ŽEMAITIJOS PIENAS AB

Independent Auditor's Report,
Consolidated Annual Report,
Financial Reporting Package,
and Consolidated Financial Reporting Package
for the year ended 31 December 2009

BALANCE SHEETS
AS OF 31 DECEMBER 2009
(All amounts in LTL thousands unless otherwise stated)

ASSETS	Notes	The Group 2009	The Group 2008	The Company 2009	The Company 2008
Non-current assets					
Intangible assets		56	201	47	194
Property, plant and equipment	5	78,007	88,480	57,775	64,303
Investment property	6	-	-	4,882	5,361
Investments available for sale		-	-	-	-
Investments into subsidiaries	1	4	-	11,037	11,033
Loans granted	7	974	1,125	973	1,102
Deferred income tax asset	23	1,703	1,152	1,629	971
Total non-current assets		**80,743**	**90,959**	**76,343**	**82,964**
Current assets					
Inventories	8	37,871	62,989	33,218	55,665
Prepayments		453	580	407	537
Trade accounts receivable	9	29,329	29,742	30,756	32,958
Other accounts receivable	10	3,030	8,367	2,955	8,036
Loans granted		6,161	-	6,161	-
Cash and cash equivalents	11	24,629	9,049	24,273	8,872
Total current assets		**101,473**	**110,727**	**97,770**	**106,068**
TOTAL ASSETS		**182,216**	**201,686**	**174,113**	**189,031**
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		50,465	39,270	50,335	37,855
Equity attributable to equity holders of the Company		**103,768**	**92,483**	**103,548**	**91,068**
Minority interest		2,626	2,552	-	-
Total Equity		**106,304**	**95,035**	**103,548**	**91,068**
Non-current liabilities					
Grants received	13	3,200	4,157	1,235	1,947
Borrowings	14	24,474	25,632	24,474	25,632
Obligations under finance lease	15	11,249	13,370	10,287	12,043
Deferred income tax liability		542	640	-	-
Other current liabilities		1,867	-	1,867	-
Total non-current liabilities		**41,333**	**43,800**	**43,800**	**39,622**
Current liabilities					
Borrowings	14	1,158	18,545	1,158	18,159
Obligations under finance lease	15	5,107	4,642	4,757	4,325
Trade accounts payable	17	18,256	29,450	17,704	27,257
Income tax payable		1,045	3	1,042	-
Other accounts payable	18	9,015	10,211	8,041	8,601
Total current liabilities		**34,580**	**62,851**	**32,702**	**58,342**
Total liabilities		**75,913**	**106,651**	**70,565**	**97,963**
TOTAL EQUITY AND LIABILITIES		**182,216**	**201,686**	**174,113**	**189,031**

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 2010 and signed by:

Robertas Pažemeckas
Acting Director

Dalia Gecienė
Chief Accountant

INCOME STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009
(All amounts in LTL thousands unless otherwise stated)

		The Group		The Company	
	Notes	2009	2008	2009	2008
Sales	19	372,825	471,829	371,190	471,511
Cost of sales		(303,021)	(399,680)	(303,246)	(401,347)
GROSS PROFIT		69,804	72,149	67,944	70,164
Operating expenses	20	(52,172)	(79,289)	(52,525)	(78,068)
Other operating income and expenses	21	(2,080)	4,647	847	5,327
(LOSS) PROFIT FROM OPERATIONS		**15,552**	**(2,493)**	**16,266**	**(2,577)**
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		(1,903)	(2,783)	(1,852)	(2,742)
Other financial income and expenses	22	648	136	603	196
(LOSS) PROFIT BEFORE TAX		**14,297**	**(3,889)**	**15,017**	**(5,123)**
Income tax (benefit) expense	23	(3,028)	179	(2,684)	318
NET (LOSS) PROFIT		11,269	(3,710)	12,333	(4,805)
ATTRIBUTABLE TO:					
Shareholders of the Company		11,196	3,672	12,333	(4,805)
Minority interest		73	38	-	-
		11,269	(3,710)	12,333	(4,805)
Basic and diluted earnings per share (LTL)	25	**0.23**	**(0.08)**	**0.26**	**(0.10)**

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Robertas Pažemeckas	Dalia Gecienė
Acting Director	Chief Accountant

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2009

(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 2007	48,375	4,838	42,942	96,155	1,037	97,192
Dividends paid	-	-	-	-	1,554	1,554
Net profit	-	-	(3,673)	(3,673)	(38)	(3,711)
Balance as of 31 December 2008	48,375	4,838	39,269	92,482	2,553	95,035
Acquisition of subsidiary	-	-	-	-		
Net (loss)	-	-	11,196	11,196	73	11,269
Balance as of 31 December 2009	48,375	4,838	50,465	103,678	2,626	106,304

The Company	Share capital	Legal reserve	Retained earnings	Total
Balance as of 31 December 2007	48,375	4,838	42,660	95,873
Dividends paid	-	-	-	-
Net profit	-	-	(4,805)	(4,805)
Balance as of 31 December 2008	48,375	4,838	37,855	91,068
Net (loss)	-	-	12,333	12,333
Dividends paid	-	-	147	147
Balance as of 31 December 2009	48,375	4,838	50,335	103,548

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Acting Director

Dalia Gecienė
Chief Accountant

CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009
(All amounts in LTL thousands unless otherwise stated)

	The Group		The Company	
	2009	2008	2009	2008
Cash flow from operating activities				
Net (loss) profit	11,269	(3,710)	12,333	(4,805)
Adjustments to net (loss) profit				
Depreciation and amortization	17,868	16,166	16,468	15,178
Amortization of grants received	(957)	(2,247)	(712)	(1,019)
Loss (gain) from disposal and write-offs of property, plant and equipment.	-	7	32	7
Income tax expenses	3,028	(179)	2,684	(318)
Impairment of accounts receivable	2	65	2	41
Impairment of property, plant and equipment	(2,286)	(23)	(2,299)	-
Excess of the Group's interest in the fair value of net assets over the cost of the business combination	-	(1,251)	-	-
Interest (income)	(772)	(358)	(771)	(356)
Interest expenses	1,953	2,783	1,852	2,742
Write off inventories to net realizable value	(453)	267	(471)	(283)
Other financial (income) and expenses	124	222	168	(160)
Loss from liquidation of subsidiaries	-	315	-	273
	29,777	12,057	29,286	11,300
Changes in working capital:				
(Increase) in inventories	25,117	(3,711)	22,447	(9,095)
(Increase) decrease in trade receivables	413	(140)	2,202	(4,280)
Decrease (increase) in prepayments	127	808	(528)	799
(Increase) in other receivables	5,337	(1,650)	4,235	(1,601)
(Decrease) increase in trade payables	(11,194)	(6,889)	(9,793)	1,359
Increase (decrease) other accounts payable	2,873	1,142	2,631	4,279
Income tax paid	-	(4,645)	-	(4,644)
Interest paid	(1,903)	(2,783)	(1,852)	(2,742)
Net cash flows (to) from operating activities	**50,548**	**(5,811)**	**48,627**	**(4,625)**
Cash flows from (to) investing activities				
(Acquisition) of intangible assets and property, plant and equipment.	(10,361)	(13,585)	(9,630)	(14,841)
Proceeds on sale of property, plant and equipment	408	665	284	657
Acquisition of subsidiaries	(4)	207	(4)	-
Sale of investments available for sale	-	14	-	14
Repayment of loans granted	2,311	3,986	2,311	3,984
Loans granted	(1,337)	(2,919)	(1,337)	(2,875)
Interest received	772	358	688	356
Net cash flows (to) investing activities	**(8,211)**	**(11,274)**	**(7,687)**	**(12,705)**
Cash flows from (to) financing activities				
Dividends paid	126	-	126	-
Grants received	-	1,064	-	-
Loans received	-	23,389	-	22,457
Repayment of loans	(17,442)	(3,723)	(16,556)	(2,196)
Financial lease payments	(3,279)	(7,649)	(2,947)	(6,482)
Net cash flows from (to) financial activities	**(20,595)**	**(13,081)**	**(19,377)**	**13,779**
Net (decrease) in cash and cash equivalents	21,742	(4,004)	21,563	(3,551)
Cash and cash equivalents at the beginning of the year	9,049	13,053	8,872	12,423
Cash and cash equivalents at the end of the year	**30,791**	**9,049**	**30,434**	**8,872**

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

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Robertas Pažemeckas	Dalia Gecienė
Acting Director	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 2009 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 2009 and 31 December 2008.

The major shareholder of Žemaitijos Pienas AB is the general manager of the Company Mr. Algirdas Pažemeckas. As of 31 December 2009 Mr. Algirdas Pažemeckas owned 44.15% of the authorized share capital. As of 31 December 2009 Skandinavska Ensilda Banken (investment fund) clients had 7.94%, Klaipėdos Pienas AB had 7.45%, Mrs. Ona Šunokienė – 5.4% 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 2009	Cost of investment 2008	Net assets as of 31 December 2009	Main activities
Šilutės Rambynas ABF	Klaipėdos str. 3, Šilutė, Lithuania	87.82%	87.82%	10,878	10,878	12,538	Cheese production and selling
Sodžiaus Pienas ŽŪK	Šilalės str. 35, Laukuva, Lithuania	15.12%	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
SIA Muižas piens"	Mažeikių str. 4, Telšiai, Lithuania	32%	-	4	-	-	Retail, Wholesale
				11,037	11,033		

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 2009 the number of employees of the Company was 1,363 (as of 31 December 2008 – 1,636). As of 31 December 2009 the number of employees of the Group was 1,528 (as of 31 December 2008 – 1,839).

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In 2009 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.

Standards, amendments and interpretations effective in 2009, but not relevant to the Group's and the Company's accounting policies

- 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").

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:

2009			2008		
1 EUR	=	3.4528 LTL	1 EUR	=	3.4528 LTL
1 USD	=	4.8679 LTL	1 USD	=	4.8872 LTL
1 LVL	=	2.4052 LTL	1 LVL	=	2.4507 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 20%. Provisional Social Tax rate was effective for 2009. From 1 January 2010 the income tax rate is 15% 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.

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.

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.

5. PROPERTY, PLANT AND EQUIPMENT

Note No 5 – The property, plant and equipment (In the balance)

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 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
	(35)	(4,692)	(183)	(369)	(157)	(5,436)
- disposals, write-offs						
- 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**
- additions	370	12,546	3,739	227	(3,226)	13,656
- acquisition of a subsidiary	-	-	-	-	-	-
- disposals, write-offs	(421)	(9,484)	(324)	(722)	(176)	(11,127)
- transfers from investment property	-	-	-	-	-	-
- transfers	1,629	1,318	-	2	(2,949)	-
As of 31 December 2009	**39,761**	**127,579**	**32,384**	**12,351**	**431**	**212,506**
Accumulated depreciation						
As of 31 December 2007	**5,216**	**72,076**	**9,009**	**8,078**	-	**94,379**
	880	8,846	4,437	1,598	-	15,761
- depreciation	2,421	6,770	2,604	485		12,280
- acquisition of a subsidiary						
- 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**
- depreciation	1,870	10,922	4,117	1,437	-	18,346
- acquisition of a subsidiary	-	-	-	-	-	-
- transfers from investment property	-	-	-	-	-	-
- disposals, write-offs	(168)	(3,685)	(109)	(687)	-	(4,649)
As of 31 December 2009	**14,016**	**90,407**	**19,930**	**10,590**	-	**134,943**
Accumulated impairment losses						
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**
- reversal of impairment losses	1,592	-	-	-	-	1,592
- acquisition of subsidiary	-	(2,286)	-	-	-	(2,286)
As of 31 December 2009	**1,825**	**(2,286)**	-	-	-	**(444)**
Net book value:						
As of 31 December 2008	**25,636**	**40,029**	**13,047**	**2,994**	**6,775**	**88,481**
As of 31 December 2009	**23,919**	**39,458**	**12,453**	**1,751**	**425**	**78,007**

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 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 from investment property	-	-	-	-	-	-
- transfers	6,333	344	-	9	(6,686)	-
As of 31 December 2008	**21,253**	**106,682**	**21,353**	**10,439**	**5,448**	**165,175**
- additions	367	12,462	3,739	109	(3,748)	12,929
- disposals, write-offs	(1)	(6,314)	(163)	(540)	(176)	(7,194)
- acquisition of subsidiary	-	2,286	-	13	-	2,299
- transfers	994	284	-	2	(1,279)	-
As of 31 December 2009	**22,613**	**115,400**	**24,929**	**10,010**	**245**	**173,196**
Accumulated depreciation						
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)
- transfers from investment property	-	-	-	-	-	-
As of 31 December 2008	**5,518**	**74,509**	**13,096**	**7,749**	**-**	**100,872**
- depreciation	1,081	9,908	3,596	1,296	-	15,881
- disposals, write-offs	-	(788)	(39)	(505)	-	(1,333)
As of 31 December 2009	**6,599**	**83,629**	**16,654**	**8,539**	**-**	**115,421**
Net book value						
As of 31 December 2008	**15,735**	**32,173**	**8,257**	**2,690**	**5,448**	**64,303**
As of 31 December 2009	**16,014**	**31,771**	**8,275**	**1,471**	**245**	**57,775**

For the year ended 31 December 2009 the depreciation charge of the Group's and the Company's property, plant and equipment amounts to LTL'000 18,347 and LTL'000 15,881 (31 December 2008 – LTL'000 15,761 and LTL'000 14,510).

