

AB Pieno Žvaigždės

Financial statements for the
year 2009

Content

Company details	1
Management's statement on the financial statements	2
Independent auditor's report to the shareholders of AB Pieno Žvaigždės	3
Statement of comprehensive income	5
Statement of financial position	6
Statement of changes in equity	7
Statement of cash flows	8
Notes to the financial statements	9
Annual report of AB Pieno Žvaigždės for the year 2009	44

Company details

AB Pieno Žvaigždės

Telephone: +370 5 246 1414

Telefax: +370 5 246 1415

Company code: 124665536

Registered at: Perkūnkiemio g. 3, Vilnius, Lithuania

Board

Paul Bergqvist, Chairman

Lars Ojefors

Voldemaras Klovas

Julius Kvaraciejus

Aleksandr Smagin

Linas Sasnauskas

Management

Aleksandr Smagin, General Director

Auditor

KPMG Baltics, UAB

Banks

AB SEB Bankas

Swedbank, AB

AB DnB Nord Bankas

Management's statement on the financial statements

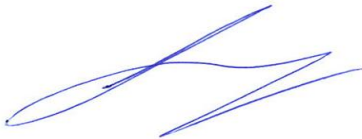
The Management has today discussed and authorized for issue the annual financial statements (hereinafter – Financial statements) and signed them on behalf of the Company.

The annual financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union. We consider that the accounting policies used are appropriate and that the annual financial statements give a true and fair view as to International Financial Reporting Standards as adopted by the European Union.

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

Vilnius, 29 March 2010

Management:



Aleksandr Smagin
General Director



„KPMG Baltics“, UAB
Naujoji Uosto st. 11
LT-92121 Klaipėda
Lithuania

Phone: +370 46 48 00 12
Fax: +370 46 48 00 13
E-mail: klaipeda@kpmg.lt
Website: www.kpmg.lt

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

We have audited the accompanying financial statements of AB Pieno Žvaigždės (“the Company”), which comprise the statement of financial position as at 31 December 2009, and the related statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes set out on pages 5-42.

Management's Responsibility for Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of AB Pieno Žvaigždės as at 31 December 2009, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on legal and other regulatory requirements

Furthermore, we have read the Annual Report for the year 2009 set out on pages 43-57 of the Financial Statements and have not noted any material inconsistencies between the financial information included in it and the financial statements for the year ended 31 December 2009.

Klaipėda, 29 March 2010
KPMG Baltics, UAB



Rokas Kasperavičius
Partner
Certified Auditor



Mindaugas Bartkus
Certified Auditor

Statement of comprehensive income

For the year ended 31 December

Thousand Litas

	Note	2009	2008
Revenue	1	622 467	666 289
Cost of sales		(497 305)	(564 855)
Gross profit		125 162	101 434
Other operating income, net	2	677	7 027
Sales and administrative expenses	3	(99 083)	(100 642)
Operating profit		26 756	7 819
Finance income	4	725	506
Finance expenses	5	(7 813)	(11 413)
Finance expenses, net		(7 088)	(10 907)
Profit before tax		19 668	(3 088)
Income tax expense	6	(5 103)	(1 244)
Profit (loss) for the year		14 565	(4 332)
Other comprehensive income for the year, net of income tax			
Depreciation of revaluation increase		1 115	2 636
Total comprehensive income for the year		15 680	(1 696)
Basic and diluted earnings per share (Litas)	7	0.27	-0.08

The notes, set out on pages 9 to 42, are an integral part of these financial statements.

Statement of financial position

At 31 December

Thousand Litas

	Note	2009	2008
Assets			
Property, plant and equipment	8	218 337	235 152
Intangible assets	9	895	1 072
Investments available for sale	10	275	275
Long-term receivables	12	1 001	4 452
Total non-current assets		220 508	240 951
Inventories	11	39 239	81 840
Receivables	12	69 339	76 710
Cash and cash equivalents	13	6 136	1 907
Total current assets		114 714	160 457
Total assets		335 222	401 408
Equity			
Share capital		54 205	54 205
Share premium		27 246	27 246
Own shares		(6 108)	(4 108)
Reserves		27 093	28 758
Retained earnings		46 376	36 063
Total equity	14	148 812	142 164
Liabilities			
Government grants	15	3 394	2 775
Interest-bearing loans and borrowings	16	32 311	77 568
Deferred tax	17	2 160	1 930
Total non-current liabilities		37 865	82 273
Provisions	19	-	-
Interest-bearing loans and borrowings	16	95 451	112 526
Income tax payable		4 384	-
Trade and other amounts payable	18	48 710	64 445
Total current liabilities		148 545	176 971
Total liabilities		186 410	259 244
Total equity and liabilities		335 222	401 408

The notes, set out on pages 9 to 42, are an integral part of these financial statements.

Statement of changes in equity

Thousand Lit	Note	Share capital	Share premium	Own shares	Legal reserve	Revaluation reserve	Other reserves	Retained earnings	Total equity
As at 1 January 2008		54 205	27 246	(4 108)	5 420	19 174	3 700	52 875	158 512
Comprehensive income for the period									
Loss for 2008								(4 332)	(4 332)
Other comprehensive income									
Depreciation of revaluation increase						(2 636)		2 636	
Total comprehensive income for the period						(2 636)		(1 696)	(4 332)
Transactions with owners recognised in equity									
Allocated to reserves							3 100	(3 100)	
Dividends								(12 016)	(12 016)
Total transactions with owners							3 100	(15 116)	(12 016)
At 31 December 2008	14	54 205	27 246	(4 108)	5 420	16 538	6 800	36 063	142 164
As at 1 January 2009		54 205	27 246	(4 108)	5 420	16 538	6 800	36 063	142 164
Comprehensive income for the period									
Net profit for 2009								14 565	14 565
Other comprehensive income									
Depreciation of revaluation increase						(1 115)		1 115	
Total comprehensive income for the period						(1 115)		15 680	14 565
Transactions with owners recognised in equity									
Used reserves							(550)	550	
Dividends								(5 917)	(5 917)
Acquisition of treasury shares				(2 000)					(2 000)
Total transactions with owners				(2 000)			(550)	(5 367)	(7 917)
At 31 December 2009	14	54 205	27 246	(6 108)	5 420	15 423	6 250	46 376	148 812

The notes, set out on pages 9 to 42, are an integral part of these financial statements.

Statement of cash flows

For the year ended 31 December

Thousand Litas

	Note	2009	2008
Cash flows from operating activities			
Profit (loss) for the year		14 565	(4 332)
Adjustments for:			
Depreciation and amortisation	8, 9	42 575	43 105
Amortisation of government grants	15	(509)	(1 819)
Gain/Loss on disposal and write-off of property, plant and equipment		940	(6 478)
Impairment loss of receivables		1 049	137
Change in vacation reserve	18	(1 157)	32
Change in impairment loss of inventories		(2 373)	(1 229)
Interest income/expenses, net	4,5	7 497	11 118
Income tax expense	6	5 103	1 244
		67 690	41 778
Change in inventories		44 975	(4 854)
Change in receivables		5 688	(24 176)
Change in payable amounts		(9 411)	12 249
Cash flows from operating activities		108 942	24 997
Interest paid		(7 497)	(11 118)
Income tax paid		(200)	(4 451)
Net cash flow from operating activities		101 245	9 428
Cash flows from investing activities			
Acquisition of property, plant and equipment	8	(28 923)	(43 189)
Acquisition of intangible assets	9	(96)	(44)
Proceeds on sale of property, plant and equipment		1 107	11 857
Net cash flow used in investing activities		(27 912)	(31 376)
Cash flows from financing activities			
Loans received		26 948	70 480
Repayment of borrowings		(72 524)	(21 194)
Redemption of shares		(2 000)	-
Dividends paid		(5 901)	(12 014)
Payment of finance lease liabilities		(16 755)	(18 630)
Government grants received	15	1 128	2 511
Net cash flow from financing activities		(69 104)	21 153
Change in cash and cash equivalents		4 229	(795)
Cash and cash equivalents at 1 January		1 907	2 702
Cash and cash equivalents at 31 December		6 136	1 907

The notes, set out on pages 9 to 42, are an integral part of these financial statements.

Notes to the financial statements

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

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

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

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

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

The average number of employees in 2009 was 2 207 (2008 : 2 477 employees).

Significant accounting policies

Statement of compliance

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

The financial statements have been authorized for issue to the shareholders on 29 March 2010. The shareholders may reject the financial statements and request they be amended.

Basis of preparation

The financial statements are presented in Litas that is the functional currency of the Company, and are prepared on the historical cost basis, except for investments available for sale which are stated at fair value. Land and buildings are stated at revalued amount.

The preparation of financial statements in conformity with IFRS, as adopted by the EU, requires management to make estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Notes to the financial statements

Significant accounting policies (continued)

Basis of preparation (continued)

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs adopted in the EU that have significant effect on the financial statements are discussed on page 21.

The accounting policies of the Company, set out below, have been applied consistently to all periods presented in these financial statements, except for those which changed due to changes in previously valid IFRS and the new IFRSs effective as of 1 January 2009.

Derivative financial instruments

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

Foreign currency

Transactions in foreign currencies are translated to Litai at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Litai at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the statement of comprehensive income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Litai at foreign exchange rates ruling at the dates the fair value was determined.

Property, plant and equipment

Owned assets

Property, plant and equipment (except for land and buildings) are stated at cost less accumulated depreciation and impairment losses. Land and buildings are stated at a revalued amount less accumulated depreciation and impairment losses.

