	26,574	18,025
Fixed interest rate borrowings	17,603	5,505	17,292	5,189

The Company	**Carrying amount**		**Fair value**	
	2008	**2007**	**2008**	**2007**
Financial assets				
Cash	8,872	12,423	8,872	12,423
Available for sale investments	-	14	-	14
Loans granted	1,102	2,191	1,102	2,191
Financial liabilities				
Interest bearing loans and borrowings:				
Obligations under finance lease and hired purchase contracts	16,368	7,869	16,368	7,869
Floating interest rate borrowings	28,188	18,025	28,188	18,025
Fixed interest rate borrowings	17,603	5,505	17,292	5,189

The fair value of borrowings has been calculated by discounting the expected future cash flows at market interest rates. The fair value of loans and other financial assets have been calculated using market interest rates.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

a) The carrying amount of current trade accounts receivable, current accounts payable and short-term loans approximates fair value.
b) The fair value of non-current debt is based on the quoted market price for the same or similar issues or on the current rates available for debt with the same maturity profile. The fair value of non-current loans with variable and fixed interest rates approximates their carrying amounts.

Capital management

The primary objectives of the Group's and the Company's capital management are to ensure that the Group and the Company complies with externally imposed capital requirements and that the Group and the Company maintains healthy capital ratios in order to support its business and to maximise shareholders' value.

The Group and the Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. To maintain or adjust the capital structure, the Group and the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made to the objectives, policies or processes of capital management during the years ended 31 December 2008 and 2007.

The Company is obliged to keep its equity not less than 50% of its share capital, as imposed by the Law on Companies of Republic of Lithuania. There were no other externally imposed capital requirements for the Group and the Company.

The Group and the Company monitor capital using debt to equity ratio. Capital includes ordinary shares, reserves, retained earnings attributable to the equity holders of the parent. There is no specific debt to equity ratio target set out by the Group's and the Company's management, however current ratios presented below are treated as sustainable performance indicators.

	The Group		**The Company**	
	2008	**2007**	**2008**	**2007**
Non-current liabilities (including deferred taxes and grants)	43,799	29,183	39,622	29,150
Current liabilities	62,851	39,508	58,342	40,848
Total liabilities	**106,650**	**68,691**	**97,964**	**69,998**
Equity attributable to equity holders of the parent	**92,483**	**96,155**	**91,068**	**95,873**
Debt* to equity ratio	**115%**	**71%**	**108%**	**73%**

* Debt contains all non-current (including deferred income tax liability and grants (deferred revenues)) and current liabilities.

Moreover the Company has externally imposed capital requirements from the banks. It is required that equity/assets ratio is not less than 30%. The management monitors that the Company is in compliance with the requirement. No other capital management tools are used. No breaches of required ratio occured during the year.

29. RELATED PARTY TRANSACTIONS

The parties are considered related when one party has the power to control the other one or have significant influence over the other party in making financial and operating decisions. The related parties of the Group and the Company are as follows:

- Žemaitijos Pieno Investicija AB (company related to the shareholder);
- Šilutės Rambynas ABF (company related to the shareholder)) (2008 – subsidiary);
- Baltijos Mineralinių Vandenų Kompanija UAB (company related to the shareholder));
- Klaipėdos Pienas AB (company related to the shareholder));
- Žemaitijos Prekyba UAB (company related to the shareholder));
- Gimtinės Pienas UAB (company related to the shareholder)).

Payables to related parties are normally settled within 30 day terms.

The related party transactions and the balances at the end of the year were as follows:

	The Group		The Company	
	2008	**2007**	**2008**	**2007**
i) Sales				
To the Group				
Sodžiaus Pienas ŽŪK	-	-	49	-
Tarpučių Pienas ŽŪK	-	-	2	-
Šilutės Rambynas ABF	-	17	782	17
	-	17	833	17
To Related parties				
Baltijos Mineralinių Vandenų Kompanija UAB	3,508	167	3,508	167
Klaipėdos Pienas AB	315	238	315	238
Žemaitijos Pieno Investicija AB	63	214	63	214
Žemaitijos Prekyba UAB	567	27	567	27
Gimtinės Pienas UAB	1	-	1	-
	4,454	646	4,454	646
Sales of inventory and services				
To the Group				
Sodžiaus Pienas ŽŪK	-	-	-	121
Tarpučių Pienas ŽŪK	-	-	-	2
Žemaitijos Pieno Žaliava UAB	-	-	-	2
Šilutės Rambynas ABF	-	3,688	81,340	3,688
	-	3,688	81,340	3,813
To Related parties				
Baltijos Mineralinių Vandenų Kompanija UAB	1,169	6,443	1,169	6,443
Klaipėdos Pienas AB	2,303	3,833	2,303	3,833
Žemaitijos Pieno Investicija AB	47	71	47	71
Gimtinės Pienas UAB	-	5	-	5
Žemaitijos Prekyba UAB	38,367	31,310	38,367	31,310
	41,886	41,662	41,886	41,662
Total Sales	**46,340**	**46,013**	**128,513**	**46,138**