Property, plant and equipment of the Company with a net book value of LTL'000 18,513 as of 31 December 2009 (31 December 2008 – LTL'000 18,628) was pledged to banks as a collateral for the loans received by the Company. As of 31 December 2009 the subsidiary Šilutės Rambynas ABF has also pledged the property, plant and equipment with the net book value of LTL'000 44 for the loans received by the Company (31 December 2008 – LTL'000 49) (Note 14).

As of 31 December 2009 part of property, plant and equipment of the Group and the Company with the acquisition cost of LTL'000 71,133 and LTL'000 64,996 respectively, was fully depreciated (31 December 2008 – LTL'000 69,998) but was still in active use.

The investments made by the Group and the Company during the year 2009 for the acquisition of property, plant and equipment and intangible assets amounted to LTL'000 16,893 and LTL'000 16,682 (2008– LTL'000 31,346 and LTL'000 29,752). As all assets of the Group and the Company are in Lithuania, all acquisitions are related with the geographical segment of Lithuania.

6. INVESTMENT PROPERTY

Note No 6 – Investment property (In the balance)

As of 31 December investment property consisted of the following:

	The Group	The Company
Acquisition cost		
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**
- additions	-	-
- transfers to property, plant and equipment	-	-
As of 31 December 2009	-	**9,435**
Accumulated depreciation		
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**
- depreciation	-	479
- transfers to property, plant and equipment	-	-
As of 31 December 2009	-	**4,553**
Net book value		
As of 31 December 2008	-	**5,361**
As of 31 December 2009	-	**4,882**

The fair value of investment property approximates its book value.

The Company's depreciation of the investment property for the year 2009 amounted to LTL'000 479 (2008 – LTL'000 450).

The Company's investment property in 2009 and 2008 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

Note No 7 – Loans granted (In the balance)

As of 31 December loans granted consisted of the following:

	The Group		The Company	
	2009	2008	2009	2008
Loans granted	2,360	3,213	2,359	3,182
Less: current portion of loans granted	(1,386)	(2,089)	(1,385)	(2,080)
	974	1,124	973	1,102

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

8. INVENTORIES

Note No 8 – Inventories (In the balance)

As of 31 December inventories consisted of the following:

	The Group		The Company	
	2009	2008	2009	2008
Raw materials	11,346	12,698	9,719	10,402
Finished goods and work in process	29,367	48,293	26,283	42,715
Goods for resale	1,490	4,754	1,490	4,754
	42,203	65,745	37,492	57,871
Less: write off to net realizable value	(4,331)	(2,756)	(4,274)	(2,206)
Total	**37,871**	**62,989**	**33,218**	**55,665**

9. TRADE ACCOUNTS RECEIVABLE

Note No 9 – Trade Accounts receivable (In the balance)

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

	The Group		The Company	
	2009	2008	2009	2008
Trade accounts receivable	24,694	26,762	23,476	25,657
Receivable from related parties	4,637	3,045	7,282	7,342
	29,331	29,807	30,758	32,999
Less: impairment loss	(2)	(65)	(2)	(41)
Total	**29,329**	**29,742**	**30,756**	**32,958**

Changes in impairment loss for doubtful trade accounts receivables for 2009 and 2008 are included into operating expenses in the income statement. The change in impairment loss for trade accounts receivable increased operating expenses of the year 2009.

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	
	2009	2008	2009	2008
Balance as of 31 December 2008	65	-	41	-
Impairment loss	(63)	65	(39)	41
Balance as of 31 December 2009	**2**	**65**	**(2)**	**41**

The ageing analysis of trade accounts receivable as of 31 December 2009 and 2008 is as follows:

The Group	Trade accounts receivable neither past due nor impaired	Trade receivables past due but not impaired: Less than 3 months	3 – 6 months	6 – 9 months	9 – 12 months	More than 1 year	Total
2008	25,596	551	596	15	2	2	**26,762**
2009	22,152	2,471	44	-	25	2	**24,694**

The Company	Trade accounts receivable neither past due nor impaired	Trade receivables past due but not impaired: Less than 3 months	3 – 6 months	6 – 9 months	9 – 12 months	More than 1 year	Total
2008	24,560	521	559	15	2	-	**25,657**
2009	21,002	2,452	22	-	-	2	**23,476**

10. OTHER ACCOUNTS RECEIVABLE

Note No 10 – Other accounts receivable (In the balance)

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

	The Group		The Company	
	2009	2008	2009	2008
Income tax paid in advance	-	3,351	-	3,351
Current portion of long-term loans granted	1,394	2,089	1,385	2,080
VAT receivable	1,178	2,492	1,177	2,393
Other receivables	458	435	393	212
Total	**3,030**	**8,367**	**2,955**	**8,036**

11. CASH AND CASH EQUIVALENTS

Note No 11 – Cach and cash equivalents (In the balance)

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

	The Group		The Company	
	2009	2008	2009	2008
Cash at bank	24,463	8,246	24,128	8,085
Cash on hand	167	803	145	787
Total	**24,629**	**9,049**	**24,273**	**8,872**

For the year ended 31 December 2009 the term deposits of the Group's and the Company's was LTL'000 6,161. It reflected in the cash flow statement.

12. SHAREHOLDERS' EQUITY

As of 31 December 2009 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 2009 and 2008 all shares were fully paid.

Note No 12 – Shareholders' equity (In the balance)

As of 31 December 2009 the main shareholders of the Company were:

	2009		2008	
	Number of shares	**Ownership, %**	**Number of shares**	**Ownership, %**
Pažemeckas Algirdas	21,355,870	44.15	21,355,870	44.15
SKANDINAVISKA ENSKILDA BANKEN CLIENTS code 50203290810, SERGELS TORG 2 10640 STOCKHOLM, SWEDEN	3,841,690	7.94	3,841,690	7.94
Klaipėdos Pienas AB Company's code 240026930, Šilutės pl. 33, 91107 Klaipėda	3,601,844	7.45	3,601,844	7.45
Šunokienė Ona	2,614,430	5.40	2,614,430	5.40
Other small shareholders	16,961,166	35.06	16,961,166	35.06
Total	**48,375,000**	**100**	**48,375,000**	**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 2009 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

Note No 13 – Grants received (In the balance)

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

	The Group	The Company
Grants received		
As of 31 December 2007	12,773	11,158
- received	-	-
- acquisition of subsidiary	3,405	-
As of 31 December 2008	16,178	11,158
- received	-	-
- acquisition of subsidiary	-	-
As of 31 December 2009	16,178	11,158
Accumulated amortisation		
As of 31 December 2007	9,774	8,192
- amortization	1,181	1,019
- acquisition of subsidiary	1,066	-
As of 31 December 2008	12,021	9,211
- amortization	957	712
- acquisition of subsidiary	-	-
As of 31 December 2009	12,978	9,923
Net book value		
As of 31 December 2008	4,157	1,947
As of 31 December 2009	3,200	1,235

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). December 2009 the net book value of the grant was LTL'000 1,235.

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).

December 2009, the net book value of the grant and the balance of the grant was LTL'000 1,934.

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

Note No 14 – Borrowings (In the balance)

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

	Contract date	Maturity date	Currency	Balance 2009	Balance 2008
DnB NORD bankas AB	2004 05	2012 06	EUR	20,717	20,717
SEB bankas AB	2003 07	2009 12	LTL	-	16,000
DnB NORD bankas AB	2006 06	2013 04	EUR	4,915	4,915
Laviga UAB	2008 12	2009 02	EUR	-	1,603
SEB bankas AB	2002 05	2009 05	EUR	-	556
SEB bankas AB	2007 08	2009 12	EUR	-	386
Total				**25,632**	**44,177**
Less: short-term borrowings				-	(1,603)
Less: current portion of long-term borrowing				(1,158)	(16,942)
Total long-term borrowings				**24,474**	**25,632**

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

	Contract date	Maturity date	Currency	Balance 2009	Balance 2008
DnB NORD bankas AB	2004 05	2012 06	EUR	20,717	20,717
SEB bankas AB	2003 07	2009 12	LTL	-	16,000
DnB NORD bankas AB	2006 06	2013 04	EUR	4,915	4,915
Laviga UAB	2008 12	2009 02	EUR	-	1,603
SEB bankas AB	2002 05	2009 05	EUR	-	556
Total				**25,623**	**43,791**
Less: short-term borrowings				-	(1,603)
Less: current portion of long-term borrowing				(1,158)	(16,556)
Total long-term borrowings				**24,474**	**25,632**

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

	The Group		The Company	
	2009	2008	2009	2008
Within one year	1,185	18,545	1,185	18,159
In the second year	1,670	1,499	1,670	1,499
In the third year	22,387	1,499	22,387	1,499
In the fourth and thereafter	417	22,634	417	22,634
Total	**25,632**	**44,177**	**25,632**	**43,791**

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		The Company	
	2009	2008	2009	2008
EUR	25,632	28,177	25,632	27,791
LTL	-	16,000	-	16,000
Total	**25,632**	**44,177**	**25,632**	**43,791**

15. OBLIGATIONS UNDER FINANCE LEASE

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

	2009		2008	
The Group	**Minimum lease payments**	**Present value of minimum lease payments**	**Minimum lease payments**	**Present value of minimum lease payments**
Within one year	5,356	5,107	5,355	4,642
In the second to fifth years inclusive	11,534	11,245	14,426	13,370
Minimum lease payments	**16,890**	**16,352**	**19,781**	**18,012**
Less: future finance charges	(538)		(1,769)	
Present value of minimum lease payments	**16,352**		**18,012**	

	2009		2008	
The Company	**Minimum lease payments**	**Present value of minimum lease payments**	**Minimum lease payments**	**Present value of minimum lease payments**
Within one year	5,007	4,757	4,521	4,325
In the second to fifth years inclusive	10,571	10,287	12,990	12,043
Minimum lease payments	**15,578**	**15,044**	**17,941**	**16,368**
Less: future finance charges	(534)		(1,574)	
Present value of minimum lease payments	**15,044**		**16,368**	

As of 31 December 2009 and 2008 the Group's and the Company's finance lease agreements were in EUR.

16. OPERATING LEASE

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

	The Group		The Company	
	2009	2008	2009	2008
Within one year	1,647	3,752	1,647	3,081
In the second to fifth years	1,637	3,279	1,637	595
After five years	283	-	283	-
Total	**3,567**	**7,031**	**3,567**	**3,676**

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

Note No 18 – Other liabilities (In the balance)

As of 31 December other liabilities consisted of the following:

	The Group		The Company	
	2009	2008	2009	2008
Accrued expenses	4,718	4,704	4,718	4,164
Wages and salaries payable	1,902	2,740	1,721	2,518
Social security payable	1,066	1,124	927	999
Taxes payable, other than income tax	344	817	98	95
Advances received	568	809	568	809
Other current liabilities	417	17	9	16
Total	**9,015**	**10,211**	**8,041**	**8,601**

19. INFORMATION ON SEGMENTS

Note No 19 – Sales (In the incomes statmet)

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	
	2009	2008	2009	2008
Sales				
Lithuania	210,457	252,900	209,249	252,582
Other Baltic States and CIS members	74,846	119,153	74,419	119,153
Other Europe countries	73,041	94,476	73,041	94,476
USA	2,295	148	2,295	148
Other	12,186	5,152	12,186	5,152
Total	**372,825**	**471,829**	**371,190**	**471,511**

20. OPERATING EXPENSES

Note No 20 – Operating expenses (In the incomes statement)

As of 31 December operating expenses consisted of the following:

	The Group		The Company	
	2009	2008	2009	2008
Wages, salaries and social security*	25,988	35,754	25,439	35,060
Services	3,301	14,322	4,808	14,703
Marketing	6,553	9,255	6,510	9,198
Fuel and spare parts	3,953	6,002	3,882	5,926
Depreciation and amortisation	3,742	5,086	3,722	4,792
Change in write off of inventoriews to net realizable value	2,069	267	2,069	(283)
Materials	1,282	1,708	1,249	1,687
Taxes, other than income tax	906	943	780	858
Other expenses	4,378	5,952	4,066	6,127
Total	**52,172**	**79,289**	**52,525**	**78,068**

* For the year ended 31 December 2009 the Group's and the Company's wages, salaries and social operting expenses amounted to LTL'000 25,988 and LTL'000 25,439, respectively.