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

Notes to the financial statements

Significant accounting policies (continued)

Property, plant and equipment (continued)

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

At the end of year 2009 the Company evaluated whether fair value of land and buildings was significantly different from the carrying amount stated in the financial statements. According to reports presented by the independent valuers it was determined that as at 31 December 2009 there was no significant difference between fair value and carrying amount of land and buildings at that date. Therefore, no revaluation was recognised in the financial statements as at 31 December 2009.

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

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment and are depreciated over their expected useful lifetime.

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

Leased assets

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

Subsequent expenditure

Costs incurred when replacing a component part of an item of property, plant and equipment are capitalised only upon write-off of the carrying amount of the component and if it is probable that the future economic benefits embodied with the item will flow to the Company and the cost of the component part can be measured reliably. All other costs are recognised in the statement of comprehensive income as an expense as incurred.

Notes to the financial statements

Significant accounting policies (continued)

Property, plant and equipment (continued)

Depreciation

Depreciation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives are as follows:

- buildings 20 - 40 years
- machinery and equipment 10 - 12 years
- transport vehicles and other assets 4 - 20 years

Intangible assets

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

Costs related to internally generated goodwill and trademarks are recognised in the statement of comprehensive income as costs when incurred.

Subsequent expenditure

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

Amortisation

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

Goodwill

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

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

Notes to the financial statements

Significant accounting policies (continued)

Financial instruments

According to IAS 39 Financial Instruments: Recognition and Measurement financial assets are classified as either financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables, and available-for-sale financial assets, as appropriate. All purchases and sales of financial assets are recognised on the trade date. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Below is disclosed information on how are presented financial assets and financial liabilities which are included in the financial statements of the Company:

Investments in equity securities

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

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

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

Other financial instruments

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

Borrowings are initially recognized at fair value less direct costs related to occurrence of respective loan and other liabilities. Subsequent to initial recognition, liabilities are stated at amortized cost on an effective interest method basis. Trade payables are initially recognized at fair value and are subsequently measured at amortised cost. Short-term liabilities are not discounted.

Notes to the financial statements

Significant accounting policies (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The cost of inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

Impairment

The carrying amounts of the Company's assets, other than inventories and deferred tax asset, are reviewed at each reporting date in order to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For goodwill and intangible assets that are not yet available for use, the recoverable amount is estimated at each reporting date.

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

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

Calculation of recoverable amount

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

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

Notes to the financial statements

Significant accounting policies (continued)

Reversals of impairment

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

An impairment loss in respect of an investment in an equity instrument classified as available-for-sale is not reversed through the statement of comprehensive income.

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

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

Repurchase of share capital

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

Dividends

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

Provisions

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

Employee benefits

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

Notes to the financial statements

Significant accounting policies (continued)

Liabilities

Liabilities initially are recognised at fair value less direct costs attributable to origination of loans and other liabilities. After initial recognition liabilities are presented at amortised cost using effective interest rate method. Short-term liabilities are not discounted.

Revenue

Goods sold and services rendered

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

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

Government grants

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

Expenses

Operating lease payments

Payments made under operating leases are recognised in the statement of comprehensive income on a straight-line basis over the term of the lease.

Notes to the financial statements

Significant accounting policies (continued)

Expenses (continued)

Finance lease payments

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

Net finance costs

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

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

Income tax

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

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

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

Notes to the financial statements

Significant accounting policies (continued)

Operating segments

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

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

The accounting policies applied by the Company coincide with the accounting policies of the previous year, except that the Company has implemented those new/revised standards and their interpretations, which are mandatory for financial periods starting on or after 1 January 2009 and which are relevant to the Company's activity:

The Company applies the revised IAS 1 *Presentation of Financial Statements* (2007), effective as of 1 January 2009. Due to this, all owner-related changes in equity are presented in the statement of changes in equity, whereas not owner related changes in equity are presented in the statement of comprehensive income. The comparative information was restated to comply with the amendment of the Standard. As the change in the accounting principle affects only the presentation aspect, there is no influence to the earnings per share.

Amendments to IFRS 4 *Insurance Contracts* and IFRS 7 *Financial instruments: Disclosures* (effective for annual periods beginning on or after 1 January 2009) aim at requiring enhanced disclosures about fair value measurements and liquidity risk associated with financial instruments. These amendments have been adopted by the Company to the extent applicable to the Company's operations. Comparative information has been re-presented so that it also is in conformity with the revised standard.

The revised IAS 23 *Borrowing Costs* (mandatory for financial years starting 1 January 2009) has been applied as of the date stated in the Standard. The Standard does not have any influence as during 2008 and 2009 the Company did not incur any borrowing costs which would have to be capitalised under this revision.

IFRS 8 "Operating segments" is applicable for annual periods starting on or after 1 January 2009. The new Standard requires disclosing more information on segments based on internal reports which are reviewed by key management on a regular basis seeking to evaluate information about each segment considering whether it is a business or a geographical segment. The Company applies IFRS 8 as of the date stated in the Standard.

Notes to the financial statements

Significant accounting policies (continued)

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

Several new and revised International Financial Reporting Standards and interpretations have been issued, which shall be subject to application in financial reporting starting from 1 January 2010 and subsequent years. The Company has decided not to early adopt the new standards and interpretations. Estimates of the possible effect of the new and revised standards applied for the first time, as presented by the Company's management, are stated below.

■ Amended IFRS 3 "Business Combinations"

Amendment to IFRS 3 is effective for annual periods beginning on or after 1 July 2009. The Standard's scope of application was amended and the description of the purpose was expanded. Revised IFRS 3 is not relevant to the Company's financial statements as at present the Company does not have any subsidiaries.

■ Amended IAS 27 "Consolidated and separate Financial Statements"

Amendment to IAS 27 is effective for annual periods beginning on or after 1 July 2009. In the revised Standard the term minority interest has been replaced by non-controlling interest, and is defined as "the equity in a subsidiary not attributable, directly or indirectly, to a parent". The revised Standard also amends the accounting for non-controlling interest, the loss of control of a subsidiary, and the allocation of profit or loss and other comprehensive income between the controlling and non-controlling interest. Revised IAS 27 is not relevant to the Company's financial statements as it does not have any subsidiaries.

■ Amended IAS 32 "Financial Instruments: Presentation – Classification of Rights issues"

Amendment to IAS 32 is effective for annual periods beginning on or after 1 July 2009. The amendment requires that rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency, are equity instruments if the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. The amendments to IAS 32 are not relevant to the Company's financial statements as the Company has not issued such instruments.

■ Amended IAS 39 "Financial Instruments: Recognition and Measurement – Eligible Hedged Items"

The amended Standard clarifies the application of existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedging relationship. In designating a hedging relationship the risks or portions must be separately identifiable and reliably measurable; however inflation cannot be designated, except in limited circumstances. Amended IAS 39 is effective for annual periods beginning on or after 1 July 2009. Management has not yet evaluated an impact of the amendments to IAS 39 on the Company's financial statements.

Notes to the financial statements

Significant accounting policies (continued)

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

■ IFRIC 12 "Service concession arrangements"

The Interpretation provides guidance to private sector entities on certain recognition and measurement issues.

IFRIC 12 is effective for first annual periods beginning on or after 1 April 2009. As the Interpretation is applicable only from the date of application, it will not impact on the financial statements for periods prior to the date of adoption of the interpretation.

■ IFRIC 15 "Arrangements for the construction of Real Estate"

IFRIC 15 clarifies that revenue arising from agreements for the construction of real estate. IFRIC 15 is effective for annual periods beginning on or after 1 January 2010. IFRIC 15 is not relevant to the Company's financial statements as the Company does not provide real estate construction services or develop real estate for sale.

■ IFRIC 16 "Hedges of a Net Investment in Foreign Operation"

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

■ IFRIC 17 "Distributions of Non-cash Assets to Owners"

The Interpretation applies to non-reciprocal distributions of non-cash assets to owners acting in their capacity as owners. In accordance with the Interpretation a liability to pay a dividend shall be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity and shall be measured at the fair value of the assets to be distributed. The carrying amount of the dividend payable shall be remeasured at each reporting date, with any changes in the carrying amount recognised in equity as adjustments to the amount of the distribution. When the dividend payable is settled the difference, if any, between the carrying amount of the assets distributed and the carrying amount of the dividend payable shall be recognised in profit or loss.

IFRIC 17 is effective for annual periods beginning on or after 15 July 2009. As the Interpretation is applicable only from the date of application, it will not impact on the financial statements for periods prior to the date of adoption of the interpretation. Further, since it relates to future dividends that will be at the discretion of the board of directors/shareholders it is not possible to determine the effects of application in advance.

Notes to the financial statements

Significant accounting policies (continued)

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

- *IFRIC 18 "Transfers of Assets from Customers"*

IFRIC 18 is effective prospectively for transfers of assets from customers received on or after 1 July 2009. The Interpretation applies to the accounting by entities that receive contributions of property, plant and equipment from their customers. The Interpretation requires an entity that receives a contribution in the scope of the Interpretation to recognize the item as an asset at its fair value if the contributed item meets the criteria for property, plant and equipment in IAS 16, *Property, Plant and Equipment*. The Interpretation also requires the entity to recognize the amount as revenue; the timing of the revenue recognition will depend on the facts and circumstances of the particular agreement. The Interpretation is not relevant to the Company's financial statements as the Company does not receive asset contributions from its customers.