	The Group		The Company	
	2008	**2007**	**2008**	**2007**
ii) Purchases				
From the Group				
Sodžiaus Pienas ŽŪK	-	-	3,666	19,340
Tarpučių Pienas ŽŪK	-	-	1,164	6,914
Šilutės Rambynas ABF	-	97,835	110,298	97,807
	-	97,835	115,128	124,061
From Related parties				
Gimtinės Pienas UAB	94	-	94	-
Klaipėdos Pienas AB	11,177	7,814	11,177	7,814
Baltijos Mineralinių Vandenų Kompanija UAB	553	404	553	404
Žemaitijos Pieno Investicija AB	2,496	2,639	2,496	2,639
Žemaitijos Prekyba UAB	85	727	85	727
	14,405	11,584	14,405	11,584
Total Purchases	**14,405**	**109,419**	**129,533**	**135,645**

	The Group		The Company	
	2008	**2007**	**2008**	**2007**
iii) Year-end balances of accounts receivable				
Group				
Telšių Autoservisas UAB	-	-	-	20
Sodžiaus Pienas ŽŪK	-	-	-	-
Tarpučių Pienas ŽŪK	-	-	-	-
Šilutės Rambynas ABF	-	8,563	3,834	8,563
	-	8,563	3,834	8,583
Related parties				
Baltijos Mineralinių Vandenų Kompanija UAB	407	1,816	407	1,816
Gimtinės Pienas UAB	-	90	-	63
Žemaitijos Prekyba UAB	3,099	2,094	3,099	2,095
Klaipėdos Pienas AB	-	-	-	-
Žemaitijos Pieno Investicija AB	-	-	-	-
	3,506	4,000	3,506	3,974
	3,506	**12,563**	**7,340**	**12,557**

	The Group		The Company	
	2008	**2007**	**2008**	**2007**
iv) Year-end balances of payables				
Group				
Sodžiaus Pienas ŽŪK	-	-	994	1,517
Tarpučių Pienas ŽŪK	-	-	204	697
Žemaitijos Pieno Žaliava UAB	-	-	-	604
Šilutės Rambynas ABF	-	14	-	-
	-	14	1,198	2,818
Related parties				
Žemaitijos Pieno Investicija AB	618	1,229	618	1,229
Klaipėdos Pienas AB	4,478	1,717	4,478	1,717
Žemaitijos Prekyba UAB	-	-	-	-
Gimtinės Pienas UAB	21	-	21	-
Baltijos Mineralinių Vandenų Kompanija UAB	-	-	-	-
	5,117	2,946	5,117	2,946
	5,117	**2,960**	**6,315**	**5,764**

Outstanding balances at the year-end are unsecured, interest free and settlement occurs in cash. For the year ended 31 December 2008 and 2007, the Company has not made any provision for doubtful debts relating to amounts owned by related parties. This doubtful debts assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

The Group performs a significant part of transactions with related parties (Žemaitijos Pieno Investicija AB group companies) and both profit and sales of the Group are significantly influenced by transactions with AB Žemaitijos Pieno Investicija group. This includes the following: rent of fixed assets, sales of raw materials, full buy up of cheeses from Šilutės Rambynas ABF, buy up of ice - cream from Klaipėdos Pienas AB, distribution services' sales to Baltijos Mineralinių Vandenų Kompanija UAB and product sales to Žemaitijos Prekyba UAB.

Remuneration of the management and other payments

The Group's and the Company's management remuneration amounted to LTL'000 2,235 for the year ended 31 December 2008 (LTL'000 2,955 for the year ended 31 December 2007). In 2008 and 2007 the Group's and the Company's number of management personnel was 9 and 8, respectively. The management of the Company did not receive any guarantees; no other payments or property transfers were made or accrued.

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INFORMATION ABOUT COMPLIANCE WITH CORPORATE GOVERNANCE CODE

Report on Compliance with the Corporate Governance Code for the Vilnius Stock Exchange Listed Companies by ŽEMAITIJOS PIENAS AB for the year 2008

In this report Žemaitijos Pienas AB („the Company") presents information, in accordance with Article 21(3) of the Republic of Lithuania Law on Securities and Sub-Clause 20.5 of the Trading Rules of the Vilnius Stock Exchange, on compliance with the Corporate Governance Code for the companies whose securities are traded in a regulated market approved by the Vilnius Stock Exchange.

PRINCIPLES/ RECOMMENDATIONS	YES/NO/NOT APLICABLE	COMMENT
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 publishes its development strategy and objectives in the annual and interim (quarterly) reports of the Company.
1.2. All management bodies of a company should act in furtherance of the declared strategic objectives in view of the need to optimize shareholder value.	Yes	The Company works according to the corporate strategic plan aimed at ensuring profitable operations through the establishment and development of modern production facilities and at augmenting shareholders' equity.
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	There is close cooperation among the Supervisory Council, the Board and the Chief Executive Office aimed at maximising benefits to the Company and the shareholders.
1.4. A company's supervisory and management bodies should ensure that the rights and interests of persons other than the company's shareholders (e.g. employees, creditors, suppliers, clients, local community), participating in or connected with the company's operation, are duly respected.	Yes	Supervisory and managerial bodies of the Company ensure that the rights and responsibilities of the Company's shareholders, employees and suppliers are respected. The employees have the opportunity to improve their skills at training courses and workshops in Lithuania and abroad. The Company offers various discounts to milk producers. A large part of employees as well as milk producers are shareholders of the Company.
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, and 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.	Yes	The management bodies of the Company include the general meeting of shareholders, the Supervisory Council, the Board and the Chief Executive Officer.
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 specified in the recommendation are performed by the Company's collegial supervisory and managerial bodies, i. e. the Supervisory Council and the Board.
2.3. Where a company chooses to form only one collegial body, it is recommended that it should be a supervisory body, i.e. the supervisory board. In such a case, the supervisory board is responsible for the effective monitoring of the functions performed by the	Not applicable	Both the Supervisory Council and the Board are formed in the Company.