21. OTHER OPERATING INCOME AND EXPENSES

Note No 21 – Other operating income and expenses (In the income statement)

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

	The Group		The Company	
	2009	2008	2009	2008
Other operating income				
Gain on sales of property, plant and equipment and goods for resale sales income	2,544	3,692	2,432	3,682
Transportation service	-	1,040	-	1,040
Rental income	1,301	970	1,182	928
Income of the canteen	314	875	314	875
Other	713	3,633	669	4,288
	4,159	**10,210**	**4,597**	**10,813**
Other operating expenses				
Cost of goods for resale sold	(2,275)	(4,646)	(2,275)	(4,646)
Wages, salaries and social security	(3)	-	(3)	-
Other	(3,961)	(917)	(1,422)	(840)
	(6,239)	**(5,563)**	**(3,750)**	**(5,486)**
TOTAL	**(2,080)**	**4,647**	**847**	**5,327**

22. OTHER FINANCIAL INCOME AND EXPENSES

Note No 22 – Other financial income and expenses (In the income statement)

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

	The Group		The Company	
	2009	2008	2009	2008
Income from financial activity				
Interest income	772	358	668	356
Foreign currency exchange (profit)	40	-	-	-
Other financial incomes	453	-	401	-
	1,265	**358**	**1,089**	**356**
Expenses from financial activity				
Foreign currency exchange (loss)	(609)	(168)	(486)	(58)
Other financial expenses	(8)	(54)	-	-
	(617)	**(222)**	**(486)**	**(58)**
TOTAL	**648**	**136**	**603**	**298**

23. INCOME TAX EXPENSE (BENEFIT)

Note No 23 – Income tax expencse (In the income statement)

For the years ended 31 December 2009 and 31 December 2008 income tax consisted of the following:

	The Group		The Company	
	2009	2008	2009	2008
(Loss) profit before tax	14,297	(3,889)	15,017	(5,123)
Tax at the statutory income taxes rate	3342	(583)	3342	(768)
Tax effect of non-taxible differences	(474)	678	(808)	694
Change in deferred tax asset valuation allowance		-		-
Change in deferred tax due to change in income tax rate (2008 – 15%, 2009 – 20%)	(160)	(274)	150	(244)
Income tax expenses (benefit) charged to the income statement	**3,028**	**(179)**	**2,684**	**(318)**
Prior year income tax correction		(2)		-
Current period income tax		-		-
Change in deferred income tax	(3,028)	(177)	(2,684)	(318)
Income tax expenses (benefit) charged to the income statement	**3,028**	**(179)**	**2,684**	**(318)**

	The Group		The Company	
	2009	2008	2009	2008
Deferred income tax asset				
Tax loss carry forward	-	921	-	-
Inventories	664	491	641	331
Accrued vacation reserve	933	67	919	606
Other accrued expenses	106	34	69	34
Total deferred income tax asset	**1,703**	**2,073**	**1,629**	971
Less: valuation allowance	-	(921)	-	-
Deferred income tax liabilities				
Difference in property, plant and equipment depretiation rates	(542)	(322)	-	-
Fair value adjustment for property, plant and equipment at acquisition of a subsidiary	-	(318)	-	-
Total deferred income tax liabilities	**(542)**	**(640)**	-	-
Deferred income tax asset, net	**1,161**	**512**	**1,629**	971

24. 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	
	2009	2008	2009	2008
Net (loss) profit attributable to the shareholders	11,269	(3,711)	12,333	(4,806)
Weighted average number of shares (in thousands)	48,375	48,375	48,375	48,375
Basic earnings (loss) per share (LTL)	**0.23**	**(0.08)**	**0,25**	**(0.10)**

Diluted earnings per share equal to basic earnings per share as there were no potential shares issued as of 31 December 2009 and 2008.

25. DIVIDENDS PER SHARE

	The Group		The Company	
	2009	2008	2009	2008
Dividends paid	-	-	-	-
Number of shares (thousands)	48,375	48,375	48,375	48,375
Dividends per share (LTL)	-	-	-	-

26. 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.

As of 31 December 2009 and 2008 the Group and the Company had no material purchase commitments for the acquisition of property, plant and equipment.

At 31 December 2009 and 2008 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.

27. 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	
	2009	2008	2009	2008
Cash and cash equivalents	24,629	9,049	24,273	8,872
Loans granted	974	1,124	973	1,102
Trade accounts receivable	29,329	29,742	30,756	32,958
Other accounts receivable	3,030	8,367	2,955	8,036
Term deposits	6,161	-	6,161	-
Total financial assets	**64,123**	**48,282**	**65,082**	**50,968**

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.

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 2009 and 2008 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	-	-	1,158	24,474	-	25,623
Interest bearing finance lease liabilities	-	1,265	3,842	11,250	-	16,357
	-	1,554	-	-	-	1,554
Trade payables						
Commitments to related parties	-	16,153	-	-	-	16,153
Balance as of 31 December 2009	-	**18,972**	**5,000**	**35,724**	-	**59,696**
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**
	-	**(11,552)**	**(17,113)**	**(3,278)**	-	**(31,943)**

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	-	-	1,158	24,474	-	25,623
Interest bearing finance lease liabilities	-	1,265	3,493	10,287	-	15,044
	-	16,150	-	-	-	16,150
Trade payables		-				-
Commitments to related parties	-	1,554	-	-	-	1,554
Balance as of 31 December 2009	-	**18,987**	**4,651**	**34,761**	-	**58,398**
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**
	-	**(9,028)**	**(17,075)**	**(2,914)**	-	**(29,018)**

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 2009 monetary assets and liabilities stated in various currencies were as follows:

	The Group		The Company	
	Assets	**Liabilities**	**Assets**	**Liabilities**
LTL	67,476	60,940	46,803	41,563
EUR	14,000	28,039	13,753	26,711
USD	951	-	951	-
LVL	4,296	12	4,296	12
Other	2	2	2	2
Total	**86,725**	**88,993**	**65,805**	**68,288**

As of 31 December 2009 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**

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	
	2009	2008	2009	2008
Financial assets				
Cash	24,629	9,049	24,629	9,049
Term deposits	6,161		6,161	
Investments available for sale	-	-	-	-
Loans granted	974	1,125	974	1,112
Financial liabilities				
Interest bearing loans and borrowings:				
Obligations under finance lease and hired purchase contracts	16,956	18,012	16,356	18,012
Floating interest rate borrowings	25,632	26,574	25,632	26,574
Fixed interest rate borrowings	-	17,603	-	17,292

The Company	Carrying amount		Fair value	
	2009	2008	2009	2008
Financial assets				
Cash	24,273	8,872	24,273	8,872
Term deposits	6,161		6,161	
Available for sale investments	-	-	-	-
Loans granted	973	1,102	973	1,102
Financial liabilities				
Interest bearing loans and borrowings:				
Obligations under finance lease and hired purchase contracts	15,044	16,368	13,389	16,368
Floating interest rate borrowings	25,632	28,188	25,632	28,188
Fixed interest rate borrowings	-	17,603	-	17,292

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 2009 and 2008.

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	
	2009	2008	2009	2008
Non-current liabilities (including deferred taxes and grants)	41,333	43,799	43,800	39,622
Current liabilities	34,580	62,851	32,702	58,342
Total liabilities	**75,913**	**106,650**	**70,565**	**97,964**
Equity attributable to equity holders of the parent	**105,973**	**92,483**	**104,685**	**91,068**
Debt* to equity ratio	**72%**	**115%**	**67%**	**108%**

* 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.

28. 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	
	2009	2008	2009	2008
1) Sales				
To the Group				
Sodžiaus Pienas ŽŪK	-	-	-	-
Tarpučių Pienas ŽŪK	-	-	-	-
Šilutės Rambynas ABF	-	-	42,305	-
	-	-	42,305	-
To Related parties				
Baltijos Mineralinių Vandenų Kompanija UAB	-	-	-	-
Klaipėdos Pienas AB	4,214	-	4,214	-
Žemaitijos Pieno Investicija AB	-	-	-	-
Žemaitijos Prekyba UAB	25,093	-	25,093	-
Gimtinės Pienas UAB	-	-	-	-
	29,307	-	29,307	-
Sales of inventory and services				
To the Group				
Sodžiaus Pienas ŽŪK	-	-	1	121
Tarpučių Pienas ŽŪK	-	-	14	2
Žemaitijos Pieno Žaliava UAB	-	-	-	-
Šilutės Rambynas ABF	-	-	2,645	3,688
	-	-	2,659	3,811
To Related parties				
Baltijos Mineralinių Vandenų Kompanija UAB	-	6,443	-	6,443
Klaipėdos Pienas AB	2,204	3,833	2,204	3,833
Žemaitijos Pieno Investicija AB	153	71	153	71
Gimtinės Pienas UAB	30	5	30	5
Žemaitijos Prekyba UAB	838	31,310	827	31,310
	3,225	41,662	3,214	41,662
Total Sales	**7,439**	46,013	**77,485**	46,138

	The Group		The Company	
	2009	2008	2009	2008
2) Purchases				
From the Group				
Sodžiaus Pienas ŽŪK	-	-	139	19,340

Tarpučių Pienas ŽŪK	-	-	6	6,914
Šilutės Rambynas ABF	-	97,835	66,483	97,807
	-	97,835	115,128	124,061
From Related parties				
Gimtinės Pienas UAB	-	-	-	-
Klaipėdos Pienas AB	1,183	7,814	1,158	7,814
Baltijos Mineralinių Vandenų Kompanija UAB	-	404	-	404
Žemaitijos Pieno Investicija AB	1,066	2,639	1,056	2,639
Žemaitijos Prekyba UAB	450	727	414	727
	2,699	11,584	2,628	11,584
Total Purchases	**2,699**	**109,419**	**117,756**	**135,645**

	The Group		The Company	
	2009	**2008**	**2009**	**2008**
3) Year-end balances of accounts receivable				
Group				
Telšių Autoservisas UAB	-	-	-	20
Sodžiaus Pienas ŽŪK	-	-	-	-
Tarpučių Pienas ŽŪK	-	-	20	-
Šilutės Rambynas ABF	-	-	2,720	8,563
	-	-	2,740	8,583
Related parties				
Baltijos Mineralinių Vandenų Kompanija UAB	-	1,816	-	1,816
Gimtinės Pienas UAB	-	90	-	63
Žemaitijos Prekyba UAB	3,852	2,094	4	2,095
Klaipėdos Pienas AB	700	-	2	-
Žemaitijos Pieno Investicija AB	85	-	53	-
	4,637	4000	59	3,974
	4,637	**4000**	**2,799**	**12,557**

	The Group		The Company	
	2009	**2008**	**2009**	**2008**
4) Year-end balances of payables				
Group				
Sodžiaus Pienas ŽŪK	-	-	1,159	1,517
Tarpučių Pienas ŽŪK	-	-	205	697
Žemaitijos Pieno Žaliava UAB	-	-	-	604
Šilutės Rambynas ABF	-	14	-	-
	-	14	1,364	2,818
Related parties				
Žemaitijos Pieno Investicija AB	254	1,229	200	1,229
Klaipėdos Pienas AB	2	1,717	-	1,717
Žemaitijos Prekyba UAB	4	-	-	-
Gimtinės Pienas UAB	-	-	-	-
Baltijos Mineralinių Vandenų Kompanija UAB	-	-	-	-
	259	2,946	200	2,946
	259	**2,960**	**1,564**	**5,764**

Outstanding balances at the year-end are unsecured, interest free and settlement occurs in cash. For the year ended 31 December 2009 and 2008, 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.

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ŽEMAITIJOS PIENAS AB

Independent Auditor's Report,
Consolidated Annual Report,
Financial Reporting Package,
and Consolidated Financial Reporting Package
for the year ended 31 December 2009

I. GENERAL INFORMATION ABOUT THE ISSUER

1. Reporting Period of the Compiled Report

Consolidated annual report is drawn up for the financial year 2009.

2. Issuer and its Contact Information

Name	Žemaitijos Pienas, AB
Legal and organisational form	Public limited liability company
Registration	Public limited liability company is registered on 23 June 1993
Registration number	180240752
VAT number	LT802407515
Authorised capital	LTL 48,375,000, divided into 48,375,000 common registered shared with a nominal value LTL 1 each
Address	Sedos str. 35, LT-87101 Telšiai
Telephone	+370-444-22201
Fax	+370-444-74897
Electronic mail	info@zpienas.lt
Internet website	www.zpienas.lt

3. Character of the Issuer's Main Operations

The main operations of Žemaitijos Pienas, AB (hereinafter – the Company) are production and realisation of dairy products on the Lithuanian and foreign markets.