Critical accounting estimates and judgments

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

Significant accounting estimates and assumptions

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

Impairment of property, plant and equipment

The carrying amounts of property, plant and equipment are reviewed at each reporting date in order to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

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

Notes to the financial statements

Significant accounting policies (continued)

Impairment of receivables

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

Depreciation periods of intangible assets and property, plant and equipment

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

Judgments

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

Financial risk management

In using financial instruments the Company faces with the following risks

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

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

Note "Financial instruments" presents information on each of the above stated risks facing the Company.

Notes to the financial statements

1. Operating segments

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

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

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

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

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

Year 2008, thousand Litas	<u>Lithuania</u>	<u>Russia</u>	<u>Latvia</u>	<u>Germany</u>	<u>Other</u>	<u>Total</u>
Revenue	349 367	236 349	17 472	17 641	45 460	666 289
Property, plant and equipment	230 268				4 884	235 152
Other non-current assets	5 799					5 799

In year 2008 there was no income from export subsidies.

The Company has one customer revenue from which in year 2009 accounted for more than 10% of the total revenue for the year. Revenue earned from this customer amounted to 16% of the total revenue.

Notes to the financial statements

2. Other operating income, net

Thousand Lit	2009	2008
Income from rent and other services	492	296
Gain on disposal of property, plant and equipment	94	6 598
Other	91	133
	677	7 027

3. Sales and administrative costs

Thousand Lit	2009	2008
Staff costs	(39 913)	(44 109)
Depreciation and amortisation	(12 446)	(10 958)
Marketing and advertising	(7 933)	(6 089)
Fuel	(5 239)	(7 251)
Materials and spare parts	(3 439)	(3 872)
Utilities	(2 519)	(2 490)
Taxes, except income tax	(2 266)	(1 594)
Repair	(1 638)	(1 905)
Insurance	(1 553)	(1 432)
Impairment of receivables	(1 049)	(137)
Operating lease	(1 000)	(1 009)
Communications	(955)	(1 104)
Transport	(222)	(484)
Office consumables	(193)	(217)
Reversal of impairment loss of property, plant and equipment	-	1 488
Other	(18 718)	(19 479)
	(99 083)	(100 642)
Sales costs	(58 435)	(61 156)
Administrative costs	(40 648)	(39 486)
	(99 083)	(100 642)

4. Finance income

Thousand Lit	2009	2008
Interest	725	503
Other	0	3
Total finance income	725	506

Notes to the financial statements

5. Finance expenses

Thousand Litas	2009	2008
Interest on loans and leasing liabilities	(7 498)	(11 118)
Loss on foreign currency exchange	(299)	(291)
Other	(16)	(4)
Total finance expenses	(7 813)	(11 413)

6. Corporate income tax

Recognised in the statement of comprehensive income

Thousand Litas	2009	2008
Income tax for the current year	(4 873)	(364)
Change in deferred tax	(230)	(880)
Total income tax recognised in the statement of comprehensive income	(5 103)	(1 244)

The carrying amount of the deferred tax liability recognised in equity as at 31 December 2009 amounts to 3 190 tLTL (2008: 4 530 tLTL).

Reconciliation of effective tax rate

Thousand Litas	2009		2008	
Result before tax		19 668		-3 088
Income tax using the prevailing tax rate	20%	-3 933	-15,0%	-463
Non-deductible expenses	4,4%	-878	31,8 %	982
Non taxable income	-	-	-	-
Effect of charity (deducted twice)	-0,8%	175	-5,0%	-155
Deducted tax on dividends	-	-	-	-
Effect of change in tax rate	2,3%	-467	-52,1	-1 608
	25,9%	-5 103	-40,2%	-1 244

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

7. Earnings per share ratio

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

	2009	2008
Number of shares in issue calculated using weighted average method, thousand units	54 205	54 205
Net result for the year, in thousand Litas	14 565	-4 332
Basic and diluted earnings per share, in Litas	0.27	-0.08

Notes to the financial statements

8. Property, plant and equipment

Thousand Lit	Land and buildings	Machinery and equipment	Other assets	Construction in progress	Total
Cost/revaluation					
Balance at 1 January 2008	91 719	262 026	69 400	6 594	429 739
Adjustments	2	(332)	(120)	-	(450)
Revaluation	-	-	-	-	-
Acquisitions	1 167	7 231	19 373	11 714	39 485
Prepayments	-	-	4 844	-	4 844
Disposals and write-offs	(5 154)	(38 198)	(8 471)	-	(51 823)
Re-classification	4 283	7 965	450	(12 698)	0
Balance at 31 December 2008	92 017	238 692	85 476	5 610	421 795
Balance at 1 January 2009	92 017	238 692	85 476	5 610	421 795
Revaluation	-	-	-	-	-
Acquisitions	-	27 254	1 629	3 493	32 376
Prepayments	-	-	(3 529)	-	(3 529)
Disposals and write-offs	(54)	(18 948)	(9 626)	-	(28 628)
Re-classification	3 269	1 469	2	(4 740)	0
Adjustments	863	(866)	3	-	0
Balance at 31 December 2009	96 095	247 601	73 955	4 363	422 014
Depreciation					
Balance at 1 January 2008	0	150 299	35 490	0	185 789
Adjustments	-	(105)	(121)	-	(226)
Depreciation for the year	4 653	28 764	8 991	-	42 408
Depreciation of disposals	(548)	(36 188)	(8 007)	-	(44 743)
Balance at 31 December 2008	4 105	142 770	36 353	0	183 228
Balance at 1 January 2009.	4 105	142 770	36 353	-	183 228
Depreciation for the year	5 034	27 496	9 774	-	42 304
Depreciation of disposals	(52)	(15 113)	(7 154)	-	(22 319)
Adjustments	4	(7)	3	-	0
Balance at 31 December 2009	9 091	155 146	38 976	0	203 213
Impairment					
Impairment 1 January 2008	-	1 923	2 516	464	4 903
Change during the year	-	(1 303)	(185)	-	(1 488)
Impairment 31 December 2008	0	620	2 331	464	3 415
Impairment 1 January 2009	-	620	2 331	464	3 415
Change during the year (write-off)	-	(620)	(2 331)	-	(2 951)
Change during the year (disposal)	-	-	-	-	-
Impairment at 31 December 2009	0	0	0	464	464
Carrying amounts					
1 January 2008	91 719	109 804	31 394	6 130	239 047
31 December 2008	87 912	95 302	46 792	5 146	235 152
1 January 2009	87 912	95 302	46 792	5 146	235 152
31 December 2009	87 004	92 455	34 979	3 899	218 337

Notes to the financial statements

8. Property, plant and equipment (continued)

Impairment

In 2009 an impairment loss on machinery, equipment and other assets was reduced by 2 951 tLTL (2008 : 1 488 tLTL) due to write off of the assets. After allowing for this reversal of impairment, the Company recognised a loss of 192 tLTL.

Revaluation of buildings

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

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

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

Should the Company have continued to account for the land and buildings using the acquisition cost method, the carrying amount of the land and buildings as at 31 December 2009 would amount to 70,992 tLTL (2008 : 72,543 tLTL).

Pledges

Property, plant and equipment with a carrying amount of 144,292 tLTL as at 31 December 2009 (2008: 84,098 tLTL), are pledged to secure the bank loans (note 16).

Leased assets

The Company has acquired machinery and equipment, transport vehicles and other assets by way of finance lease. As at 31 December 2009 the carrying amount of the assets acquired by way of finance lease amounted to 40,982 tLTL (2008 : 49,136 tLTL). Finance lease liabilities are secured by the leased assets (note 16).

Notes to the financial statements

8. Property, plant and equipment (continued)

Depreciation

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

Thousand Litas	2009	2008
Cost of sales	28 351	29 386
Sales and administrative expenses	12 334	10 250
	40 685	39 636

The remaining depreciation amounting to 1,619 tLTL (2008: 2,772 tLTL) is included in the carrying amount of inventories as at 31 December 2009.

Acquisition cost of fully depreciated property, plant and equipment in use amounts to 86,261 tLTL as at 31 December 2009 (2008: 79 217 tLTL).

9. Intangible assets

Thousand Litas	Goodwill	Software, etc	Total
Cost			
Balance at 1 January 2008	335	5 984	6 319
Acquisitions		56	56
Write-offs		(633)	(633)
Balance at 31 December 2008	335	5 407	5 742
Balance at 1 January 2009	335	5 407	5 742
Acquisitions		95	95
Write-offs		(25)	(25)
Balance at 31 December 2009	335	5 477	5 812
Depreciation and impairment			
Balance at 1 January 2008	-	4 595	4 595
Amortisation for the year		708	708
Amortisation of written-off assets		(633)	(633)
Balance at 31 December 2008	-	4 670	4 670
Balance at 1 January 2009	-	4 670	4 670
Amortisation for the year		272	272
Amortisation of written-off assets		(25)	(25)
Balance at 31 December 2009		4 917	4 917
Carrying amounts			
1 January 2008	335	1 389	1 724
31 December 2008	335	737	1 072
1 January 2009	335	737	1 072
31 December 2009	335	560	895

Notes to the financial statements

9. Intangible assets (continued)

Amortisation is included in sales and administrative expenses.

Goodwill amounting to 335 tLTL as at 31 December 2009 arose from the acquisition of AB Panevėžio. In 2004 AB Panevėžio Pienas was merged to AB Pieno Žvaigždės. The management is of the opinion that there is no impairment of goodwill due to profitable operation of the branch Panevėžio Pienas.

Acquisition cost of fully amortised intangible assets in use amounts to 3,490 tLTL as at 31 December 2009 (2008 : 3,503 tLTL).