company's chief executive officer.		
2.4. The collegial supervisory body to be elected by the general shareholders' meeting should be set up and should act in the manner defined in Principles III and IV. Where a company should decide not to set up a collegial supervisory body but rather a collegial management body, i.e. the board, Principles III and IV should apply to the board as long as that does not contradict the essence and purpose of this body.	Yes	Two collegial bodies have been formed: the Supervisory Council and the Board. The provisions described under Principles III and IV apply to them.
2.5. Company's management and supervisory bodies should comprise such number of board (executive directors) and supervisory (non-executive directors) board members that no individual or small group of individuals can dominate decision-making on the part of these bodies.	Yes	The Supervisory Council of the Company has 3 (three) members, while the Board has 5 (five) members. In the opinion of the Company, the number of the Board's members is sufficient.
2.6. Non-executive directors or members of the supervisory board should be appointed for specified terms subject to individual re-election, at maximum intervals provided for in the Lithuanian legislation with a view to ensuring necessary development of professional experience and sufficiently frequent reconfirmation of their status. A possibility to remove them should also be stipulated however this procedure should not be easier than the removal procedure for an executive director or a member of the management board.	Yes	According to the Articles of Association of the Company, the Board and the Council are formed for the term of office of 4 (four) years. The number of the terms of office is unlimited. The dismissal/resignation from the Board and the Supervisory Council is governed by the Lithuanian law.
2.7 A 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 councill 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 deviate from these recommendations, it should furnish information on the measures it has taken to ensure impartiality of the supervision.	Yes	The Chief Executive Officer of the Company is not the Chairman of the Board. There are no objections to execute independent and fear supervision.
PRINCIPLE III: THE ORDER OF THE FORMATION OF A COLLEGIAL BODY TO BE ELECTED BY THE GENERAL MEETING OF SHAREHOLDERS **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.**		
3.1. The mechanism of the formation of a collegial body to be elected by a general shareholders' meeting (hereinafter under 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' interests.	Yes	The Supervisory Council of the Company as a collegial management body is elected by the general meeting of shareholders. The Company discloses information about the candidates to the collegial management body. The right of minority shareholders to represent their interests and to have a representative in the collegial management bodies is not restricted.

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 annual report contains information on the members of the collegial management bodies (first name, surname, educational attainment, qualifications, professional experience, participation in other companies, other important professional responsibilities).
3.3. Should a person be nominated for members of a collegial body, such nomination should be followed by the disclosure of information on candidate's particular competences relevant to his/her service on the collegial body. In order shareholders and investors are able to ascertain whether member's competence is further relevant, the collegial body should, in its annual report, disclose the information on its composition and particular competences of individual members which are relevant to their service on the collegial body.	Yes	Information about the candidates to the Supervisory Council is included in the information package handed out to participants in the meeting at which the elections to the Supervisory Council is to be held.
3.4. In order to maintain a proper balance in terms of the current qualifications possessed by its members, the collegial body should determine its desired composition with regard to the company's structure and activities, and have this periodically evaluated. The collegial body should ensure that it is composed of members who, as a whole, have the required diversity of knowledge, judgment and experience to complete their tasks properly. The members of the audit committee, collectively, should have a recent knowledge and relevant experience in the fields of finance, accounting and/or audit for the stock exchange listed companies.	Yes	The members to the collegial body of the Company have long lasting experience of management of the companies, versatile knowledge and experience necessary for the proper performance of their tasks.
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	New members of the Board are informed about their responsibilities and the organisation and operation of the Company at the Board's meetings and individually, if it is necessary.
3.6. In order to ensure that all material conflicts of interest related with a member of the collegial body are resolved properly, the collegial body should comprise a sufficient number of independent members.	No	At present, members of the Company's Supervisory Council do not meet the set criteria of independence as employees of the Company are members of the Supervisory Council. The Company has not yet decided on the implementation of these provisions in the future.
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.	No	At present, members of the Company's Supervisory Council do not meet the set criteria of independence as employees of the Company are members of the Supervisory Council. The Company has not yet decided on the implementation of these provisions in the future.