4. Data on Trade on the Markets Regulated by the Issuer's Securities

From 13 October 1997, the common registered shares of Žemaitijos Pienas, AB are registered in the Current List of Vilnius Stock Exchange. Shares issued by the company are quoted in the Secondary List of Vilnius Stock Exchange.

Type of share – common registered shares;
Number of shares – 48,375,000;
Total nominal value – LTL 48,375,000;

VP ISIN code LT0000121865;
VSE symbol – ZMP1L.

5. Information on the Agreements with the Intermediaries of Public Trading in Securities

On 16 July 2004, the company has concluded the agreement with Šiaulių Bank, AB, address: Tilžės str. 149, Šiauliai, in accordance with which, starting with 23 July 2004, the management of the securities account of the securities issued by the company are transferred to Šiaulių Bank, AB.

6. Data on the Trade in Shares on the Markets Regulated by the Companies Constituting the Group

48,375,000 common registered shares of Žemaitijos Pienas, AB are registered in the Secondary List of NASDAQ OMX Vilnius (VSE symbol ZMP1L). Nominal value of one share is 1 (one) litas.

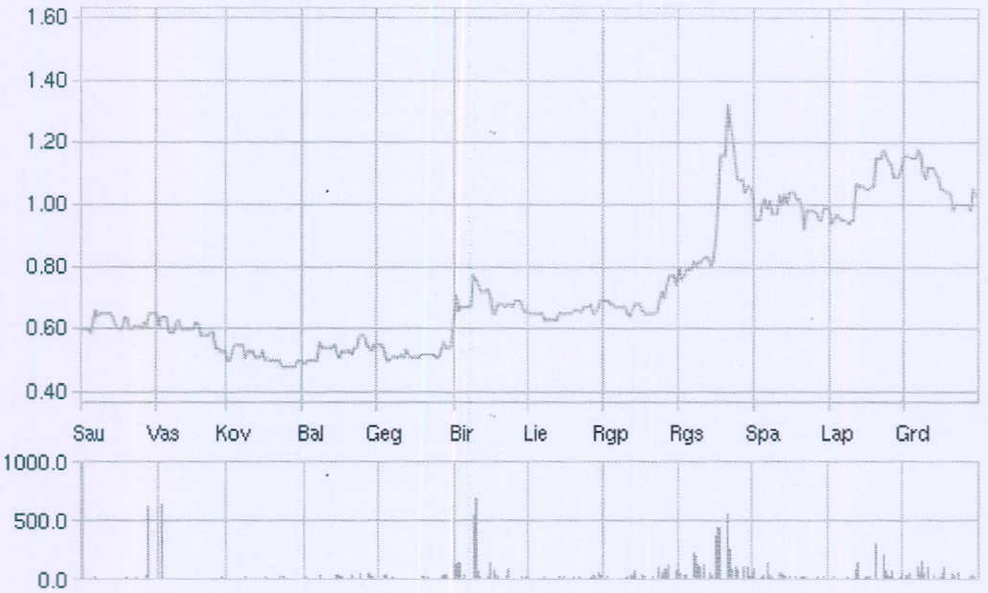
Trade on other exchanges and other organisations have not been carried out.

The following are the share transaction carried out by Žemaitijos Pienas, AB on the NASDAQ OMX Stock Exchange in Vilnius:

Reporting period		Price (LTL)			Turnover (LTL)			Last session date	Total turnover	
from	until	max	min	last session	max	min	last session		(units)	(LTL)
01.01.2006	31.03.2006	20.90*	18.15*	20.40*	388,131.30	0	20,455.00	31.03.2006	70,621*	1,355,512.31
01.04.2006	30.062006	21.10*	18.02*	19.50*	469,989.34	0	3,878.20	30.06.2006	72,122*	1,487,329.26
01.07.2006	30.09.2006	19.20*	18.20*	18.36*	211,179.95	0	12,961.92	29.09.2006	32,366*	603,870.82
01.10.2006	31.12.2006	27.00*	18.00*	24.98*	994,131.52	0	21,424.46	29.12.2006	126,904*	2,811,010.07
01.01.2007	31.03.2007	25.80*	21.50*	24.45*	1,551,091.80	0	9,882.00	30.03.2007	244,198*	6,149,153.28
01.04.2007	30.06.2007	24.48*	20.50*	22.50*	123,109.00	0	28,445.90	29.06.2007	45,575*	980,996.61
01.07.2007	30.09.2007	26.36*	20.50*	25.00*	2,896,764.09	0	27,177.20	28.09.2007	412,115*	8,577,471.35
01.10.2007	31.12.2007	25.20*	22.50*	22.70*	135,087.25	0	44,258.33	28.12.2007	39,781*	950,569.12
01.01.2008	24.03.2008	26.01*	20.80*	22.30*	253,915.34	0	8,205.00	04.03.2008	94,225*	2,151,710.39
25.03.2008	31.03.2008	2.40	2.22	2.22	18,390.64	0	2,950.00	31.03.2008	18,579	42,168.66
01.04.2008	30.06.2008	2.21	1.60	1.73	88,536.31	0	1,881.00	30.06.2008	348,876	627,384.43
01.07.2008	30.09.2008	1.70	1.24	1.24	56,815.40	0	1,004.00	30.09.2008	272,759	419,727.24
01.10.2008	31.12.2008	1.25	0.50	0.60	74,821.50	0	461.00	29.12.2008	905,477	725,090.79
01.01.2009	31.03.2009	0.66	0.48	0.50	627,365.70	0	875.00	31.03.2009	2,470,477	1,474,090.09
01.04.2009	30.06.2009	0.82	0.49	0.67	686,402.16	0	19,159.56	30.06.2009	4,226,779	2,828,899.35
01.07.2009	30.09.2009	1.32	0.63	1.06	543,585.51	0	18,110.62	30.09.2009	5,114,462	4,576,203.11
01.10.2009	31.12.2009	1.19	0.92	105	303,011.29	0	23,996.10	30.12.2009	2,461,791	2,646,416.65

The share price and turnover graph of Žemaitijos Pienas, AB in 2009. The graph is taken from the NASDAQ OMX Vilnius website:

http://www.nasdaqomxbaltic.com/market/?instrument=LT0000121865&list=3&pg=details&tab=historical&lang=lt&currency=0&date=&start_d=1&start_m=1&start_y=2009&end_d=31&end_m=12&end_y=2009



7. Issuer's Authorised Capital

On 31 December 2009, the authorized capital of Žemaitijos Pienas, AB constituted of:

Type of share	Number of shares (unites)	Nominal value (LTL)	Total nominal value (LTL)	Authorised capital value (%)
Common registered shares	48,375,000	1	48,375,000	100

All the shares are fully paid and no disposal restrictions on securities are applicable.

8. Objective Overview of the Company's Condition, Performance of Operations and Development

Žemaitijos Pienas, AB is one of the largest and most modern milk processing companies in Lithuania.

Žemaitijos Pienas, AB was established in 1924. In the same year Telšiai Dairy began its operations, the capacity of which was considered to be rather high. At the end of the year 1984 Telšiai Dairy began its operations in the new facilities and was active until the opening of the largest in the Baltic area Telšiai cheese factory and its privatization in 1993. On 16 October 1998, Žemaitijos Pienas, AB registered on 23 June 1993 with Telšiai District Administration, was reregistered with the Ministry of Economy of the Republic of Lithuania (hereinafter – RL).
Work experience gained throughout the years and the unique formulas today allow offering a wide variety of products with great taste and high quality.

The variety of the products has widened and their quality has improved by means of consultations with the best European and American companies, focusing on the implementation of the new technologies and using Bactocath the advanced membrane technology of milk purification. The Company produces fresh dairy products, butter, fermented and processed cheeses and dried milk products.

The production of the Company is highly evaluated by the consumers in Lithuania and abroad. Products of Žemaitijos Pienas, AB are exported to the countries of the European Union, Baltic States, Russia, Belarus, USA, Israel, Croatia, etc. High quality is revealed not only through the popularity of the products, but also through various awards received at the national and international exhibitions.

Most of the products manufactured by Žemaitijos Pienas, AB correspond not only to the European, but also to the international standards. The Company was awarded golden medals and diplomas at the international exhibitions.

On average the Company annually processes 257 thousand tons of raw milk, 2,500 tons of organic milk, produces 7,573 tons of fermented cheese, 3,785 tons of butter, 2,121 tons of skimmed milk powder, 5,313 tons of whey powder, 819 tons of organic milk, 184 tons of organic yoghurt (natural and with additives), etc.

In 2006, the State Food and Veterinary Service of the RL by Order No. B1-800 of 13.12.2006 of the Service Director concerning the Veterinary Approval of Subjects Managing Animal Products has pronounced invalid Order No. 4-104 of 20.07.1995 concerning Allocation of Veterinary Supervision Numbers and approved the conformity of Žemaitijos Pienas, AB to the regulation requirements, the production of dairy products of Žemaitijos Pienas, AB and issued the confirmation number 78-01 P.

In 2006, the German accreditation institution DAR performed the audit of the Žemaitijos Pienas, AB laboratory to verify its conformity to DIN EN ISO/IEC 17025:2000 requirements and have confirmed the conformity by granting DAR accreditation certificate with the registration number DAP-PL-3977.00.

In 2007, the Company began producing organic products. EKOAGROS, VšĮ confirmed that Žemaitijos Pienas, AB is in conformity with requirements of Council Regulation (EEC) No. 2092/91 and Ecological Agriculture Regulations. The licensed production of organic products includes organic cheese 45% fat (dry matter), organic milk 2.5% fat, organic yoghurt (Certificate No. SER-K-07-00010, registration No. 060670P).

9. Description of the Main Types of Risks and Uncertainties Faced by the Company

The Company's operations involve milk processing. The main factors constituting the Company's business risk are potential changes in the raw materials and product markets, as well as any possible political, legal, social and technological changes, which are directly or indirectly related to the business of Žemaitijos Pienas, AB, and which can affect the Company's cash flows and operation results.

The main raw material used in the Company is milk, the sale amount for processing to the European Union manufacturers of which is restricted by the national milk quotas. The restriction on supply of the raw materials can cause shortage of the raw materials and the drop in the prices of raw materials. These changes can have a negative effect on the Company's cash flows and operation results.

The Company's business (in particular milk gathering and transfer) is the operations requiring high volume of labour force. Changing price of fuel and increase of employee wages can have a negative effect on the Company's growth potential and operation results.

The Company specialises in the manufacturing of fresh dairy products and cheese. The largest part of its revenue consists of the gain received from trading in these products. Due to that negative changes in demand of the fresh dairy products and cheese and price changes on the market can affect the Company's revenue, profit and general financial state. Negative price of products can affect competition on the local and international dairy product market.

10. Analysis of the Financial and Non-financial Operations, Information Related to the Environmental and Personnel Issues

The main financial indicators reflecting the operations of the Group and the Company in 2009, in thousands of litas:

Financial indicator	According to the International Accounting Standards			
	2009		2008	
	Group	Company	Group	Company
Turnover	372,825	371,190	471,829	471,511
General profit	69,804	67,944	72,149	70,164
Profit before tax, interest and amortisation	34,068	33,337	15,060	12,797
Profit before tax	14,297	15,017	(3,889)	(5,123)
Amount of investment into fixed assets	16,883	16,677	31,343	28,794

Comparison of tonnage and prices of raw milk purchasing in 2009 and 2008:

Raw milk purchasing (calculated as basic fat content)	2009	2008
Amount of purchased milk, in thousands of tons	311	340
Purchase price of milk, LTL/t	531	752

257 thousand of tons (2009) and 280 thousand of tons (2008) of natural milk have been purchased.

The following is the distribution according to the type of products of Žemaitijos Pienas, AB sold in Lithuania and exported in 2009 and 2008, expressed in thousands of litas:

Product group name	Turnover in thousands of litas		Difference in % between 2009 and 2008
	2009	2008	
Fermented cheese	159,282	225,823	-29.5%
Fresh dairy products	118,174	143,780	-17.8%
Butter and dairy fat based spread	32,871	33,829	-2.8%
Dry milk products	17,889	13,194	35.6%
Ice-cream	4,312	15,121	-71.5%
Other	35,712	39,698	-10 %
Export subsidies	2,950	66	
Total	**371,190**	**471,511**	**-21.3%**

Group sales according to the geographic segments (secondary segments) in 2009 and 2008, expressed in thousands of litas:

Sales according to the geographical segments	2009 m.	2008 m.
Lithuania	210,457	252,900
Other Baltic States and CIS states	74,846	119,153
Other European countries	73,041	94,476
USA	2,295	148
Other	12,186	5,152
Total	372,825	471,829

Environmental Protection

According to the established criteria, Žemaitijos Pienas, AB, the company producing and trading in dairy products, is assigned to the category of Installations indicated in Annex 1 of the IPPC regulations on the environmental protection permits. On 29 December 2006, the Company was issued an integrated pollution prevention and control permit with an unlimited validity with a possibility of correction due to any changes. The Company does not cause any negative effects on the environment, for the elimination of which immediate measures should be taken, however, the Company is keeping a close watch of its operation indicators, planning and implementing investments, which would allow to decrease the production and operation costs, as well as energy consumption, and which would improve the Company's environmental state in all possible ways. We are always ready to solve the environmental protection problems together with the society.