10. Investments available for sale

Thousand Litas	2009	2008
Investments available for sale	275	275
	275	275

The major part of investments available for sale as at 31 December 2009 includes shares of UAB Kapitalo Srautai (representing 15.3% ownership interest). UAB Kapitalo Srautai is engaged in financial brokerage activities. Due to the fact that the fair value of the mentioned shares cannot be reliably determined, they are stated at acquisition cost, which amounts to 200 tLTL. The other available for sale investments are also stated at cost due to absence of reliable estimate of their fair value.

11. Inventories

Thousand Litas	2009	2008
Raw materials	14 298	18 335
Work in progress	15 272	46 667
Finished goods	9 503	16 722
Goods for re-sale	166	116
	39 239	81 840

Raw materials include milk and other materials used in production.

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

Cost of sales (manufactured goods sold)	(497 305)	(562 582)
Sales and administrative expenses (consumption of inventories)	(8 677)	(11 123)
Other operating costs (sold raw materials, spare parts)	(262)	(679)
	(506 244)	(574 384)

Notes to the financial statements

11. Inventories (continued)

Sales and administrative expenses include consumed fuel and spare parts.

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

Inventories with the carrying amount of up to 39,239 tLTL as at 31 December 2009 (2008 : 81,840 tLTL) have been pledged to secure bank loans (note 16).

12. Receivables

Thousand Litas	2009	2008
Trade receivables	58 434	58 623
Receivable government grants	1 177	-
Prepayments	6 750	10 693
Other receivables and deferred expenses	1 757	1 939
Receivable VAT	1 222	1 543
Prepaid profit tax	-	4 086
	69 340	76 884
Impairment of receivables	(1)	(174)
	69 339	76 710

Specification of prepayments may be presented as follows:

Thousand Litas	2009	2008
Prepayments for delivery of raw milk	5 194	13 788
Loans to management and employees	1 096	736
Other prepayments	1 461	621
	7 751	15 145
Less: long-term part	(1 001)	(4 452)
	6 750	10 693

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

The amount of loans to management and employees as at 31 December 2009 includes 800 tLTL loan to management (2008: 200 tLTL). This loan is repayable by 1 July 2011. Loan interest is 6 months VILIBOR and 3.5% margin.

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

Notes to the financial statements

13. Cash and cash equivalents

Thousand Lit	2009	2008
Cash at bank	5 468	1 334
Cash in hand	668	573
	6 136	1 907

As at 31 December 2009 cash at bank and cash inflows of up to 1,563 tLTL (2008 : 1,038 tLTL) have been pledged to secure the liabilities to the banks (note 16).

14. Equity

As at 31 December 2009 and 31 December 2008 the authorised capital comprised 54,205,031 ordinary shares at par value of 1 Lit

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

Treasury shares

The Company as at 31 December 2009 has repurchased 1,607,511 treasury shares (2008: 807,511 treasury shares).

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

Legal reserve

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

Revaluation reserve

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

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

The reserve is decreased in proportion to depreciation and disposal of the revalued assets. The decrease in reserve is recognised through other comprehensive income as a separate component in equity.

Notes to the financial statements

14. Equity (continued)

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

The revaluation reserve may be used to increase share capital.

Other reserves

Other reserves amount to 6,250 tLTL as at 31 December 2009 (2008 : 6 800 tLTL). Part of other reserves amounting to 6,000 tLTL (2008 : 6 000 tLTL), has been allocated to acquire treasury shares. As to Lithuanian legislation, this reserve will be accounted for until the Company purchases its treasury shares.

Dividends per share paid in 2009 were 0,1125 LTL (2008 : 0,225 LTL).

15. Government grants

Thousand Lit	2009	2008
Government grants as at 1 January	13 767	11 235
Increase during the period	1 128	2 511
Adjustments		21
Government grants as at 31 December	14 895	13 767
Amortisation as at 1 January	10 992	9 152
Amortisation for the year	509	1 819
Adjustments		21
Amortisation as at 31 December	11 501	10 992
Net carrying amount at 1 January	2 775	2 083
Net carrying amount at 31 December	3 394	2 775

Amounts received in years 2008 and 2009 as to structural funds' project for modernization of special transport vehicles (milk-float).

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

Notes to the financial statements

16. Interest bearing loans and borrowings

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

Creditor	Ref.	Original liability amount / credit limit	31-12-2009	31-12-2008
AB "Swedbank"	a)	21 578	6 000	10 000
AB "Swedbank"	b)	5 000	1 334	4 087
AB "SEB bankas"	c)	22 112	3 833	8 943
AB "SEB bankas"	d)	35 000	15 564	34 518
AB "SEB bankas"	e)	10 165	7 228	9 017
AB "DnB Nord" bankas	f)	23 000	26 408	26 408
AB "DnB Nord" bankas	g)	10 000	8 796	9 874
AB "DnB Nord" bankas	h)	10 255	9 653	0
Leasing companies	i)	47 612	35 478	52 232
Bonds	j)	20 000	0	20 000
Factoring	k)		13 468	15 014
Total liabilities			127 762	190 093
Less: current part			(95 451)	(112 525)
Total non-current part			32 311	77 568

a) The loan is received for acquisition of new milk processing equipment. The loan is repayable in equal parts on a quarterly basis and shall be fully repaid by 16 May 2011. The loan is secured by pledging property, plant and equipment of the branch Kauno Pienas.

b) The loan (overdraft) is received for working capital needs. The loan matures on 16 November 2010.

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

d) The loan (overdraft) is received for working capital needs. The loan matures on 29 September 2010. The loan is secured by pledging inventories of the Company.

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

f) The loan is received for acquisition of new milk processing equipment. The loan shall be repaid by 30 September 2010. The loan is secured by pledging property, plant and equipment of the branch Mažeikių Pieninė.

g) The loan (overdraft) is received for working capital needs. The loan matures on 30 March 2010. It is expected to prolong repayment of overdraft for 1 year.

h) The loan is received for acquisition of new milk processing equipment. The loan matures on 30 April 2014. The loan is secured by pledging property, plant and equipment of the branch Panevėžio Pienas.

Notes to the financial statements

16. Interest bearing loans and borrowings (continued)

- i) Leasing liabilities comprise finance lease liabilities for transport vehicles and equipment.
- j) On 2 October 2006 the Company issued the bonds emission of 20 million LTL. The bonds repurchase took place on 2 October 2009. Funds from issued bonds have been used for financing of investment projects.
- k) Factoring services are provided by „Swedbank lizingas“ UAB. The factoring limit is 17,000 tLTL, which matures on 16 November 2010.

All loans and other financial liabilities as at 31 December 2009 are denominated in EUR or LTL. Loans denominated in EUR amount to 104,164 tLTL as at 31 December 2009 (2008: 74,368 tLTL).

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

For the loans received the Company has pledged its property, plant and equipment with a carrying amount of 144,292 tLTL as at 31 December 2009 (2008 : 84 098 tLTL), inventories with a carrying amount up to 39,239 tLTL (2008 : 81,841 tLTL) and cash at bank and cash inflows up to 1,563 tLTL (2008 : 1 038 tLTL).

Loan repayment schedules, except for finance lease liabilities

The contractual repayment of loans is as follows:

Thousand Lit	2009	2008
Within 1 year	79 839	94 392
From 1 to 5 years	12 445	43 468
Present value of liabilities	92 284	137 860

Finance lease liabilities

Finance lease payments are as follows:

Thousand Lit	2009	2008
Within 1 year	16 236	19 176
From 1 to 5 years	20 661	36 061
	36 897	55 237
Future interest of finance lease	(1 419)	(3 005)
Present value of finance lease liabilities	35 478	52 232

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

Notes to the financial statements

16. Interest bearing loans and borrowings (continued)

Interest rates

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

%	2009	2008
Long-term loans and bonds	2.0 – 5.0	4.5 – 7.5
Short-term loans	2.0 – 8.0	4.5 – 7.5
Factoring	8.0 – 9.6	6.4 – 8.0
Finance lease	2.0 – 3.0	4.5 – 5.5

Operating lease

Operating lease expenses recognised in the statement of comprehensive income are as follows:

Thousand Lit	2009	2008
Rent of milk collection premises	(104)	(195)
Operating lease of other assets	(1 000)	(1 009)
Total operating lease expenses	(1 104)	(1 204)

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

Future minimum lease payments could be presented as follows:

Thousand Lit	2010	2011
Rent of milk collection premises	-	-
Operating lease of other assets	(1 371)	(172)
Total operating lease expenses	(1 371)	(172)

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

17. Deferred tax assets and liabilities

The deferred tax asset and liabilities calculated applying the 20% tax rate in year 2008 and 15% tax rate in year 2009 are attributed to the following items:

Thousand Lit	Assets		Liabilities		Net value	
	2009	2008	2009	2008	2009	2008
Property, plant and equipment	(870)	(1 830)	3 190	4 530	2 320	2 700
Inventories	-	(497)	-	-	-	(497)
Accrued costs	(160)	(273)	-	-	(160)	(273)
Tax (asset) / liability	(1 030)	(2 600)	3 190	4 530	2 160	1 930

Notes to the financial statements

17. Deferred tax assets and liabilities (continued)

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

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

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

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

Unrecognised deferred tax assets

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

Thousand Litas	2009	2008
Impairment of receivables	1	174
	1	174

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

18. Trade and other payable amounts

Thousand Litas	2009	2008
Payable to suppliers	38 966	51 423
Vacation accrual	4 641	5 798
Taxes and social security contributions payable	2 360	2 619
Salaries payable	2 027	3 459
Other	716	1 146
	48 710	64 445

Notes to the financial statements

19. Provisions

As at 31 December 2009 and 31 December 2008 there are no provisions recognised in the financial statements.