The key criteria for identifying whether a member of the collegial body can be considered to be independent are the following: 1) He/she is not an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) of the company or any associated company and has not been such during the last five years; 2) He/she is not an employee of the company or some any company and has not been such during the last three years, except for cases when a member of the collegial body does not belong to the senior management and was elected to the collegial body as a representative of the employees; 3) He/she is not receiving or has been not receiving significant additional remuneration from the company or associated company other than remuneration for the office in the collegial body. Such additional remuneration includes participation in share options or some other performance-based pay systems; it does not include compensation payments for the previous office in the company (provided that such payment is no way related with later position) as per pension plans (inclusive of deferred compensations); 4) He/she is not a controlling shareholder or representative of such shareholder (control as defined in the Council Directive 83/349/EEC Article 1 Part 1); 5) He/she does not have and did not have any material business relations with the company or associated company within the past year directly or as a partner, shareholder, director or superior employee of the subject having such relationship. A subject is considered to have business relations when it is a major supplier or service provider (inclusive of financial, legal, counselling 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 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. He/she may not also have any other material relationships with executive directors of the company that arise from their participation in activities of other companies or bodies; 8) He/she has not been in the position of a member of the collegial body for over than 12 years; 9) He/she is not a close relative to an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) or to any person listed in above items 1 to 8. Close relative is considered to be a spouse (common-law spouse), children and parents.		

3.8. The determination of what constitutes independence is fundamentally an issue for the collegial body itself to determine. The collegial body may decide that, despite a particular member meets all the criteria of independence laid down in this Code, he cannot be considered independent due to special personal or company-related circumstances.	No	The Company has not set any additional criteria for the independence of members of the collegial bodies.
3.9. The 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 members of the Company's Supervisory Council do not meet the independence criteria set in the Code.
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 had no opportunities to implement the principle of independence of the Supervisory Council's members.
3.11. In order to remunerate members of a collegial body for their work and participation in the meetings of the collegial body, they may be remunerated from the company's funds. The general shareholders' meeting should approve the amount of such remuneration.	No	Members of the collegial bodies are not remunerated for their work from the funds of the Company, but there is such opportunity provided in the statute of the Company.
PRINCIPLE IV: THE DUTIES AND LIABILITIES OF A COLLEGIAL BODY ELECTED BY THE GENERAL MEETING OF SHAREHOLDERS **The corporate governance framework should ensure proper and effective functioning of the collegial body elected by the general shareholders' meeting, and the powers granted to the collegial body should ensure effective monitoring of the company's management bodies and protection of interests of all the company's shareholders.**		
4.1. The collegial body elected by the general shareholders' meeting (hereinafter in this Principle referred to as the "collegial body") should ensure integrity and transparency of the company's financial statements and the control system. The collegial body should issue recommendations to the company's management bodies and monitor and control the company's management performance.	Yes	The Board approves the Company's annual financial statements, the draft profit distibution and the annual report and presents its comments and proposals to the general meeting of shareholders. The Board considers the results of the Company's operations during the year and performs other functions falling within the scope of its competence.

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, to another authority.	Yes	In performing their duties, members of the Supervisory Council and the Board act in accordance with the best interests of the Company; there have been no grounds for believing otherwise.
4.3. Each member should devote sufficient time and attention to perform his duties as a member of the collegial body. Each member of the collegial body should limit other professional obligations of his (in particular any directorships held in other companies) in such a manner they do not interfere with proper performance of duties of a member of the collegial body. In the event a member of the collegial body should be present in less than a half of the meetings of the collegial body throughout the financial year of the company, shareholders of the company should be notified.	Yes	Members of the collegiate bodies duly perform their functions: they take an active part in the meetings of the collegiate bodies and devote sufficient time to perform their duties as members of the collegiate bodies. Quorum was present at all the meetings of the collegiate bodies, which enabled the adoption of constructive decisions.
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	There have been no conflicts between the shareholders and the collegiate bodies. The shareholders are informed about the matters of the Company in accordance with the procedure prescribed by the laws (the Law on Companies) and the Articles of Association of the Company.
4.5. It is recommended that transactions (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions), concluded between the company and its shareholders, members of the supervisory or managing bodies or other natural or legal persons that exert or may exert influence on the company's management should be subject to approval of the collegial body. The decision concerning approval of such transactions should be deemed adopted only provided the majority of the independent members of the collegial body voted for such a decision.	Yes	The Company's management bodies conclude transactions in accordance with the provisions of the Articles of Association.
4.6. The collegial body should be independent in passing decisions that are significant for the company's operations and strategy. Taken separately, the collegial body should be independent of the company's management bodies. Members of the collegial body should act and pass decisions without an outside influence from the persons who have elected it. Companies should ensure that the collegial body and its committees are provided with sufficient administrative and financial resources to discharge their duties, including the right to obtain, in particular from employees of the company, all the necessary information or to seek independent legal, accounting or any other advice on issues pertaining to the competence of the collegial body and its committees.	No	Members of the Supervisory Council and the Board are employees of the Company, so they are not independent of the management bodies. In the adoption of decisions the Supervisory Council and the Board represent the interests of the shareholders.