In 2008, the Company has implemented the integrated quality management and food safety management system, which generally complies with the requirements of ISO 9001:2008 and ISO 22000:2005 standards and is planning to implement the Environmental Management System ISO 14000.

Telšių Vandenys, UAB is supplying part of the drinking water of Žemaitijos Pienas, AB, another part is extracted from the private deep water bores. Natural resources are being utilized sparingly. Vilniaus Hidrogeologija, UAB is carrying out the underground water monitoring programme. Purification of industrial wastewater is not carried out directly by Žemaitijos Pienas, AB, but with the use of the Telšiai purification plant. Rainwater run-off on the Company's territory is gathered in the closed network sewer and directed into the oil trap, where it is being purified in the primary purification installation (oil and mud trap) and then released into the city rainwater sewer networks. In order to improve purification of rainwater, the oil and mud trap was reconstructed by installing the sawdust and shavings filter at the end of the trap. After reconstruction the efficiency of the trap has increased. Rainwater run-off is purified to comply with the requirements of maximum permissible level of pollution. After the primary purification in the oil and mud trap the rainwater run-off is released into the city rainwater sewer networks, which then run into a nameless river of the Tausalas river basin. Wastewater and water (effect on the surface water) monitoring is regularly carried out on the industrial wastewater and rainwater run-off.

The least atmosphere polluting fuel – natural gas – is used in the private boiler room. In 2009, the Company consumed 5.4 mln m^3 of natural gas. The Company produces steam, hot and heating water itself.

In 2009, the registered air pollution sources have emitted 98,260 tons of pollution. In 2009, the vehicles consumed 2,206 tons of fuel. In 2009, the Company has purchased 11 new milk tank trucks, which comply with Euro IV technical and safety requirements for safe tracks. Effect on the environment is monitored according to the coordinated ambient air monitoring programmes for the period of 2008-2012.

Waste and packaging is managed in accordance with the established environmental requirements. Žemaitijos Pienas, AB carries out secondary waste separation from the general waste flow and systematically transfers it to the collectors and recyclers of this waste. On the territory the hazardous and non-hazardous waste is stored and managed in such as way as to ensure absence of negative effect on the environment, while the separation and storage areas are adequately marked. Waste is transferred to the waste elimination company without delays.

The Company possesses the scenarios of potential accidents, their cause and elimination plans, ammonia compression type refrigeration systems, gas storage, chemical storage as a hazardous object, danger identification, risk analysis and assessment with regard to safety.

The Company is known to cause no extensive negative effect on the environment. The Company applies the Best Available Techniques in its operations and seeks to achieve the most economic comparative indicators of operations.

Main environmental indicators of 2009:

Amount (expressed in tons) of pollution emitted into the ambient air per one ton of raw materials – 0.0005;
Electricity consumption kW per one ton of raw materials – 90;
Thermal energy consumption Nm^3 per one ton of raw materials – 30.85;
Amount of wastewater expressed in tons per one ton of raw materials – 2.60;
Fuel consumption expressed in tons per one ton of raw materials – 0.01;
Taxes for rainwater run-off pollution expressed in litas per one ton of raw materials – 0.0065;
Taxes for air pollution – LTL 93,475

The company is continuously carrying out investment projects, in the course of which it implements new advanced technologies allowing a more efficient consumption of the energy resources. On 19 December 2008, the Company presented an application for support to the National Paying Agency under the Ministry of Economy in accordance with the first field on operation Processing and Marketing of Agricultural Products of measure Processing of Agricultural Products and Increased Added Value of the Lithuanian Rural Development Programme 2007-2013, according to which it is expected to acquire milk/whey processing and packing equipment, air purification filter and has already acquired 11 new milk tank trucks for the total amount of 14.2 mln litas. Investments into modern milk tank trucks helped to reduce the high expenditure on fuel, vehicle repair and technical maintenance of the worn out milk tank trucks and cost of the delivered raw milk, and to save on taxes for the environment pollution from the mobile vehicles. Having implemented the remaining part of the project by replacing the worn out equipment with the modern one, the quality of foodstuffs will improve, ambient air contamination with hard particles coming from the powder packing line and wastewater pollution will decrease.

By implementing the Human Resources Policy the Company is seeking to create and develop long-term relationship with the employees. Company employees have an opportunity to improve their knowledge and skills. The following programmes have been prepared: for production workers, for production machinists, for production operators, for production operator/locksmith, for production foremen and for sales employees.

Professional Training

Completed trainings	Number of employees trained in 2009
New production employees	5
Production employees on basics of ISO and BRC standards.	89
Russian federal standard	47
Employee representatives of safety and health	12
Unqualified employees of other divisions (utilities, canteen)	25
Qualified employees of other divisions (customer service department)	13
Sensual product evaluation course	38
Occupational safety days	27
Raw material purchasing managers	22
Employees in charge of drawing up the documents on the quality management system of the integrated marketing communication system (QMSIMCS)	24
Internal auditor training	13
Participated in the external seminars and courses	30
Obtained qualification certificates	4
Qualification improvement courses (internal)	8
Internal training and attestation of the qualified employees and foremen	13
Training for new equipment operation	11
Total	499

11. References and Supplementary Information on the Data Presented in the Annual Financial Report

The data presented in the compendium of annual financial reports and the interpretative statement are rather comprehensive and additional explanation shall not be provided.

12. Number of All the Acquired and Available Own Shares, Their Nominal Value, and the Part of the Authorises Capital which They Constitute

During the reporting period the Company has not acquired or disposed of any own shares.

13. Number of the Acquired and Disposed Own Shares during the Reporting Period, Their Nominal Value, and the Part of the Authorises Capital which They Constitute

During the reporting period the Company has not acquired or disposed of any own shares.

14. Information on the Payment for the Own Shares If They Were Acquired or Disposed of for a Certain Fee

During the reporting period the Company has not acquired or disposed of any own shares.

15. Reasons for Acquisition of Own Shares during the Reporting Period

During the reporting period the Company has not acquired or disposed of any own shares.

16. Information on the Company's Branches and Agencies

On 31 December 2009, the Group consisted of Žemaitijos Pienas, AB and its daughter companies. The following are the daughter companies managed by Žemaitijos Pienas, AB:

Tarpučių Pienas, ŽŪK, registration number 151449845.
Authorised capital – LTL 496,027, of which 10,08 % belong to the Company.
Registered office address – Klaipėdos str. 3, Šilutė.
Nature of operations – Raw milk cooling.

Sodžiaus Pienas, ŽŪK (in the process of dissolution) registration number 177975514.
(Date of registration of the legal status "in the process of dissolution" with the State Enterprise Centre of Registers is 10.07.2009; Date of general members meeting protocol on the Dissolution of the Cooperative is 04.05.2009).
Authorised capital – LTL 694,570, of which 15.12 % belong to the Company.
Registered office address – Šilalės str. 35, Laukuva, Šilalė District.
Nature of operations – Raw milk cooling.

Šilutės Rambynas, ABF, registration number 277141670.
Authorised capital – LTL 8,596,650, of which 87.82 % belong to the Company.
Registered office address – Klaipėdos str.3, Šilutė.
Nature of operations – Production of fermented cheese.

Pursuant to the Law on Agricultural Enterprises, property of the companies is determined according to the percentage of sales with a certain company, therefore Tarpučių Pienas, ŽŪK and Sodžiaus Pienas, ŽŪK are considered to be daughter companies, since their sales to the Company constitute almost 100 percent. Šilutės Rambynas, ABF is considered to be a daughter company because Žemaitijos Pienas, AB controls more than 50 percent of the shares.

Žemaitijos Pienas, AB has 7 wholesale divisions with the warehouses and transportation means in some of the largest cities of Lithuania:

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

17. Important Events, which Took Place from the End of the Last Financial Year

On 20 July 1995, pursuant to Order No. 4-104 of the State Food and Veterinary Service of the Republic of Lithuania, Žemaitijos Pienas, AB, as a company, which was found to be in compliance with the veterinary requirements, was granted a veterinary supervision number LT 78-01 P.
On 15 January 1998, by the decision of the European Commission Žemaitijos Pienas, AB was acknowledged as an equitable importer of dairy products to the EU countries.
On 12 December 2006, pursuant to Order No. B1-800 of the State Food and Veterinary Service of the Republic of Lithuania conformity of Žemaitijos Pienas, AB to the new requirements of EU Hygiene Regulations has been confirmed and it was granted a veterinary confirmation number 78-01 P

One of the largest milk processing companies Žemaitijos Pienas, AB continues investing into quality. On 30 April 2009, the company was awarded the ISO 9001 Quality Management and ISO 22000 Food Safety Management System certificates. The same certificates were awarded to the company Šilutės Rambynas, which is part of the Group of companies.
Certified operations – development, production and trade in dairy products.
ISO 9001 – management system certificate shows that the Company has implemented the quality management system, which ensures efficient company management as it comes to the internationally recognized values and aims.
ISO 22000 – food safety management system certificate shows that the company guarantees safety in the entire chain of manufacturing and supply up to the consumption. The companies possessing the ISO 22000 certificate are obliged to pay special attention to the manufacturing of products and implementation of good environmental, hygiene and manufacturing practices seeking to ensure safety and high quality of an end product.

EKOAGROS, VšĮ recertified the production of organic products of Žemaitijos Pienas, AB. The following was recertified:

Organic cheese 45% fat (dry matter)
Organic milk 2.5% fat
Organic yoghurt 2.5% fat
Organic yoghurt with strawberries 2.0% fat
Organic yoghurt with lemon and ginger 2.0% fat
Organic yoghurt with cherries 2.0% fat
Organic half-fat curd 9% fat

07.03.2009 certificate No. SER-K-09-00023, registration No. 060670P.

EKOAGROS, VšĮ certified production of Žemaitijos Pienas, AB organic yoghurt 2.4% fat.
23.12.2009 certificate No. SER-K-09-02907, registration No. 060670P.

Hard half-fat fermented cheese 40% fat (dry matter) 7 COLLINE certified at the Kaliningrad Centre of Certification

Coated dessert JUMS 24% fat (dry matter) certified at the Kaliningrad Centre of Certification.

The Company manufactures newly certified cream for the Ukrainian market.

The term of validity of the existing certificates was extended by the Kaliningrad Centre of Certification and Metrology and the Belarusian Centre of Certification BELGIM.

The auditors from the international certification institute Bureau Veritas Certifikation performed the 1st supervision audit of the integrated food safety and quality management system of Žemaitijos Pienas, AB (pursuant to the requirements of ISO 22000:2006 and ISO 9001: 2008). No inconsistencies were detected.

The auditors from the international certification institute Bureau Veritas Certifikation performed the audit of the cheese and butter production, and the processed and packed cheese production of Žemaitijos Pienas, AB pursuant to the BRC (Global Food Standard Issue 5 (British Retail Consortium)) requirements.

Žemaitijos Pienas, AB successfully passed the audit of the Federal Veterinary and Phytosanitary Supervision Service of Russia.

Žemaitijos Pienas, AB successfully passed the audit performed by the specialists of the Belarusian and Ukrainian Veterinary Service.

Žemaitijos Pienas, AB successfully passed the audit performed by the auditors of the US Army Veterinary Service.

XI Russian Agricultural Exhibition "Golden Autumn". Žemaitijos Pienas, AB received a diploma for participation in the exhibition (9-12 October, Moscow).

Competition "Choose the Best Food Product" organized by the Lithuanian National Consumer Federation. The product of Žemaitijos Pienas, AB cheese Džiugas was granted the "Choose the Best Food Product" label (16.10.2009, Vilnius).

Competition "Choose the Best Food Product" organized by the Lithuanian National Consumer Federation. The product of Žemaitijos Pienas, AB yoghurt MAGIJA STOP E (with pineapple and grapefruit) was granted the "Choose the Best Food Product" label (16.10.2009, Vilnius).

Competition "Choose the Best Food Product" organized by the Lithuanian National Consumer Federation. The product of Šilutės Rambynas, AB-F string cheese sticks PIK-NIK (with herbs) was granted the "Choose the Best Food Product" label (16.10.2009, Vilnius).