20. Financial instruments

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

Credit risk

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

Usual payment terms of trade receivables are 1 to 30 days. For one-off sales the Company requires a prepayment.

Allowance for receivables is determined based on estimated non-recoverable amounts. Allowance is determined individually for all material receivable amounts.

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

Thousand Lit	Carrying amount	
	2009	2008
Short-term receivable amounts	69 339	76 710
Long-term receivable amounts	1 001	4 452
Cash and cash equivalents	6 136	1 907
	76 476	83 069

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

Thousand Lit	Carrying amount	
	2009	2008
Lithuania	37 720	50 863
European Union countries	6 120	2 928
Russia	26 227	27 120
Other countries	273	251
	70 340	81 162

Notes to the financial statements

20. Financial instruments (continued)

Impairment losses

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

Thousand Litas	Gross amount 2009	Impairment 2009	Gross amount 2008	Impairment 2008
Not past due	58 152		65 555	0
Past due 0-30 days	9 052		13 937	0
Past due 30-60 days	411		1 206	0
Past due 61-90 days	2 653		464	0
Past due more than 90 days	73	1	174	174
	70 341	1	81 336	174

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

Foreign currency exchange risk

The Company is exposed to foreign currency exchange risk, related to sales, purchases and borrowings denominated in other currencies than Litass or Euro (Litas is pegged to Euro at a fixed exchange rate of 3.4528 LTL / EUR). The Company has no material sales and purchases in other currencies than LTL and EUR, therefore currency exchange risk is not significant. The Company does not use any financial instruments for hedging currency exchange risk.

As at 31 December 2009 there are no significant monetary assets and liabilities denominated in other currencies than LTL and EUR. Expression of monetary items in EUR is as follows:

Thousand EUR	2009	2008
Receivable amounts	9 195	8 431
Cash and cash equivalents	199	190
Interest-bearing loans and borrowings	(30 168)	(21 539)
Trade and other amounts payable	(367)	(722)
	(21 141)	(13 640)

Notes to the financial statements

20. Financial instruments (continued)

Liquidity risk

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

31 December 2009

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

31 December 2008

Thousand Litas	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Financial liabilities							
Loans and other financial liabilities	190 094	208 693	29 441	92 567	71 243	15 441	
Trade and other payable amounts	64 445	64 445	64 445				
	<u>254 539</u>	<u>273 138</u>	<u>93 886</u>	<u>92 567</u>	<u>71 243</u>	<u>15 441</u>	

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

	2009	2008
Loans and other financial liabilities	2.0% - 8.0%	4.50 % - 7.50 %

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

At present the Company is in negotiations with banks regarding prolongation of repayment of loans and overdrafts.

Notes to the financial statements

20. Financial instruments (continued)

Interest rate risk

The Company is subject to interest rate cash flow risk because interest-bearing loans are subject to variable interest, related to LIBOR, EURIBOR, VILIBOR and varying from LIBOR/EURIBOR/VILIBOR+0.8% to LIBOR/EURIBOR/VILIBOR+4.0%.

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

Thousand Litas

	Carrying amount	
	2009	2008
Financial instruments bearing fixed interest rate		
Bonds (fixed coupon rate 4,96%)	0	20 000
	0	20 000

Thousand Litas

	Carrying amount	
	2009	2008
Financial instruments bearing varying interest rate		
AB „Swedbank“	6 000	10 000
AB „Swedbank“	1 334	4 087
AB „SEB bankas“	3 833	8 943
AB „SEB bankas“	15 564	34 518
AB „SEB bankas“	7 228	9 017
AB „DnB Nord“ bankas	26 408	26 408
AB „DnB Nord“ bankas	8 796	9 874
AB „DnB Nord“ bankas	9 653	0
Leasing companies	35 478	52 232
Factoring	13 468	15 014
	127 762	170 093

The interest rate varies from 1 day VILIBOR to 6 months VILIBOR or 6 months EURIBOR plus margin (from 0,8% to 4,0%).

Cash flow sensitivity analysis for variable rate instruments

An increase of 100 basis points in interest rates on the reporting date would have decreased equity and comprehensive income by amounts stated below. This analysis assumes that all other variable, in particular foreign currency exchange rates, remain constant. An analysis for 2008 is made on the same basis.

Notes to the financial statements

20. Financial instruments (continued)

Effect in Thousand Lit	Comprehensive income		Equity	
	Increase by 100 bp	Decrease by 100 bp	Increase by 100 bp	Decrease by 100 bp
As at 31 December 2009				
Financial instruments on which variable interest rate was applied	(1 278)	1 278	(1 278)	1 278
As at 31 December 2008				
Financial instruments on which variable interest rate was applied	(1 548)	1 548	(1 548)	1 548

As of 31 December 2009 the Company did not use any financial instruments to hedge the risk of cash flow with variable interest rate.

Fair value of financial instruments

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

Capital management

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

21. Purchase commitments

As at 31 December 2009 the Company has no purchase commitments. As at 31 December 2008 the Company's purchase commitments amounted to 19,770 tLTL.

22. Related parties

Transactions with related parties can be specified as follows:

Thousand Lit	2009			2008		
	Sales	Purchases	Issued (repaid) loans	Sales	Purchases	Issued (repaid) loans
ŽŪB Draugas	8	3 776	(2 596)	29	13 369	
UAB Jansvis		52			150	
UAB Žaibo Rat		373			168	
Loans to management			600			375
	8	4 201	(1 996)	29	13 687	375

Notes to the financial statements

22. Related parties (continued)

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

From ŽŪB Draugas the Company purchases raw milk until 31 July 2009. UAB Jansvis provides transport vehicles, and UAB Žaibo Ratas renders services.

Amounts receivable from the related parties as at 31 December 2009 are as follows: ŽŪB Draugas –1,554 tLTL (2008: 4,150 tLTL), UAB Žaibo Ratas -3 tLTL. Receivable amounts from management comprise loans which as at 31 December 2009 amounted to 800 tLTL (2008: 200 tLTL).

Amounts payable to the related parties as at 31 December 2009 are as follows: UAB Žaibo Ratas - 0 LTL (2008 : 28 tLTL), UAB Jansvis - 5 tLTL (2008 : 0 LTL), ŽŪB Draugas – 0 LTL (2008 : 0 LTL).

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

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

Thousand Lit	2009	2008
Remuneration costs of key management personnel	1 844	2 456
Amounts paid to key management personnel, net of tax	1 126	1 365

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

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

In year 2008 remuneration costs to key management personnel were higher due to greater number of persons who were employed by the Company and also were Board members.

23. Subsequent events

No subsequent events have occurred after the end of the financial year which could have material influence on the financial statements as at 31 December 2009.

24. Contingent liabilities

There are no significant contingent liabilities as at 31 December 2009.

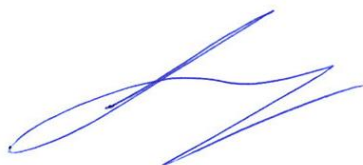
Pieno Žvaigždės, AB
Confirmation of the Management

2010 03 29
Vilnius

Financial statements and the Annual Report for the year 2009

We, Aleksandr Smagin, General director and Audrius Statulevičius, Finance director, hereby confirm that, to the best of our knowledge, Financial Statements for the year 2009 prepared in accordance with IFRS, give true and fair view of the assets, liabilities, financial position and profit or loss of AB Pieno Žvaigždės. Annual report for the year 2009 includes a fair review of the development and performance of the business, together with description of major risks and contingencies incurred by the Issuer.

General Director



Aleksandr Smagin

Finance Director



Audrius Statulevičius

AB PIENO ŽVAIGŽDĖS
ANNUAL REPORT FOR THE YEAR 2009

1. GENERAL INFORMATION ABOUT THE ISSUER

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

The present Report has been prepared for the financial year 2009.

1.2. Key Data on the Issuer

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

1.3. Type of the Issuer's main activities

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

1.4. Agreements with intermediaries of public trading in securities

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

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

1.5.1. Ordinary shares of AB Pieno Žvaigždės were admitted to the official trading list of NASDAQ OMX Vilnius Stock Exchange.

Type of shares – ordinary registered shares;

Number of shares – 54 205 031;

Total nominal value – 54 205 031 LTL;

VP ISIN code – LT0000111676;

1.5.2. AB Pieno Žvaigždės has purchased 1 607 511 own shares.

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

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

AB Pieno Žvaigždės was established on 23 December 1998 after merger of independent milk processing companies operating in Lithuania: AB Mažeikių Pieninė and AB Pasvalio Sūrinė. Later AB Kauno Pienas and in 2004 AB Panevėžio Pienas were also merged into AB Pieno Žvaigždės. The current structure of the Company enables to specialise production in separate branches and reach the highest efficiency as well as even distribution of raw milk collection capacities in the country.

AB Pieno Žvaigždės is the largest milk processing company in Lithuania, which currently produces more than 500 different products. The Company operates not only in the local market but also exports production to Russia, countries of the European Union, CIS and Baltics. Different types of ferment cheese, whey flour and fresh milk products produced by AB Pieno Žvaigždės are the main products produced for export which are well known for their irreproachable quality. The products are awarded with quality certificates.

Risk factors related to the Issuer's activity:

The main activity of the Issuer is processing of milk. The mentioned business is risky due to eventual changes in product and raw materials markets, competition as well as eventual legal, political, technological and social changes, which are directly or indirectly related to the Issuer's business and may have a negative influence on the Issuer's cash flows and operating results.