4.7. Activities of the collegial body should be organized in a manner that independent members of the collegial body could have major influence in relevant areas where chances of occurrence of conflicts of interest are very high. Such areas to be considered as highly relevant are issues of nomination of company's directors, determination of directors' remuneration and control and assessment of company's audit. Therefore, when the mentioned issues are attributable to the competence of the collegial body, it is recommended that the collegial body should establish nomination, remuneration, and audit committees. Companies should ensure that the functions attributable to the nomination, remuneration, and audit committees are carried out. However they may decide to merge these functions and set up less than three committees. In such case a company should explain in detail reasons behind the selection of alternative approach and how the selected approach complies with the objectives set forth for the three different committees. Should the collegial body of the company comprise small number of members, the functions assigned to the three committees may be performed by the collegial body itself, provided that it meets composition requirements advocated for the committees and that adequate information is provided in this respect. In such case provisions of this Code relating to the committees of the collegial body (in particular with respect to their role, operation, and transparency) should apply, where relevant, to the collegial body as a whole.	No	Due to small number of the Board's members the Company has not established committees for the directors' appointment and remuneration and an audit committee. The functions described in this recommendation are performed by the Board within the scope of its competence.
4.8. The key objective of the committees is to increase efficiency of the activities of the collegial body by ensuring that decisions are based on due consideration, and to help organize its work with a view to ensuring that the decisions it takes are free of material conflicts of interest. Committees should present the collegial body with recommendations concerning the decisions of the collegial body. Nevertheless the final decision shall be adopted by the collegial body. The recommendation on creation of committees is not intended, in principle, to constrict the competence of the collegial body or to remove the matters considered from the purview of the collegial body itself, which remains fully responsible for the decisions taken in its field of competence.	No	No committees have been formed by the Company.
4.9. Committees established by the collegial body should normally be composed of at least three members. In companies with small number of members of the collegial body, they could exceptionally be composed of two members. Majority of the members of each committee should be constituted from independent members of the collegial body. In cases when the company chooses not to set up a supervisory board, remuneration and audit committees should be entirely comprised of nonexecutive directors.	No	The committees have not been formed and the matter has not been considered previously.

4.10. Authority of each of the committees should be determined by the collegial body. Committees should perform their duties in line with authority delegated to them and inform the collegial body on their activities and performance on regular basis. Authority of every committee stipulating the role and rights and duties of the committee should be made public at least once a year (as part of the information disclosed by the company annually on its corporate governance structures and practices). Companies should also make public annually a statement by existing committees on their composition, number of meetings and attendance over the year, and their main activities. Audit committee should confirm that it is satisfied with the independence of the audit process and describe briefly the actions it has taken to reach this conclusion.	No	No committees have been formed by the Company.
4.11. In order to ensure independence and impartiality of the committees, members of the collegial body that are not members of the committee should commonly have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or demand participation in the meeting of particular officers or experts. Chairman of each of the committees should have a possibility to maintain direct communication with the shareholders. Events when such are to be performed should be specified in the regulations for committee activities.	No	No committees have been formed by the Company.
4.12. Nomination Committee. 4.12.1. Key functions of the nomination committee should be the following: 1) 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; 2) Assess on a 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; 3) Assess on a regular basis the skills, knowledge and experience of individual directors and report on this to the collegial body; 4) Duly consider issues related to continuancy; 5) Review the policy of the management bodies for selection and appointment of senior management. 4.12.2. The nomination committee should consider proposals by other parties, including management and shareholders. When dealing with issues related to executive directors or members of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) and senior management, chief executive officer of the company should be consulted by, and entitled to submit proposals to the nomination committee.	No	No nomination committee have been formed by the Company (as explained under Item 4.7).

4.13. Remuneration Committee. 4.13.1. Key functions of the remuneration committee should be the following: 1) Make proposals, for the approval of the collegial body, on the remuneration policy for members of management bodies and executive directors. Such policy should address all forms of compensation, including the fixed remuneration, performance-based remuneration schemes, pension arrangements, and termination payments. Proposals considering performance-based remuneration schemes should be accompanied with recommendations on the related objectives and evaluation criteria, with a view to properly aligning the pay of executive director and members of the management bodies with the long-term interests of the shareholders and the objectives set by the collegial body; 2) Make proposals to the collegial body on the individual remuneration for executive directors and member of management bodies in order their remunerations are consistent with company's remuneration policy and the evaluation of the performance of these persons concerned. In doing so, the committee should be properly informed on the total compensation obtained by executive directors and members of the management bodies from the affiliated companies; 3) Make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies; 4) 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); 5) Make general recommendations to the executive directors and members of the management bodies on the level and structure of remuneration for senior management (as defined by the collegial body) with regard to the respective information provided by the executive directors and members of the management bodies. 4.13.2. With respect to stock options and other share based incentives which may be granted to directors or other employees, the committee should: 1) Consider general policy regarding the granting of the above mentioned schemes, in particular stock options, and make any related proposals to the collegial body; 2) Examine the related information that is given in the company's annual report and documents intended for the use during the shareholders meeting; 3) Make proposals to the collegial body regarding the choice between granting options to subscribe shares or granting options to purchase shares, specifying the reasons for its choice as well as the consequences that this choice has. 4.13.3. Upon resolution of the issues attributable to the competence of the remuneration committee, the committee should at least address the chairman of the collegial body and/or chief executive officer of the company for their opinion on the remuneration of other executive directors or members of the management bodies.	No	No remuneration committee have been formed by the Company (as explained under Item 4.7).