18. Plans and Forecast of the Company Operations

The long-term objectives of Žemaitijos Pienas, AB are to become a strong, technically advanced, reliable company attractive for the investors, to create a profitable market for its products in the European Union and the Baltic States, to maintain the highest quality of the products, to utilise the manufacturing capacities to the fullest and to systematically accumulate the intellectual capital.
Main current objectives of the Company:

- to purchase milk according to the market conditions, but not for a price higher than that paid for raw milk by other market participants in Lithuania;
- to increase sales at the prices favourable to the Company. To focus on the main baskets of the strongest products and to sustain at least 20% of the internal market. To focus on the sale of products with higher added value on the export market;
- to consolidate the marketing function and the company's name;
- to decrease manufacturing expenditure and cost of the products;
- to withdraw from the economically unbeneficial production as soon as possible;
- to decrease the distribution costs;
- to provide incentives to the employees only for the end result and for the performance of the plans they have committed themselves to.

Due to the difficulties in forecasting economic situation in the country the group of Žemaitijos Pienas, AB shall refrain from announcing the forecast for the turnover and profit for the year 2010.

19. Information on the Company Research and Development Activities

The Company continuously makes investments and searches for ways to ensure sustainable growth and more efficient operations.

20. How the Company uses the financial instruments, which is important when evaluating the company assets, equity capital, obligations, financial state, etc., the company reveals the

objectives of the financial risk management, the applicable main group hedging instruments of the estimated transaction groups, to which the accounting for hedge transaction is applicable

The information on the financial risk of the issuer is presented in the interpretative statement of the compendium of Annual Financial Reports.

II. OTHER INFORMATION ABOUT THE ISSUER

21. Structure of the Issuer's Authorised Capital

The authorised capital in the amount of LTL 48,375,000 is registered in the Register of Legal Entities. It is divided into 48,375,000 common registered shares with the nominal value of LTL 1 each. On 31 December 2009 the authorised capital of Žemaitijos Pienas, AB consisted of:

Type of shares	Number of shares (units)	Nominal value (LTL)	Total nominal value (LTL)	Part of the authorised capital (%)
Common registered shares	48,375,000	1	48,375,000	100

All the shares are fully paid and no disposal restrictions on securities are applicable.

22. All Restrictions on the Disposal of Securities

No restrictions on the disposal of securities are applicable.

23. Shareholders

On 31 December 2009 the Company accounts for 3,442 shareholders in total. All the issued shares grant their holders equal rights, which are provided in the Law on Stock Corporations of the Republic of Lithuania (hereinafter the RL Law on Stock Corporations) and the Company's Articles of Association.

The following are the shareholders, who in accordance with the property right possess or control more than 5 percent of the authorised capital and votes of Žemaitijos Pienas, AB:

Sr. No.	Shareholder	Number of shares possessed in accordance with the property right	The percentage of the authorised capital and votes possessed in accordance with the property right, %	Percentage of votes possessed together with the related parties, %
1	Algirdas Pažemeckas	21,355,870	44.15	50.40
2	SKANDINAVISKA ENSKILDA BANKEN CLIENTS, code 50203290810, SERGELS TORG 2, 10640 STOCKHOLM, SWEDEN	4,811,238	9.95	9.95

3	Klaipėdos Pienas, AB, registration number 240026930, Šilutės rd, 33, 91107 Klaipėda	3,601,844	7.45	7.45
4	Ona Šunokienė	2,614,430	5.4	5.4

There are no restrictions on the disposal of securities. The shareholders have property and non-property rights and duties established by the RL Law on Stock Corporations and the Company's Articles of Association.

Restrictions on the Voting Rights. All the Company shares granting the right of vote have the same nominal value and each share represented at the general shareholders' meeting carries one vote.

24. Rights of the Shareholders

The Company shareholders have the following property rights:
to receive part of the Company's profit (dividend); to received part of the dissolved Company's assets; to received shares free of charge if the authorised capital is increased at the expense of the Company with the exception of cases established by the law; if a shareholder is a natural person, to leave all or part of the shares in the testament to one or several persons; to sell or otherwise dispose of all or part of the shares to another person in accordance with the procedure and conditions established by the law;

The Company shareholders have the following non-property rights:
to take part in the meetings; to cast votes at the meeting in accordance with the right carried by the shares; to obtain non-confidential information about the Company's economic activities; to select and be selected as member of the Company's executive and monitoring bodies, to take any position in the Company unless otherwise determined by the RL Law on Stock Corporations and the Company's Articles of Association; to make specific proposals for improvement of the Company's financial, economic, organisational, etc. activities, to appeal in court against decisions and actions of the general shareholders' meeting, supervisory and executive boards and the chief executive officer of the Company, which violate the laws of the Republic of Lithuania, Company's Articles of Association, the property and non-property rights of the shareholders. Without separate authorisation one or several shareholders have the right to the compensation of damages incurred by the shareholders; and other non-property rights, which are not defined by the laws.
Any person shall acquire all the rights and duties granted to him/her by acquisition of the part of the Company's authorised capital and/or voting rights: in cases of increased authorised capital, from the day of registration of the modifications to the Company's Articles of Association related to the increased authorised capital and/or voting rights, in other cases, from the day of acquisition of the property rights towards a part of the Company's authorised capital and/or voting rights.

25. Shareholders Carrying Special Control Rights and Description of the Rights

There are no shareholders in the Company possessing special control rights.

26. All Restrictions on the Voting Rights

There are no shareholders in the Company with the restricted voting rights.

27. All the Reciprocal Agreements Between the Shareholders, which the Issuer is Aware of and which Can Restrict the Disposal of Securities and/or Voting Rights

The issuer is not aware of any reciprocal agreements between the shareholders, which could restrict the disposal of the securities and/or voting rights.

28. Employees

According to the data available on 31 December 2009, the number of employees in the Group amounted to 1,528. In comparison with 31.12.2009 the number of employees decreased by 16.91 percent. This reduction was caused by the economic changes, increase of labour productivity and the redistribution of work in the production divisions of the companies (both Žemaitijos Pienas, AB and Šilutės Rambynas, ABF).

Average difference in employees of Žemaitijos Pienas, AB Group in the past financial year:

	31.12.2009	31.12.2008
Average number of employees	1,528	1,839

Employees grouped according to their education:

Number of employees	31.12.2009	31.12.2008
Higher education	214	225
Post-secondary education	411	413
Professional education	290	440
Secondary education	510	583
Incomplete secondary education	103	178
Total:	**1,528**	**1,839**

Average wages of Žemaitijos Pienas, AB Group according to the corresponding employee labour groups:

	31.12.2009		31.12.2008	
Division	**Number of employees**	**Average wages**	**Number of employees**	**Average wages**
Administration	133	3,194.20	122	4,110.17
Operating personnel	214	2,110.20	217	2,284.48
Transport division	175	2,295.50	264	2,809.83
Purchase of raw materials	283	869.20	236	1,411.4
Production division	411	1,533.00	652	1,704.22
Branches	312	2,255.10	348	2,336.48
Total:	**1,528**		**1,839**	

The rights and duties of the Company employees are provided in their position description. Labour agreement does not provide any special rights or duties.

29. Procedure of Modification of the Issuer's Statutes

Žemaitijos Pienas, AB operates in accordance with the laws of the Republic of Lithuania, Government resolutions and regulatory enactments regulating company operations, the Law on the Securities Market and the Company's Articles of Association.
Statutes of Žemaitijos Pienas, AB can me modified in accordance with the procedure established by the legal acts of the Republic of Lithuania.

30. Issuer's Supervisory Bodies

The supervisory bodies of the issuer are the general shareholders' meeting, supervisory board, executive board and the chief executive officer of the Company (Director General). The supervisory bodies are the Company's executive board and the chief executive officer of the Company.

General Shareholders' Meeting

General shareholders' meeting is entitled:
to modify and supplement the Company's Articles of Association, to select and cancel the auditing company; to adopt decisions concerning the increase of the authorised capital; to determine the type, category and minimum issue price of shares issued by the Company; to adopt decisions concerning reduction of the authorised capital; to adopt decisions concerning the issue of the convertible bonds; to adopt decisions concerning the change of one type or category of the Company shares to another and to approve the procedure of the exchange of shares; to adopt decisions concerning acquisition of own shares; to adopt decisions concerning the reform of the Company, dissolution of the Company or cancellation of dissolution; to adopt decisions concerning reorganisation of the Company and to approve the reorganisation project (conditions). In cases provided by the law the decision concerning Company reorganisation by means of incorporation can be made by the executive board of the Company; as well as to adopt decisions concerning profit allocation and to adopt decisions concerning accumulation of reserves with the exception of a revaluation reserve.
Supervisory board of the Company is a collegial supervisory body, which supervises Company operations. The board is governed by its chairman. The board comprises of 3 (three) members, who are selected by the general shareholders' meeting for a period of 4 (four) years. Company's Articles of Association provide that the number of the member's terms of office is unlimited.

Supervisory Board.

The authority and responsibilities of the Supervisory Board:
the board can select the members of the board and depose them; if the Company operates at a loss, the supervisory board must discuss whether the members of the executive board are suitable for their positions; to supervise the activities of the executive board and the chief executive officer of the Company; to present remarks and proposals to the general shareholders' meeting concerning the strategy of Company operations, the compendium of annual financial reports, profit distribution project and Company operation report; as well as the remarks and proposals concerning the operations of the executive board and the Company's chief executive officer; to determine (approve) the monthly/quarterly limits on the manufactured products, which are designated for free consumer degustation, market research and/or development presented by the executive board, and to confirm them at the end of a quarter; to present propositions to the executive board and the chief executive officer of the Company suggesting withdrawal of their decisions, which contradict the law or other legal acts, Company's Articles of Association and decisions of the general shareholders' meeting; to deal with other supervision issues concerning operations of the Company and its executive bodies provided in the Company's Articles of

Association and decisions of the general shareholders' meeting, which are within the competence of the supervisory board; to determine the service pay of the Company's chief executive officer, if he is a member of the executive board; upon the request of the executive board to solve the issues of termination of the labour agreements with a member of the supervisory board employed by the Company.

Executive Board

The executive board of the Company is a collegial body represented by the Company's shareholders for the period between the shareholders' meetings and adopting decisions concerning the fundamental issues related to the company's economic operations. The procedure of work of the executive board is determined by the executive board operation regulations. The executive boards comprises of 5 (five) members. The members of the executive board are elected by the supervisory board for a period not exceeding 4 (four) years. The number of their terms of office is unlimited. The activities of the executive board are governed by the chairman, who is elected by the executive board from among its members.

The executive board decides and approves the following:

The Company's operation strategy; the Company's management structure and duties of the employees; positions for which the employees are selected by way of open contest; with the approval of the supervisory board, it determines and confirms the monthly range and quantity of the manufactured products for free consumer degustation seeking to research and/or expand the market; regulations of the Company branches and agencies; job description and wages of the director general and deputies.

The executive board elects and deposes the chief executive officer of the Company. The executive board approves the candidates for the position of the deputy director and the candidates to the positions for which the employees are selected by way of open contest.

The executive board analyses and evaluates the documents presented by the director general concerning:

Implementation of the Company's operation strategy; organisation of Company operations; financial state of the Company; results of the economic activity, profit and cost estimates, accounting data of inventory and other changes of assets; accumulation sources and methods of use of the financial resources; and Company transactions.

The executive board analyses and evaluates the compendium project of annual financial reports and the profit distribution project presented by the director general, and having approved these projects, presents them to the general shareholders' meeting. The executive board determines the methods and rates of calculation of the depreciation of the tangible assets and amortisation of the intangible assets, which shall be applicable in the Company.

The executive board is obliged to organise general shareholders' meetings at the designated times, to ensure compilation of lists indicating the owners of the registered shares, to prepare the agenda for the general shareholders' meeting, to present the compendium of annual financial reports of the Company to the shareholders, the profit distribution project, Company's operation report and other information necessary for discussion of the issues on the agenda.

Without approval of the general shareholders' meeting the executive board adopts decisions concerning the following questions:

decisions concerning the Company becoming the promoter and part of other legal entities; decision concerning the Company establishing branches and agencies; decision concerning investment, disposal and lease of the fixed assets, the book value of which is higher than 1/20 of the Company's authorised capital; decisions concerning the pledge and mortgage of the fixed assets, the book value of which is higher than 1/20 of the Company's authorised capital; decisions concerning liabilities of other persons, the amount of which is higher than 1/20 of the Company's authorised capital; decisions concerning acquisition of fixed assets for the price higher than 1/20 of the Company's authorised capital; decisions concerning the conditions of restructuring and reorganisation of the companies and/or projects for restructuring and reorganisation of the Company(-ies); decisions concerning the Company's membership with the associations, trusts and/or consortiums and cancellation of it; decisions concerning donation of funds to charity, health care, culture, education, physical education and sports, as well as for elimination of damages after natural calamities and in case of state of emergency; determines the size of the fund for use by the Company's chief executive officer; and other decisions attributed to the competence of the executive board by the Company's Articles of Association and the decision of the general shareholders' meeting.