The main raw material used by the Issuer is milk, the sales quota for processing of which to the EU milk processing companies is limited by national milk quota. Limitations put on supply of raw milk may result in lack of raw milk and an increase in prices for raw milk. These changes may have a negative influence on the cash flows and operating results of the Issuer.

The Issuer's business (especially collection and transportation of milk) is a labour consuming activity. The lack of human resources and an increase in salary costs may negatively affect the operating results of the Issuer.

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

Key financial figures for 2009 are as follows:

Financial ratios	As to International Financial Reporting Standards
Turnover	622,5 million LTL
Gross profit	125,2 million LTL
Profit before tax, interest and depreciation (EBITDA)	68,8 million LTL
Profit (loss) before tax	19,7 million LTL
Investment in property, plant and equipment	28,5 million LTL

Other ratios:

✓ Average number of employees	2 207
✓ Raw milk purchased (natural milk)	357 thousand tons
✓ Milk purchased as to basic ratios	436 thousand tons

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

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

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

At the end of 2009 the number of acquired own shares amounted to 1 607 511 or 2,97% of the total share capital. The nominal value of own shares held by the Company amounts to 1 607 511 LTL.

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

During 2009 the Company acquired 800 000 own shares or 1,48% of the total share capital. The nominal value of the acquired own shares is 800 000 LTL.

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

During 2009 the Company paid 2 million LTL for the acquired own shares.

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

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

2.8. Information about branches and representative offices

AB Pieno Žvaigždės comprises four production branches:

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

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

No significant events have occurred after the end of the financial year.

2.10. Plans of the Company's activity and forecasts

AB Pieno Žvaigždės has set the following goals for 2010:

- ✓ to reach the turnover of 640 million LTL;
- ✓ to achieve net profitability of 3,0%;
- ✓ further implementation of the costs saving programs;

2.11. Information about research and development activity

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

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

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

3. OTHER INFORMATION ABOUT THE ISSUER

3.1. Structure of the Issuer's authorized capital

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

3.2. Restrictions applicable upon the transfer of securities

There are no restrictions applicable on the transfer of securities.

3.3. Shareholders

At 31 December 2009, the Company had 4 299 shareholders.

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

Shareholder	Number of shares, units	Share of the capital %	Share of votes with related persons %
SKANDINAVISKA ENSKILDA BANKEN AB SERGELS TORG 2, 10640 STOCKHOLM, SWEDEN	9 201 047	16,97	17,49
UAB AGROLITAS IMEKS LESMA, LAISVĖS PR.125, VILNIUS, ĮM.K. 2191855	7 158 067	13,20	13,61
SWEDFUND INTERNATIONAL SVEAVAGEN 24-26, BOX 3286, SE-103 65 STOCKHOLM, SWEDEN	4 700 000	8,67	8,93
ŽŪKB SMILGELĖ, J.TUMO VAIŽGANTO 8/27- 3. VILNIUS, ĮM.K. 2490652	6 155 268	11,35	11,70
KVARACIEJUS JULIUS	7 081 907	13,06	32,64
KLOVAS VOLDEMARAS	2 842 567	5,24	32,64
SMAGIN ALEKSANDR	2 547 123	4,70	32,64

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

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

3.5. All restrictions imposed upon the voting rights

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

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

The issuer is not aware about any agreements concluded among the shareholders due to which the securities transfer and (or) voting rights may be restricted.

3.7. Employees

	31-12-2009	31-12-2008
Average number of employees	2.207	2.477
With university education	374	389
With college education	679	774
With secondary education	975	1.106
With not completed secondary education	180	208

	Average salary, Litas	
	31-12-2009	31-12-2008
Management	6.767	6.504
Specialists	2.669	2.715
Workers	2.131	2.053

3.8. Change of the issuer's Articles of Association

Articles of Association of AB Pieno Žvaigždės can be changed in accordance with the laws of the Republic of Lithuania.

3.9. Management bodies of the Issuer

The managing bodies of the company are as follows: General shareholders' meeting, the Management Board and the General director. The Supervisory Council is not formed in the Company.

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

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

The Management Board

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

Administration

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

The remuneration amount (net of taxes) to the key management calculated for 2009 amounts to 1 126 tLTL. The average amount per person is 161 tLTL.

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

There are no such agreements.

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

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

3.13. Information on the major related parties' transactions

(The issuers of equity securities shall additionally present the information on the major related parties' transactions while specifying the amounts of the transactions, the nature of the relations between the parties concerned and other information about the transactions indispensable for the understanding of the financial status of the company where the transactions were material or were concluded under unusual market conditions. The information on individual transactions may be generalised by type of the transactions, except

the cases where additional information must be disclosed for the purpose of understanding the impact of the related parties' transactions upon the financial status of the company. The term "related party" shall have the same meaning as used in the accounting standards used by the issuer).

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

4. INFORMATION ON THE COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

5. DATA ON THE PUBLICLY DISCLOSED INFORMATION

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

10.12.2009 Budgeted financial results for 2010 of AB Pieno Žvaigždės

The budgeted turnover of AB Pieno Žvaigždės for 2010 amounts to approximately 640 million LTL (185,4 million EUR). The major increase in sales is expected in export markets, the planned revenue from which will make more than half of the total planned revenue.

The Company's management continues realising the cost saving programs which will allow to compensate the increasing direct production costs. An investment program for the coming year will include investments of approximately 20 million LTL (5,8 million EUR) and will be focused on development of production of successful goods and supporting investments.

It is planned that cash flows from ordinary activity will allow the Company to decrease financial liabilities by approximately 40 million LTL (11,6 million EUR). The planned EBITDA profitability by the end of the year 2010 is approximately 11% and net profitability is 3%.

30.11.2009 Non-audited financial results of AB Pieno Žvaigždės for 9 months of 2009

Revenue for 9 months of 2009 has decreased by 8,9 % from 505,7 million LTL (146,5 million EUR) to 461,0 million LTL (133,5 million EUR), compared to the same period in 2008.

EBITDA for 9 months of 2009 has increased by 28 % up to 50,5 million LTL (14,6 million EUR), compared to 39,4 million LTL (11,4 million EUR) to the same period in 2008.

Net profit for 9 months of 2009 amounted to 9,9 million LTL (2,9 million EUR), compared to net profit of 0,1 million LTL (0,03 million EUR) for 9 months of 2008.

29.10.2009 Decisions of the general shareholders meeting

The general shareholders meeting of AB Pieno Žvaigždės took place on 29 October 2009 at 11.00 o'clock. Agenda and decisions of the general shareholders meeting were as follows:

Agenda:

1. Approval of changes and the new edition of the Articles of Association.
2. Determination of the main terms and conditions of agreements regarding the Board activity.

Decisions:

1. Approval of the changes and the new edition of the Articles of Association.

Decisions:

To approve the new edition of the Articles of Association.

To authorise the Company's General Director Aleksandr Smagin (with the transference right) to sign the new edition of the Articles of Association and other documents related to registration of the new Articles of Association with the Companies Register and perform all actions necessary for the mentioned registration.

2. Determination of the main terms and conditions of agreements regarding the Board activity.

Decision:

Taking into account the approved new edition of the Company's Articles of Association prescribing rules for agreements with Board members, the general shareholders meeting decides that the agreements regarding activity in the Board, beside other matters, shall state the following:

Position and responsibility of the Board member;

Remuneration for each member for his/her activity in the Board;

Procedure for compensation of travel and accommodation expenses in Lithuania for Board members not residing in Lithuania to the extent these costs are related to activity in the Board;

To determine that remuneration for activity in the Board of all the members for the years 2009/2010 amounts to 100 000 Lt (28 962 EUR).

To authorise the Company's Finance Director Audrius Statulevičius to sign on behalf of the Company the agreements on activity in the Board with the Board members.

02.10.2009 Repurchase of the bond emission of AB Pieno Žvaigždės

We inform the participants of the market that on 2 October 2009 AB Pieno Žvaigždės fully purchased, as planned, the three year bond emission of 20 million LTL (5,8 million EUR). We thank all the investors for confidence in the Company's successful operation.

02.10.2009 Export of production of AB Pieno Žvaigždės

We inform that based on the decision of Veterinarian Service of the Russian Federation, export of part of production of AB Pieno Žvaigždės to the Russian Federation is temporarily restricted. Reacting to announcements in the press, we inform the mentioned fact will not have any significant influence on the Company's sales volumes and the planned profitability as the recovering prices of dairy products in the EU markets propose possibilities to successfully export our production to these markets.

29.09.2009 Announcement on convening the general shareholders meeting of AB Pieno Žvaigždės

Based on the initiative and decision of the Company's Board, the general shareholders meeting of AB Pieno Žvaigždės (address: Laisvės pr. 125, Vilnius, code 1246 65536, VAT payer's code LT 246655314, data on the company is filed and stored at the Companies Register) will be convened on 29 October 2009, at 11.00 a.m. at Perkūnkiemio g. 3, Vilnius. Registration of shareholders starts at 10.30 a.m.

Agenda:

Approval of changes and the new edition of the Company's Articles of Association.
Determination of terms and conditions of the agreements for activity in the Board.

The accounting day of the general shareholders meeting is 22 October 2009. The participation and voting rights are assigned only to those persons who will be shareholders at the end of the accounting day of the general shareholders meeting.