4.14. Audit Committee 4.14.1. Key functions of the audit committee should be the following: 1) Monitor the integrity of the financial information provided by the company, in particular by reviewing the relevance and consistency of the accounting methods used by the company and its group (including the criteria for the consolidation of the accounts of companies in the group); 2) At least once a year review the systems of internal control and risk management to ensure that the key risks (inclusive of the risks in relation with compliance with existing laws and regulations) are properly identified, managed and reflected in the information provided; 3) Ensure the efficiency of the internal audit function, among other things, by making recommendations on the selection, appointment, reappointment and removal of the head of the internal audit department and on the budget of the department, and by monitoring the responsiveness of the management to its findings and recommendations. Should there be no internal audit authority in the company, the need for one should be reviewed at least annually; 4) Make recommendations to the collegial body related with selection, appointment, reappointment and removal of the external auditor (to be done by the general shareholders' meeting) and with the terms and conditions of his engagement. The committee should investigate situations that lead to a resignation of the audit company or auditor and make recommendations on required actions in such situations; 5) Monitor independence and impartiality of the external auditor, in particular by reviewing the audit company's compliance with applicable guidance relating to the rotation of audit partners, the level of fees paid by the company, and similar issues. In order to prevent occurrence of material conflicts of interest, the committee, based on the auditor's disclosed inter alia data on all remunerations paid by the company to the auditor and network, 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; 6) Review efficiency of the external audit process and responsiveness of management to recommendations made in the external auditor's management letter. 4.14.2. All members of the committee should be furnished with complete information on particulars of accounting, financial and other operations of the company. Company's management should inform the audit committee of the methods used to account for significant and unusual transactions where the accounting treatment may be open to different approaches. In such case a special consideration should be given to company's operations in offshore centers and/or activities carried out through special purpose vehicles (organizations) and justification of such operations.	No	No audit committee have been formed by the Company (as explained under Item 4.7).

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 the Supervisory Council's and the Board's activities in place.

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	Meetings of the Supervisory Council are lead by its chairman. Meetings of the Board are lead by its chairwoman.
5.2. It is recommended that meetings of the company's collegial bodies should be convened according to the schedule approved in advance at certain intervals of time. Each company is free to decide how often to convene meetings of the collegial bodies, but it is recommended that these meetings should be convened at such intervals, which would guarantee an interrupted resolution of the essential corporate governance issues. Meetings of the company's supervisory board should be convened at least once in a quarter, and the company's board should meet at least once a month.	Yes	Meetings of the Board are convened according to a approved schedule (on a monthly basis), in addition, extraordinary meetings are held. Meetings of the Supervisory Council are convened once in a half-year.
5.3. Members of a collegial body should be notified about the meeting being convened in advance in order to allow sufficient time for proper preparation for the issues on the agenda of the meeting and to ensure fruitful discussion and adoption of appropriate decisions. Alongside with the notice about the meeting being convened, all the documents relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body are present or certain issues of great importance to the company require immediate resolution.	Yes	The agenda of the meeting and related materials are sent to all members of the collegial bodies by email prior to the meetings. Making additions to the agenda during the meeting is only allowed provided that all the members are present at the meeting, the issue is significant, and all the members agree that the issue must be considered on an urgent basis.
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 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.	Yes	Meetings of the Supervisory Councils are open to the Board's members.

PRINCIPLE VI: THE FAIR TREATMENT OF SHAREHOLDERS AND SHAREHOLDER RIGHTS

The corporate governance framework should ensure the fair 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 authorized capital of the Company consists of ordinary registered shares that grant the same property and non-property rights to their holders.
6.2. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.	Yes	The Company furnishes investors with information about the rights attached to the newly or previously issued shares.
6.3. Transactions that are important to the company and its shareholders, such as transfer, investment, and pledge of the company's assets or any other type of encumbrance should be subject to approval of the general shareholders' meeting. All shareholders should be furnished with equal opportunity to familiarize with and participate in the decision-making process when significant corporate issues, including approval of transactions referred to above, are discussed.	Yes	The consent of the general meeting of shareholders of the Company is obtained for significant transactions according to the criteria which are set in the Republic of Lithuania Law on Companies and the Company's Articles of Association and of which the shareholders are notified in advance.
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 general meetings of shareholders of the Company are convened in accordance with the Republic of Lithuania Law on Companies and the Company's Articles of Association. All the shareholders are notified of the place, date and time of the general meeting of shareholders. All the shareholders are provided with the opportunity to get conversant with the materials of the meeting 10 days prior to the date thereof as required by the Law on Companies and the Company's Articles of Association.
6.5. It is recommended that documents on the course of the general shareholders' meeting, including draft resolutions of the meeting, should be placed on the publicly accessible website of the company in advance. It is recommended that the minutes of the general shareholders' meeting after signing them and/or adopted resolutions should be also placed on the publicly accessible website of the company. Seeking to ensure the right of foreigners to familiarize with the information, whenever feasible, documents referred to in this recommendation should be published in English and/or other foreign languages. Documents referred to in this recommendation may be published on the publicly accessible website of the company to the extent that publishing of these documents is not detrimental to the company or the company's commercial secrets are not revealed.	Yes	In accordance with the Republic of Lithuania Law on Companies, the documents prepared for the general meeting of shareholders are published in the Vilnius Stock Exchange's website not later than 10 days prior to the date of the meeting, which enables the shareholders to get conversant with the information.
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	Shareholders of the Company may take part in the general meeting of shareholders personally or through a proxy, provided such a person is properly authorized or is a party to a voting right cession agreement made in the statutory procedure; also, the shareholders of the Company may vote by filling in common ballot-papers as it is stipulated in the Company Law.