Chief Executive Officer of the Company

The chief executive officer of the Company is its Director General, who is acting pursuant to the Company's Articles of Association, decisions of the general shareholders' meeting, decisions of the executive boards and the regulation of administrative work.

The chief executive officer is in charge of organising the company operations and takes actions necessary for exercising its functions, for implementation of the decisions issued by the bodies of the Company and for ensuring Company operations. The Director General of the Company is reporting regularly to the executive board.

The bodies of the Company act pursuant to the laws and legal acts of the Republic of Lithuania and authority attributed to them by the Company's Articles of Association. The bodies of the Company are elected, appointed and deposed in accordance with the provisions of the aforementioned documents.

Chief executive officer of the Company and administration:

The chief executive officer of the Company is its Director General, who is acting pursuant to the Company's Articles of Association, decisions of the general shareholders' meeting, decisions of the executive boards and the regulation of administrative work. The chief executive officer is elected and deposed by the Company's executive board. For the election of the Director General an open contest can be organised. The labour contract with the Director General is signed by the chairman of the executive board. The labour contract with the Director General, who is the chairman of the executive board of the Company is signed by a member of the executive board authorised by the board. The Director General participates in the meetings of the Company's executive board by the right of a deliberative vote, if he/she is not a member of the executive board.

The chief executive officer of the Company (Director General):

supervises Company's administration; concludes transactions on behalf of the Company within the limits of his/her competences; represents the Company in the relationship with the third parties, in courts and arbitrations. Director General acquires the right to represent the Company on the day indicated in the labour contract; opens and closes the Company's bank accounts; draws up the Company's management system, lists of position, remuneration and incentive systems and presents them for approval to the executive board; draws up the draft of the share signing agreement; hires and fires employees, concludes and terminates agreements with them, evaluates their work results, determines the disciplinary penalties and incentives including the ones of material nature; determines the internal rules of work, approves the statutes of the Company branches and the administrative work regulation; grants authorisation for the performance of function within his/her competences; in the cases established by the Law on Stock Corporations of the Republic of Lithuania he/she gathers the general shareholders' meeting, organises it, draws up the drafts of the documents necessary for the general shareholders' meeting; ensures the safety of the Company's assets and confidentiality of the commercial secrets; performs other functions provided in the laws and the present regulations; and has access to the Company assets including monetary funds.

The Company's Director General reports regularly to the executive board.

Structure of the supervisory board:

Name and surname	Position within the issuer	Number of currently possessed shares units	Percentage of the current authorised %	Start of the term of office	End of the term of office	Beginning of employment with Žemaitijos Pienas
Artūras Kanapienis	Chairman of the supervisory board	19,860	0.04	13.10.2007	12.10.2011	05.09.2008 director general of Žemaitijos Pieno Investicija, AB
Robertas Pažemeckas	Member of the supervisory board	-	-	13.10.2007	12.10.2011	26.08.2002
Romusas Jarulaitis	Member of the supervisory board	1,105,510	2.29	13.10.2007	12.10.2011	26.01.1988

Structure of the executive board:

Name and surname	Position within the issuer	Number of currently possessed shares units	Percentage of the current authorised %	Start of the term of office	End of the term of office	Beginning of employment with Žemaitijos Pienas
Algirdas Pažemeckas	Chairman of the executive board, director general	21,355.870	44.15	30.09.2008	29.09.2012	26.12.1986
Algirdas Bladžinauskas	Member of the executive board, sales director	-	-	30.09.2008	29.09.2012	20.08.1996
Dalia Gecienė	Member of the executive board, chief accountant	665,160	1.38	30.09.2008	29.09.2012	29.07.1986
Marius Dromantas	Member of the executive board, director of logistics	-	-	01.06.2009	29.09.2012	01.12.2003
Irena Baltrušaitienė	Member of the executive board, production director	577,130	1.19	30.09.2008	29.09.2012	15.08.1975

Administration:

Name and surname	Position	Number of shares, units.	Percentage of the authorised capital %
Algirdas Pažemeckas	Director General	21,355,870	44.15
Dalia Geciene	Chief Accountant	665,160	1.38

In 2009, the monetary sum attributed to the executive bodies amounted to 1,072,888.61 litas. This amount was calculated in the following way: for the members of the supervisory board 373,608.71 litas, for the members of the executive board 699,279.90 litas.

31. All the significant agreements which the issuer is a party of, and which would come into force, change or be severed should the control of the issuer change and the influence of the agreements, with exception of the cases, when due to the nature of the agreement the disclosure of such an agreement would cause extensive damage to the issuer

There are no agreements, which the issuer is a party of, and which would come into force, change or be severed should the control of the issuer change

32. All the agreements concluded between the issuer and the members of its bodies or employees providing for compensation, if they would resign or be fired without any legitimate reason or if their work would end due to the change of the issuer's control.

The issuer did not conclude any agreements with the members of its bodies or employees providing for compensation, if they would resign or be fired without any legitimate reason or if their work end due to the change of the issuer's control.

33. Information Pertaining to the Compliance to the Provisions of the Corporate Governance Code

The statement of Žemaitijos Pienas, AB concerning the compliance with the Corporate Governance Code by the companies listed on the Stock Exchange is provided in a separate annex and is part of the present consolidated annual report.

34. Data on the Publicised Information

06.02.2009 Information published in the media
Information publish in the publication Verslo Žinios on 5 February 2009 indicating that production volume of Žemaitijos Pienas, AB decreased by approximately 15 percent within the past and current year and that it stopped cheese export to Italy is erroneous. The Company emphasises that this announcement does not correspond to reality, since neither did Žemaitijos Pienas, AB reduce its production nor did it stop export to Italy.

13.02.2009 Decrease of investments
In 2009, Žemaitijos Pienas, AB is planning to invest 14 mln litas into the development of production, where it is expected to receive part of this amount from the European Structural Fund. This will constitute

part of the investment, which is 50 percent smaller than that expected to be invested earlier. These changes have been conditioned by the world economic crisis.

27.02.2009 Financial information covering 12 month presented for the year 2008
Attached: Unaudited interim financial reporting of Žemaitijos Pienas, AB for the year 2008.

16.03.2009 General shareholders' meeting
On 17 April 2009 at 3 p.m., the ordinary general shareholders' meeting of Žemaitijos Pienas, AB, registration number 180240752, registered address: Sedos str. 35, Telšiai was summoned upon the initiative and decision of the executive board of Žemaitijos Pienas, AB.
Meeting agenda:
1. Annual report of the company;
2. Conclusion of the company's auditor;
3. Approval of the company's financial reporting for the year 2008;
4. Distribution of the company's profit/loss for the year 2008;
5. Selection of the auditing company and establishment of the payment conditions for the auditing services;
6. Other questions.

17.03.2009 Corrected: Change of the accounting date of the shareholders' meeting
On 17 April 2009 at 3 p.m., the ordinary general shareholders' meeting of Žemaitijos Pienas, AB, registration number 180240752, registered address: Sedos str. 35, Telšiai was summoned upon the initiative and decision of the executive board of Žemaitijos Pienas, AB.
Meeting agenda:
1. Annual report of the company;
2. Conclusion of the company's auditor;
3. Approval of the company's financial reporting for the year 2008;
4. Distribution of the company's profit/loss for the year 2008;
5. Selection of the auditing company and establishment of the payment conditions for the auditing services;
6. Other questions.

06.04.2009 Announcement concerning the transaction of the chief executive officer
Announcement concerning the transaction of the chief executive officer pertaining to the issuer's securities.

09.04.2009 Drafts decisions adopted during the ordinary general shareholders' meeting of Žemaitijos Pienas, AB, which took place on 17-04-2009
Decision No. 01 of 25 March 2009 of the Executive Board of Žemaitijos Pienas, AB.
Pursuant to Article 34 of the RL Law on Stock Corporations, the executive board of the Company decided to propose the following items for the general meeting of the Company:
1. To approve the annual report of the Company;
2. To hear the conclusion of the company's auditor;
3. To approve the consolidated financial reporting of the company for the year 2008;
4. To approve the distribution of profit/loss;
5. To authorise the company's executive board to select an auditing company, which will perform the audit of the consolidated financial reporting of the year 2009, and to draw up an agreement for provision of the auditing services;
6. To select and approve the members of the Audit Committee of Žemaitijos Pienas, AB.

7. Composition of the Audit Committee and approval of the operation statutes (statutes are attached, 3 pages)

20.04.2009 Decisions of the shareholders' meeting of Žemaitijos Pienas, AB, which took place on 17 April 2009
The shareholders' meeting of Žemaitijos Pienas, AB, which took place on 17 April 2009 adopted the following decisions:
1. To approve the annual report of the company;
2. To hear the conclusion of the company's auditor;
3. To approve the consolidated financial reporting of the company for the year 2008;
4. To approve the following distribution of profit/loss:
1. undistributed profit/loss at the beginning of the financial reporting year 42.660
2. net profit/loss of the financial reporting year (4.805)
3. transfers from the reserves 0
4. shareholders' inputs to cover the loss of the company (if the shareholders decided to cover all or part of the loss) 0
5. distributed profit/loss, total of 37.855
6. part of profit allocated for the mandatory reserve 0
7. part of the profit of the public limited liability company allocated for the reserve designated for acquisition of own shares 0
8. part of profit allocated for other reserves 0
9. part of profit allocated for payment of dividends 0
10. part of profit allocated for annual payments (profit sharing) to the members of the executive and supervisory board, for employee bonuses and for other purposes 0
11. undistributed profit/loss at the end of the financial reporting year transferred to the following financial year 37.885
5. To authorise the company's executive board to select an auditing company, which will perform the audit of the consolidated financial reporting of the year 2009, and to draw up an agreement for provision of the auditing services.
6. Audit Committee shall not be established.

20.04.2009 Yearly overview of Žemaitijos Pienas, AB:
1. Independent auditor conclusion, consolidated annual report, financial reporting and consolidated financial reporting.
2. Information pertaining to the compliance with the provisions of the Corporate Governance Code.
3. Approval of the responsible persons.

22.04.2009 Explanation concerning the reported loss
After the audit, the loss of Žemaitijos Pienas, AB Group has decreased from the reported 4.6 mln litas to the one of 3.7 mln litas after the audit. The difference was caused by reappraising the current fixed assets of Šilutės Rambynas, ABF at the real value.

29.03.2009 Chairman election of the executive board of Žemaitijos Pienas, AB
28.04.2009 Executive board of Žemaitijos Pienas, AB elected Algirdas Pažemeckas chairman of the executive board.

04.05.2009 Preliminary operation results of Žemaitijos Pienas, AB for the 1st quarter of 2009
The unaudited consolidated sales revenue of Žemaitijos Pienas, AB for the first quarter of 2009 – 90.25 mln litas (EUR 26.14 mln), in comparison with the 1st quarter of 2008 the sales have dropped by

20.42%. The consolidated unaudited loss for the first quarter of 2009 – 3.6 mln litas (EUR 1.04 mln); the loss in the 1st quarter of 2008 – 5.4 mln litas (EUR 1.56 mln).

29.05.2009 Interim consolidated financial report of Žemaitijos Pienas, AB for period of three months of the year 2009
Interim consolidated financial report Žemaitijos Pienas, AB for the period of three months of the year 2009
The interim consolidated financial report of Žemaitijos Pienas, AB Group for the period of three months of the year 2009 has been presented.

02.06.2009 Decisions adopted during the meeting of the supervisory board of Žemaitijos Pienas, AB
Decided: To depose Romusas Jarulaitis the member of the executive board and to elect a new member Marius Dromantas.

23.06.2009 Delisting of shares of Žemaitijos Pienas, AB
Executive bodies of Žemaitijos Pienas, AB decided not to discuss the question concerning withdrawal of the Company's shares from trade on NASDAQ OMX Vilnius.

31.07.2009 1st semi-annual result of Žemaitijos Pienas, AB Group for the year 2009
1st preliminary unaudited semi-annual result of 2009
The consolidated unaudited sales of Žemaitijos Pienas, AB Group for the first half year of 2009 amounted to 186.8 mln litas (EUR 54.1 mln), i.e. 20.5% less than the last year's sales for same period. Lower sales were caused by the drop of prices for the dairy products on the markets.
The consolidated unaudited loss for the first half year of 2009 amounted to 1.9 mln litas (EUR 0.55 mln). The consolidated unaudited loss for the first half year of 2008 amounted to 10.4 mln litas (EUR 3.01 mln).