Not later than 21 days prior to the general shareholders meeting, the shareholders of AB Pieno Žvaigždės will be able to get information on the following issues in the Company's internet website <http://www.pienozvaigzdes.lt>:

- the right of and procedure of presenting the agenda related questions to the Company before the general shareholders meeting;
- the right to propose supplementing the agenda of the general meeting, to propose draft decisions on the agenda issues;
- to get information on all proposed drafts of the agenda issues, explanations of the Board and the shareholders and other documentation which are submitted to the general shareholders meeting;
- to get acquainted with information about realisation of the shareholder rights.

We inform the Company's shareholders that AB Pieno žvaigždės has not yet provided any possibility nor has prepared a procedure of the shareholders participation, voting and authorising others to represent them in the general meeting by way of electronic communication means. The Company has not determined an authorisation form. Persons, representing shareholders in their relationship with the Company, must provide an authorisation issued by the shareholder which is approved in accordance with the Lithuanian legislation. Shareholders who intend to vote by general voting bulletins, can obtain the bulletin forms in the Company's head Office or internet website not later than 21 days prior to the general meeting, and submit the filled in form at the address: Laisvės pr. 125, LT-06118 Vilnius. All information about the general shareholders meeting is presented on the Company's internet website <http://www.pienozvaigzdes.lt>

30.07.2009 Forecast of the revised activity of AB Pieno Žvaigždės for 2009

Taking into consideration the actual operating results for 6 months of 2009, AB Pieno Žvaigždės changes the forecast of operating results for 2009:

The planned revenue for 2009 are being decreased from 689,1 million LTL (199,6 million EUR) to 639,0 million LTL (185,0 million EUR), the planned net profitability is being decreased from 3,5% to 3,0%.

30.07.2009 Non-audited financial results AB Pieno Žvaigždės for 6 months of 2009

Revenue for 6 months of 2009 have decreased by 10,0 % from 333,3 million LTL (96,6 million EUR) to 299,9 million LTL (86,9 million EUR), compared to 6 months period in 2008.

Profit before tax, interest and amortisation (EBITDA) for 6 months 2009 has increased more than twice up to 34,3 million LTL (9,9 million EUR), compared to 15,9 million LTL (4,6 million EUR) earned last year.

Net profit for 6 months 2009 amounted to 6,6 million LTL (1,9 million EUR), compared to net loss of -10,3 million LTL (-3,0 million EUR) for the period of six months 2008.

23.04.2009 Non-audited financial results of AB Pieno Žvaigždės for 1st quarter 2009

Revenue for 1st quarter 2009 decreased by 4,4 % from 150,2 million LTL (43,5 million EUR) to 143,6 million LTL (41,6 million EUR), compared to revenue for 1st quarter 2008.

Profit before tax, interest and amortisation (EBITDA) for 1st quarter 2009 has increased more than four times up to 17,9 million LTL (5,2 million EUR), compared to revenue for 1st quarter 2008.

Net profit for 1st quarter 2009 amounted to 3,9 million LTL (1,1 million EUR), compared to net loss of -8,8 million LTL (-2,5 million EUR) for 1st quarter 2008.

23.04.2009 Decisions of the general shareholders meeting

A general shareholders meeting of AB Pieno Žvaigždės took place on 23 April 2009, at 11 a.m. Agenda and decisions of the meeting were as follows:

1. Annual report of the Company.
2. Auditor's report on the financial statements and the annual report.
3. Approval of the Company's audited financial statements for 2008.
4. Profit appropriation.
5. Acquisition of the Company's own shares.
6. Formation of an audit committee and approval of its activity rules.
7. Election of the audit committee members of Pieno Žvaigždės.
8. Election of the audit company.

The accounting day of the general shareholders meeting is 16 April 2009.

Decisions of the general shareholders meeting:

1. Annual report of the Company.
Listened to.
2. Auditor's report on the financial statements and the annual report.
Listened to.
3. Approval of the Company's audited financial statements for 2008.

Decision:

To approve the audited financial statements of the Company for 2008.

4. Profit appropriation.

Decision:

To approve the appropriation of the Company's profit (loss).

To allocate 5 917 221 million LTL (1 713 746 EUR) or 0,1125 LTL (0,0326 EUR) per share for dividends.

To establish a reserve for acquisition of own shares amounting to 6 000 000 LTL (1 737 720 EUR). To establish a reserve for support and charity of 250 000 LTL (72 405 EUR).

Approved.

5. Acquisition of own shares.

Decision:

5.1. To purchase the shares of AB Pieno Žvaigždės through the submarket of official bidding of AB NASDAQ OMX Vilnius in accordance with the rules regulating this market, without approval of circular with the Stock Exchange Commission.

a) goal of acquisition of shares – to stabilise the Company's share rate, to increase liquidity of shares and avoid losses due to fall of the company's share rate;

b) maximum amount of acquired shares – the nominal value of acquired shares together with the held shares cannot exceed 1/10 of authorised capital;

c) period allowed for acquisition of own shares - 18 months; d) minimum price of acquired shares – less by 30% than the last week's weighted average price bidden at the central market of NASDAQ OMX Vilnius, maximum price of acquired shares – higher by 30% than the last week's weighted average price bidden at the central market of NASDAQ OMX Vilnius;

e) own shares sales procedure and minimum sales price – the minimum sales prices of shares is not less than 2/3 of the acquired share price. For the purpose of ensuring equal rights for all the shareholders in acquiring purchased shares, the shares shall be sold at the central market of the stock Exchange or in auction. All the shareholders will be informed about the date and time of the auction by registered letters or publicly through press.

5.2. Based on this decision of the general shareholders meeting and article 54 of the Companies Law of the Republic of Lithuania, the Board of the Company is authorised to take all decisions in relation to determination of the share purchase time and price, as well as to take decisions regarding procedures of own share sales time and price and other related issues not included in this decision.

6. Formation of an audit committee of AB Pieno Žvaigždės and approval of activity rules

Decision:

To form an audit committee of AB Pieno Žvaigždės and approve its activity rules.

7. Election of members of the audit committee

Decision:

To elect Ričardas Bagdonas as an independent member of the audit committee of AB Pieno Žvaigždės for the 1 year tenure period, and Violeta Liutkuvienė, an internal auditor of the Company, as the second member of the audit committee.

8. Election of an audit company and determination of fee settlement terms and conditions for audit services

Decision:

8.1. To elect the audit firm KPMG Baltics as auditor for performance of audit of the financial statements for the financial years of 2009 and 2010.

8.2. To determine exact payment for audit services and other terms and conditions. The Company's General Director is entitled to sign an agreement with the auditor.

19.03.2009 AB Pieno Žvaigždės, Announcement about convening general shareholders meeting

The general shareholders meeting of AB Pieno Žvaigždės shall be convened on 23 April 2009 at 11.00 a.m., at Hotel Reval Lietuva, Konstitucijos pr. 20, Vilnius. Registration of shareholders starts at 10.00 o'clock.

Agenda of the general shareholders meeting:

1. Annual report of the Company.
2. Auditor's report on the Company's financial statements and the annual report.
3. Approval of the audited financial statements for 2008.
4. Profit (loss) appropriation Bendrovės.
5. Acquisition of own shares.
6. Formation of audit committee of AB Pieno žvaigždės and approval of activity rules.
7. Election of members of audit committee of AB Pieno Žvaigždės.

The accounting date of the general shareholders meeting is 16 April 2009.

01.03.2009 Non-audited financial results for 2008 of AB Pieno Žvaigždės

Revenue for 2008 increased by 0,4 % from 663,4 million LTL (192,1 million EUR) to 666,3 million LTL (193,0 million EUR), compared to 2007.

Profit before tax, interest and amortisation (EBITDA) for 2008 decreased by 44,1 %, up to 49,1 million LTL (14,2 million EUR), compared to 87,8 million LTL (25,4 million EUR) earned in 2007.

Net loss for 2008 amounted to -4,3 million LTL (-1,3 million EUR), compared to profit of 33,3 million LTL (9,6 million EUR) for 2007.

The reason for lower profitability was the lower profitability in export markets than budgeted.

03.02.2009 Notice about acquisition of own shares

Information about own shares held by AB Pieno Žvaigždės (code 1246 65536, address: Laisvės pr. 125, Vilnius):

ISIN code of shares LT000011676

Authorised capital, Lt - 54 205 031

Total amount of shares, - 54 205 031

Nominal value of 1 share, Lt - 1

Amount of own shares acquired by the Issue - 1 607 511

Total amount of voting rights against the shares issued by the Issue - 52 597 520

08.01.2009 Regarding redemption of own shares

On 7 January 2009 the Board of AB Pieno Žvaigždės took a decision to purchase 800.000 own ordinary shares at par value of 1 Lt. The shares will be purchased by way of bidding at the Stock Exchange of Vilnius from 13 January 2009 until 26 January 2009. The redemption period is 14 days, purchase price - 2,50 Lt per share. Orders for sale of shares are accrued over the total redemption period. If supply exceeds the amount of shares for purchase, the latter shall be decreased proportionally to all sellers of shares.