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	Implementation of the specified measures would require costs that would be non-proportional to the expected benefits.

PRINCIPLE VII: THE AVOIDANCE AND DISCLOSURE OF CONFLICTS OF INTEREST

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 Company follows these recommendations.
7.2. Any member of the company's supervisory and management body may not mix the company's assets, the use of which has not been mutually agreed upon, with his/her personal assets or use them or the information which he/she learns by virtue of his/her position as a member of a corporate body for his/her personal benefit or for the benefit of any third person without a prior agreement of the general shareholders' meeting or any other corporate body authorized by the meeting.	Yes	
7.3. Any member of the company's supervisory and management body may conclude a transaction with the company, a member of a corporate body of which he/she is. Such a transaction (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions) must be immediately reported in writing or orally, by recording this in the minutes of the meeting, to other members of the same corporate body or to the corporate body that has elected him/her or to the company's shareholders. Transactions specified in this recommendation are also subject to Recommendation 4.5.	Yes	
7.4. Any member of the company's supervisory and management body should abstain from voting when decisions concerning transactions or other issues of personal or business interest are voted on.	Yes	The Company follows this recommendation. A member of the Company must abstain from voting when decisions concerning transactions or other issues of personal or business interest are voted on.

PRINCIPLE VIII: COMPANY'S REMUNERATION POLICY

The 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 publish remuneration amounts as this is not required by the legal acts.
8.2. Remuneration statement should mainly focus on directors' remuneration policy for the following year and, if appropriate, the subsequent years. The statement should contain a summary of the implementation of the remuneration policy in the previous financial year. Special attention should be given to any significant changes in company's remuneration policy as compared to the previous financial year.	No	The Company does not publish remuneration amounts as this is not required by the legal acts.
8.3. The remuneration statement should include at least the following information: 1) Explanation of the relative importance of the variable and non-variable components of directors' remuneration; 2) Sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration; 3) Sufficient information on the linkage between the remuneration and performance; 4) The main parameters and rationale for any annual bonus scheme and any other non-cash benefits; 5) A description of the main characteristics of supplementary pension or early retirement schemes for directors but the remuneration statement should not include any commercial information that should not be revealed.	No	For the above stated reason the Company has not approved a remuneration policy under which a remuneration statement would be prepared.
8.4. The 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	General information on payments and loans to members of the Supervisory Council and the Board of the Company is published in the annual prospect-report.
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 provides the information required by the Republic of Lithuania Law on Securities.
8.7. The 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 emolument related information should be disclosed: 1) The total amount of remuneration paid or due to the director for services performed during the relevant financial year, inclusive of, where relevant, attendance fees fixed by the annual general shareholders meeting; 2) The remuneration and advantages received from any undertaking belonging to the same group; 3) The remuneration paid in the form of profit sharing and/or bonus payments and the reasons why such bonus payments and/or profit sharing were granted; 4) If permissible by the law, any significant additional remuneration paid to directors for special services outside the scope of the usual functions of a director; 5) Compensation receivable or paid to each former executive director or member of the management body as a result of his resignation from the office during the previous financial year; 6) Total estimated value of non-cash benefits considered as remuneration, other than the items covered in the above points. 8.7.2. As regards shares and/or rights to acquire share options and/or all other share-incentive schemes, the following information should be disclosed: 1) The number of share options offered or shares granted by the company during the relevant financial year and their conditions of application; 2) The number of shares options exercised during the relevant financial year and, for each of them, the number of shares involved and the exercise price or the value of the interest in the share incentive scheme at the end of the financial year; 3) The number of share options unexercised at the end of the financial year; their exercise price, the exercise date and the main conditions for the exercise of the rights; 4) All changes in the terms and conditions of existing share options occurring during the financial year. 8.7.3. The following supplementary pension schemes related information should be disclosed: 1) When the pension scheme is a defined-benefit scheme, changes in the directors' accrued benefits under that scheme during the relevant financial year; 2) When the pension scheme is defined-contribution scheme, detailed information on contributions paid or payable by the company in respect of that director during the relevant financial year.	No	The Company does not follow these recommendations in its practice.