12.08.2009 Annual report
The executive board has discussed and approved the supplementary information presented by Žemaitijos Pienas, AB for the consolidated annual report for the year, which ended on 31 December 2008, and which was incomplete or has not been presented.

14.08.2009 Acquisition of shares
In accordance with the sale and purchase agreement Žemaitijos Pienas, AB has purchased 32% of shares of Muižas Piens, SIA registered in the Republic of Latvia, which operates in the field of retail and wholesale trade.

17.08.2009 Shareholders' meeting
On 15 September 2009 at 3 p.m., the extraordinary general shareholders' meeting of Žemaitijos Pienas, AB, registration number 180240752, registered address: Sedos str. 35, Telšiai was summoned upon the initiative and decision of the executive board of Žemaitijos Pienas, AB
Meeting agenda:
1. Selection of an auditing company for performance of an audit of the annual financial reports and determination of the payment conditions for the provided auditing services;
2. Other questions.

31.08.2009 Semi-annual unaudited results of operations of Žemaitijos Pienas, AB for the year 2009

The interim semi-annual unaudited financial reporting of Žemaitijos Pienas, AB for the year 2009 has been presented and the persons in charge have been approved.

07.09.2009 Draft decision of the shareholders' meeting
The executive board of Žemaitijos Pienas, AB proposed to use the services of Nepriklausomas Auditas, UAB, which would perform the audit of the compendium of the consolidated financial reports for the year 2009.

29.09.2009 Decisions adopted by the extraordinary general shareholders' meeting of Žemaitijos Pienas, AB
Draft decisions adopted by the extraordinary general shareholders' meeting of Žemaitijos Pienas, AB:
1) The auditor of 2009 shall be the auditing company Nepriklausomas Auditas, UAB.

12.11.2009 Preliminary operation result of Žemaitijos Pienas, AB for the period of 9 months of the year 2009
The unaudited consolidated sales revenue of Žemaitijos Pienas, AB for the period of 9 months of 2009 – 277.1 mln litas (EUR 80.25 mln), in comparison with that for the period of 9 months of 2008 the sales have dropped by 23.3%. The consolidated unaudited profit for the period of 9 months of 2009 – 5.9 mln litas (EUR 1.7 mln); the loss for the period of 9 months of 2008 – 8.3 mln litas (EUR 2.4 mln).

20.11.2009 Extraordinary general shareholders' meeting of Žemaitijos Pienas, AB has been summoned
On 18 December 2009 at 1 p.m., the extraordinary general shareholders' meeting of Žemaitijos Pienas, AB, registration number 180240752, registered address: Sedos str. 35, Telšiai was summoned upon the initiative and decision of the executive board of Žemaitijos Pienas, AB.
Meeting agenda:
1. Deposing of the members of the company's supervisory and executive board and election of the new members of the supervisory and executive board;
2. Establishment of the company's Audit Committee and approval of the operation statues;
3. Election of an independent member of the company's Audit Committee and approval of the remuneration conditions;
4. Approval of the composition of the company's Audit Committee;
5. Purchase of own shares;
6. Creation of a reserve for the purchase of own shares;
7. Establishment of a public limited liability company.

30.11.2009 Consolidated financial reporting of Žemaitijos Pienas, AB for 3 quarters of 2009
Announcement concerning the consolidated financial reporting of Žemaitijos Pienas, AB for 3 quarters of 2009 has been made.

09.12.2009 Draft decision of the general shareholders' meeting of Žemaitijos Pienas, AB
Draft decision of the general shareholders' meeting of Žemaitijos Pienas, AB
The following was decided:
1. To abstain from election of the new members of the company's supervisory board and to keep the existing members of the supervisory board.
2. To establish the company's Audit Committee consisting of three members. To approve the operation statues of the Audit Committee.
3. To elect Sigitas Ertmanas the independent member of the Audit Committee and Viktorija Kungytė, Asta Šliogerienė the members of the Audit Committee.

4. Regarding the fact that pursuant to the provisions of RL Law on Stock Corporations the doubts concerning the competence of the extraordinary shareholders' meeting to adopt decisions pertaining to purchase of own shares and other related questions are substantiated, it was decided to leave these questions for the agenda of the following ordinary shareholders' meeting.
5. To establish a public limited liability company.

21.12.2009 Decision of the general shareholders' meeting of Žemaitijos Pienas, AB
The following was decided:
1. To abstain from election of the new members of the company's supervisory board and to keep the existing members of the supervisory board.
2. To establish the company's Audit Committee consisting of three members. To approve the operation statues of the Audit Committee.
3. To elect Sigitas Ertmanas the independent member of the Audit Committee and Viktorija Kungytė, Asta Šliogerienė the members of the Audit Committee.
4. Regarding the fact that pursuant to the provisions of RL Law on Stock Corporations the doubts concerning the competence of the extraordinary shareholders' meeting to adopt decisions pertaining to purchase of own shares and other related questions are substantiated, it was decided to leave these questions for the agenda of the following ordinary shareholders' meeting.
5. To establish a public limited liability company.

There were no other significant events, which took place between the end of the financial year and the announcement of the consolidated annual report for the year 2009.

Žemaitijos Pienas, AB has informed the Securities Commission of the Republic of Lithuania and the Vilnius Stock Exchange (NASDAQ OMX Vilnius) about all the significant events in the procedure established by the Articled of Association and regulatory enactments of the Republic of Lithuania. The announcements have been published in the Central Database of Regulated Information and on the company's website www.zpienas.lt. Announcements concerning the shareholders' meetings have been additionally published in the daily newspaper Valstiečių Laikraštis. Information concerning the transactions of the chief executive officers has been published on the websites of Vilnius Stock Exchange and Securities Commission of the Republic of Lithuania.

IV. OTHER INFORMATION

35. Significant Events, which Took Place after the End of the Financial Year

22.02.2010 Decision of the executive board of Žemaitijos Pienas, AB
On 19.02.2010, the executive board of Žemaitijos Pienas, AB in collaboration with other legal entities has decided to become a promoter of the Association of Lithuanian Industrialists.

01.03.2010 Preliminary unaudited annual results of the Žemaitijos Pienas, AB Group for the year 2009
The consolidated unaudited turnover of the Žemaitijos Pienas, AB Group for the year 2009 amounted to 372.9 mln litas (EUR 108 mln), as compared to the year 2008 the sales have dropped by 21%. The turnover has decreased due to the drop in prices of the dairy products on the market.
The unaudited net profit of the Žemaitijos Pienas, AB Group for the year 2009 amounted to 3.46% of the turnover. In 2008, the loss constituted 3.7 mln litas. The profit has increased due to the reduced costs of production, transport and operations.

The sour cream butter (Lithuanian: *kastinys*) of Žemaitijos Pienas, AB was awarded a certificate by public enterprise Kulinarijos Paveldo Fondas.
(06.01.2010 Certificate No. 3P).

At the international foodstuffs exhibition ПРОДЭКСПО – 2010 hard half-fat fermented cheese DŽIUGAS (BRONZE, SILVER, and GOLD) and the natural string cheese sticks PIK-NIK were awarded a golden medal (8-12 February 2010, Moscow).

36. Audit Data

The audit of the consolidated balance of 31 December 2009 of Žemaitijos Pienas, AB (Group) and related reports on the changes in profit/loss, cash flows and equity capital of the ended year was performed by Nepriklausomas Auditas, UAB. The conclusion of the auditor was signed on 16___ March ____ 2010.

There is no additional information, which should be revealed in accordance with the laws regulating company operations, other legal acts and company's Articles of Association, and which was not expected to be revealed in the present annual report and the compendium of annual financial reports.

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 2009

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 company's chief executive officer.	Not applicable	Both the Supervisory Council and the Board are formed in the Company.
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.	No	The company does not follow the recommendation set in section 2.7 because the chairman of the executive board is the company's chief executive officer. Impartiality of the supervision is ensured by other four members of the board.

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	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.

on the collegial body.		
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	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.

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

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.		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	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.

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.		
4.7. Activities of the collegial body should be organized in a manner that independent members of the collegial body could have major influence in relevant areas where chances of occurrence of conflicts of interest are very high. Such areas to be considered as highly relevant are issues of nomination of company's directors, determination of directors' remuneration and control and assessment of company's audit. Therefore, when the mentioned issues are attributable to the competence of the collegial body, it is recommended that the collegial body should establish nomination, remuneration, and audit committees. Companies should ensure that the functions attributable to the nomination, remuneration, and audit committees are carried out. However they may decide to merge these functions and set up less than three committees. In such case a company should explain in detail reasons behind the selection of alternative approach and how the selected approach complies with the objectives set forth for the three different committees. Should the collegial body of the company comprise small number of members, the functions assigned to the three committees may be performed by the collegial body itself, provided that it meets composition requirements advocated for the committees and that adequate information is provided in this respect. In such case provisions of this Code relating to the committees of the collegial body (in particular with respect to their role, operation, and transparency) should apply, where relevant, to the collegial body as a whole.	Yes/No	Company does not have the Nomination and Remuneration Committees indicated in the recommendations 4.12-4.13 because it is company's opinion, that while performing its functions, the executive board partially performs the functions of the indicated Nomination and Remuneration Committees. During the extraordinary general meeting that took place on 18 December 2009 the Audit Committee was formed, the committee composition, with one member being an independent person, was approved and the committee operation regulations were established pursuant to the provisions of the Law on Audit of the Republic of Lithuania and the recommendation approved by Decision No. 1K-18 of 21 August 2008 of the Securities Commission.

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	The selected Audit Committee shall act in accordance with the Audit Committee Regulations, supervise the process of compilation of the financial reports, supervise audit performance and present its view of the Company's financial report and related propositions to the general shareholders' meeting. Collegial bodies shall carry full responsibility for the decisions made within the limits of their competences and shall adopt final decisions.
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.	Yes	The Audit Committee is composed of three members.

4.10. Authority of each of the committees should be determined by the collegial body. Committees should perform their duties in line with authority delegated to them and inform the collegial body on their activities and performance on regular basis. Authority of every committee stipulating the role and rights and duties of the committee should be made public at least once a year (as part of the information disclosed by the company annually on its corporate governance structures and practices). Companies should also make public annually a statement by existing committees on their composition, number of meetings and attendance over the year, and their main activities. Audit committee should confirm that it is satisfied with the independence of the audit process and describe briefly the actions it has taken to reach this conclusion.	Yes	Audit Committee Regulations have been approved by the general shareholders' meeting. This committee shall inform the general shareholders' meeting about its activities and results.
4.11. In order to ensure independence and impartiality of the committees, members of the collegial body that are not members of the committee should commonly have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or demand participation in the meeting of particular officers or experts. Chairman of each of the committees should have a possibility to maintain direct communication with the shareholders. Events when such are to be performed should be specified in the regulations for committee activities.	Yes	When required, the company employees responsible for the area of operation, which is the subject matter of the meeting, can participate in the meetings of the Audit Committee.

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.	No	No remuneration committee have been formed by the Company (as explained under Item 4.7).
4.13.2. With respect to stock options and		

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	Yes	The company generally follows the provisions of this recommendation. The key objective of the Audit Committee is to supervise the audit performance of the company's financial reporting, accounting and the procedure of providing financial information to the stakeholders. The main function of this committee is to systematically and comprehensively evaluate and promote the improvement of process efficiency of the organisation's risk management, control and supervision and to present conclusions to the General Shareholders' Meeting, Supervisory Board and Executive Board on the implementation of the tasks and objectives, risk management procedures and functioning of the internal control.

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.		

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 make remuneration policy public because this is not required by the law. However, the average salaries of the division employees are presented in the half-year and annual financial statements.
8.2. Remuneration statement should mainly focus on directors' remuneration policy for the following year and, if appropriate, the subsequent years. The statement should contain a summary of the implementation of the remuneration policy in the previous financial year. Special attention should be given to any significant changes in company's remuneration policy as compared to the previous financial year.	No	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	No	The Company does not follow these recommendations in its practice.

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. 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

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	the Company and milk producers account for the largest part of shareholders of the Company.
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	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.

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.		
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	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

informed investing decisions		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	Yes	The general meeting of shareholders gives an instruction to the Board to elect an audit firm.

candidate firm of auditors to the general shareholders' meeting.		
11.3. It is recommended that the company should disclose to its shareholders the level of fees paid to the firm of auditors for non-audit services rendered to the company. This information should be also known to the company's supervisory board and, where it is not formed, the company's board upon their consideration which firm of auditors to propose for the general shareholders' meeting.	Not applicable	The audit firm has not received from the Company any payments other than the fee for audit services.

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