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. The schemes under which the directors are remunerated 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.	Not applicable	The Company does not apply any schemes of remuneration to directors in the form of shares, share options or other rights to acquire shares or to receive remuneration based on share price fluctuations.
8.9. The following issues should be subject to approval by the shareholders' annual general meeting: 1) Granting of share-based schemes, including share options, to directors; 2) Determination of maximum number of shares and main conditions of share granting; 3) The term within which options can be exercised; 4) The conditions for any subsequent change in the exercise of the options, if permissible by law; 5) All other long-term incentive schemes for which directors are eligible and which are not available to other employees of the company under similar terms. The annual general meeting should also set the deadline within which the body responsible for remuneration of directors may award compensations listed in this article to individual directors.		
8.10. Should national law or company's Articles of Association allow, any discounted option arrangement under which any rights are granted to subscribe to shares at a price lower than the market value of the share prevailing on the day of the price determination, or the average of the market values over a number of days preceding the date when the exercise price is determined, should also be subject to the shareholders' approval.		
8.11. Provisions of Articles 8.8 and 8.9 should not be applicable to schemes allowing for participation under similar conditions to company's employees or employees of any subsidiary company whose employees are eligible to participate in the scheme and which has been approved in the shareholders' annual general meeting.		

8.12. Prior to the annual general meeting that is intended to consider decision stipulated in Article 8.8, the shareholders must be provided an opportunity to familiarize with draft resolution and project-related notice (the documents should be posted on the company's website). The notice should contain the full text of the share-based remuneration schemes or a description of their key terms, as well as full names of the participants in the schemes. Notice should also specify the relationship of the schemes and the overall remuneration policy of the directors. Draft resolution must have a clear reference to the scheme itself or to the summary of its key terms. Shareholders must also be presented with information on how the company intends to provide for the shares required to meet its obligations under incentive schemes. It should be clearly stated whether the company intends to buy shares in the market, hold the shares in reserve or issue new ones. There should also be a summary on scheme-related expenses the company will suffer due to the anticipated application of the scheme. All information given in this article must be posted on the company's website.		
PRINCIPLE IX: THE ROLE OF STAKEHOLDERS IN CORPORATE GOVERNANCE **The corporate governance framework should recognize the rights of stakeholders as established by law and encourage active co-operation between companies and stakeholders in creating the company value, jobs and financial sustainability. For the purposes of this Principle, the concept "stakeholders" includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interest in the company concerned.**		
9.1. The corporate governance framework should assure that the rights of stakeholders that are protected by law are respected.	Yes	The Company's governance framework ensures that the statutory rights of stakeholders are not infringed. Employees of the Company and milk producers account for the largest part of shareholders of the Company.
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.	Yes	
9.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.	Yes	

PRINCIPLE X: INFORMATION DISCLOSURE

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: 1) The financial and operating results of the company; 2) Corporate objectives; 3) Persons holding by the right of ownership or in control of a block of shares in the company; 4) Members of the company's supervisory and management bodies, chief executive officer of the company and their remuneration; 5) Material foreseeable risk factors; 6) Transactions between the company and connected persons, as well as transactions concluded outside the course of the company's regular operations; 7) Material issues regarding employees and other stakeholders; 8) Governance structures and strategy. This list 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	Information on the Company required by these recommendations is disclosed in the annual and interim reports, statements of material events, and financial statements of the Company. This information is published through the information disclosure system of the Vilnius Stock Exchange. Upon reporting on material events, more detailed information is additionally published in the mass media.

10.5. Information should be disclosed in such a way that neither shareholders nor investors are discriminated with regard to the manner or scope of access to information. Information should be disclosed to all simultaneously. It is recommended that notices about material events should be announced before or after a trading session on the Vilnius Stock Exchange, so that all the company's shareholders and investors should have equal access to the information and make informed investing decisions	Yes	Information is presented through the information disclosure system of the Vilnius Stock Exchange in Lithuanian and English simultaneously where possible. The Stock Exchange publishes the information received on its website and the trading system; in this way simultaneous disclosure is ensured. Furthermore, the Company seeks to publish the information either before or after the trading session at the Stock Exchange, presenting it simultaneously to all the markets in which the Company's securities are traded. The Company does not disclose information that might influence the price of securities issued by the Company in any comments or interviews or in any other manner before such information is published through the Stock Exchange's information system.
10.6. Channels for disseminating information should provide for fair, timely and cost-efficient access to relevant information by users. It is recommended that information technologies should be employed for wider dissemination of information, for instance, by placing the information on the company's website. It is recommended that information should be published and placed on the company's website not only in Lithuanian, but also in English, and, whenever possible and necessary, in other languages as well.	Yes	The Company publishes its annual and interim reports on its website.
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 publishes its annual and interim reports and statements of material events on the Company's website.
PRINCIPLE XI: THE ELECTION 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	An examination of the Company's annual financial statements and the annual report is carried out by an independent audit firm.
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.	No	The general meeting of shareholders gives an instruction to the Board to elect an audit firm.
11.3. It is recommended that the company should disclose to its shareholders the level of fees paid to the firm of auditors for non-audit services rendered to the company. This information should be also known to the company's supervisory board and, where it is not formed, the company's board upon their consideration which firm of auditors to propose for the general shareholders' meeting.	Not applicable	The audit firm has not received from the Company any payments other than the fee for audit services.

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