6. OTHER INFORMATION

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

Addendum 1

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

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

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLIC ABLE	COMMENTARY
<p>Principle I: Basic Provisions</p> <p>The overriding objective of a company should be to operate in common interests of all the shareholders by optimizing over time shareholder value.</p>		
1.1. A company should adopt and make public the company's development strategy and objectives by clearly declaring how the company intends to meet the interests of its shareholders and optimize shareholder value.	Yes	The Company presents forecasts announcing significant events through the centralized information system, however due to competition in the market, the Company cannot publicly disclose certain strategies in advance.
1.2. All management bodies of a company should act in furtherance of the declared strategic objectives in view of the need to optimize shareholder value.	Yes	
1.3. A company's supervisory and management bodies should act in close co-operation in order to attain maximum benefit for the company and its shareholders.	Yes	
1.4. A company's supervisory and management bodies should ensure that the rights and interests of persons other than the company's shareholders (e.g. employees, creditors, suppliers, clients, local community), participating in or connected with the company's operation, are duly respected.	Yes	
<p>Principle II: The corporate governance framework</p> <p>The corporate governance framework should ensure the strategic guidance of the company, the effective oversight of the company's management bodies, an appropriate balance and distribution of functions between the company's bodies, protection of the shareholders' interests.</p>		
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, facilitates a more efficient and transparent management process.	No	There is no Council in the Company. Control over the Board is performed by General Shareholders Meeting, to which the Board reports.
2.2. A collegial management body is responsible for the strategic management of the company and performs other key functions of corporate governance. A collegial supervisory body is responsible for the effective supervision of the company's management bodies.	Yes	The Board is the collegial management body.

<p>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.</p>	<p>N/A</p>	<p>The Company has executive body – the Board.</p>
<p>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.</p>	<p>Yes</p>	<p>As collegial supervisory body is not formed at the Company the Principle III and IV statements, are applied to the Board as long as it does not contradict to the essence and purpose of such body.</p>
<p>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.</p>	<p>Yes</p>	<p>The Board consists of 6 members who represent interests of shareholders. This number of members is sufficient and ensures that no individual or small group of individuals dominates decision-making of the Board</p>
<p>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.</p>	<p>Yes</p>	<p>The Board members are elected for maximum 4 year term as per legislation. There are no limitations for re-election.</p>
<p>2.7. Chairman of the collegial body elected by the general shareholders' meeting may be a person whose current or past office constitutes no obstacle to conduct independent and impartial supervision. Where a company should decide not to set up a supervisory board but rather the board, it is recommended that the chairman of the board and chief executive officer of the company should be a different person. Former company's chief executive officer should not be immediately nominated as the chairman of the collegial body elected by the general shareholders' meeting. When a company chooses to departure from these recommendations, it should furnish information on the measures it has taken to ensure impartiality of the supervision.</p>	<p>Yes</p>	<p>The Company's general manager is not the chairman of the Board. No obstacles for independent and objective supervision exist.</p>
<p>Principle III: The order of the formation of a collegial body to be elected by a general shareholders' meeting</p> <p>The order of the formation a collegial body to be elected by a general shareholders' meeting shall ensure representation of minority shareholders, accountability of this body to the shareholders and objective monitoring of the company's operation and its management bodies.</p>		
<p>3.1. The mechanism of the formation of a collegial body to be elected by a general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') shall ensure objective and fair monitoring of the company's management bodies as well as representation of minority shareholders.</p>	<p>Yes</p>	<p>The Company discloses information of candidates to the Company's collegial body. The shareholders structure does not contain any dominating shareholders. All active shareholder groups have their representatives in the Board.</p>

<p>3.2. Names and surnames of the candidates to become members of a collegial body, information about their education, qualification, professional background, positions taken and potential conflicts of interest shall be disclosed early enough before the general shareholders' meeting so that the shareholders would have sufficient time to make an informed voting decision. All factors affecting the candidate's independence, the sample list of which is set out in Recommendation 3.7, shall be also disclosed. The collegial body shall also be informed on any subsequent changes in the provided information. The collegial body shall, on yearly basis, collect data provided in this item on its members and disclose this in the company's annual report.</p>	<p>Yes</p>	<p>Information about members of collegial body is presented in the annual report of the company. Before election of members of the collegial body, information about them is presented together with the meeting's documentation as per legislation.</p>
<p>3.3. Shall a person be nominated for members of a collegial body, such nomination shall be followed by the disclosure of information on candidate's particular competences relevant to his/her service on the collegial body. In order shareholders and investors are able to ascertain whether member's competence is further relevant, the collegial body shall, in its annual report, disclose the information on its composition and particular competences of individual members which are relevant to their service on the collegial body.</p>	<p>Yes</p>	<p>Information about members of collegial body is presented in the annual report of the company. Before election of members of the collegial body, information about them is presented together with the meeting's documentation as per legislation.</p>
<p>3.4. In order to maintain a proper balance in terms of the current qualifications possessed by its members, the desired composition of the collegial body shall be determined with regard to the company's structure and activities, and have this periodically evaluated. The collegial body should ensure that it is composed of members who, as a whole, have the required diversity of knowledge, judgment and experience to complete their tasks properly. The members of the audit committee, collectively, should have a recent knowledge and relevant experience in the fields of finance, accounting and/or audit for the stock exchange listed companies. At least one of the members of the remuneration committee should have knowledge of and experience in the field of remuneration policy.</p>	<p>Yes</p>	<p>Members of the collegial body have extensive experience in the enterprise management, have versatile knowledge and skills for proper execution of duties.</p>
<p>3.5. All new members of the collegial body shall be offered a tailored program focused on introducing a member with his/her duties, corporate organization and activities. The collegial body shall conduct an annual review to identify fields where its members need to update their skills and knowledge.</p>	<p>Yes</p>	<p>Members of the collegial body have extensive experience in the enterprise management. Shall new candidates be elected, they would be acquainted with the situation in the Company and specifics of management.</p>
<p>3.6. In order to ensure that all material conflicts of interest related with a member of the collegial body are resolved properly, the collegial body shall comprise a sufficient number of independent members.</p>	<p>Yes</p>	<p>1/3 of the Board members are independent</p>

<p>3.7. A member of the collegial body shall be considered to be independent only if he is free of any business, family or other relationship with the company, its controlling shareholder or the management of either, that creates a conflict of interest such as to impair his judgment. Since all cases when member of the collegial body is likely to become dependant are impossible to list, moreover, relationships and circumstances associated with the determination of independence may vary amongst companies and the best practices of solving this problem are yet to evolve in the course of time, assessment of independence of a member of the collegial body shall be based on the contents of the relationship and circumstances rather than their form. The key criteria for identifying whether a member of the collegial body can be considered to be independent are the following:</p> <p>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;</p>	<p>Yes</p>	
<p>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;</p> <p>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);</p> <p>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);</p> <p>5) He/she does not have and did not have any material business relations with the company or associated company within the past year directly or as a partner, shareholder, director or superior employee of the subject having such relationship. A subject is considered to have business relations when it is a major supplier or service provider (inclusive of financial, legal, counseling and consulting services), major client or organization receiving significant payments from the company or its group;</p> <p>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;</p> <p>7) He/she is not an executive director or member of the board in some other company where executive director of the company or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) is non-executive director or member of the supervisory board, he/she may not also have any</p>	<p>Yes</p>	

<p>other material relationships with executive directors of the company that arise from their participation in activities of other companies or bodies;</p> <p>8) He/she has not been in the position of a member of the collegial body for over than 12 years;</p> <p>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.</p>		
<p>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.</p>	Yes	
<p>3.9. Necessary information on conclusions the collegial body has come to in its determination of whether a particular member of the body shall be considered to be independent shall be disclosed. When a person is nominated to become a member of the collegial body, the company shall disclose whether it considers the person to be independent. When a particular member of the collegial body does not meet one or more criteria of independence set out in this Code, the company shall disclose its reasons for nevertheless considering the member to be independent. In addition, the company shall annually disclose which members of the collegial body it considers to be independent.</p>	Yes	<p>Based on the independency criteria, set in paragraph 3.7., independent members of the Board are:</p> <ul style="list-style-type: none"> - Paul Bergqvist – Chairman of the board; - Lars Ojefors – Board member;
<p>3.10. When one or more criteria of independence set out in this Code has not been met throughout the year, the company shall disclose its reasons for considering a particular member of the collegial body to be independent. To ensure accuracy of the information disclosed in relation with the independence of the members of the collegial body, the company shall require independent members to have their independence periodically re-confirmed.</p>	Yes	The criteria are met throughout the year
<p>3.11. In order to remunerate members of a collegial body for their work and participation in the meetings of the collegial body, they may be remunerated from the company's funds. The general shareholders' meeting shall approve the amount of such remuneration.</p>	Yes	

Principle IV: The duties and liabilities of a collegial body elected by the general shareholders' meeting		
The corporate governance framework shall ensure proper and effective functioning of the collegial body elected by the general shareholders' meeting, and the powers granted to the collegial body shall ensure effective monitoring of the company's management bodies and protection of interests of all the company's shareholders.		
4.1. The collegial body elected by the general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') shall ensure integrity and transparency of the company's financial statements and the control system. The collegial body shall issue recommendations to the company's management bodies and monitor and control the company's management performance.	Yes	Management submits reports to the collegial body at least once per quarter and gets recommendations. The Board approves the annual report prepared by the management.
4.2. Members of the collegial body shall act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders with due regard to the interests of employees and public welfare. Independent members of the collegial body shall (a) under all circumstances maintain independence of their analysis, decision-making and actions (b) do not seek and accept any unjustified privileges that might compromise their independence, and (c) clearly express their objections shall a member consider that decision of the collegial body is against the interests of the company. Shall a collegial body have passed decisions independent member has serious doubts about, the member shall make adequate conclusions. Shall an independent member resign from his office, he shall explain the reasons in a letter addressed to the collegial body or audit committee and, if necessary, respective company-not-pertaining body (institution).	Yes	The Board members perform on their good will on behalf of the company follow the company's interests trying to maintain independency in decision making.
4.3. Each member shall devote sufficient time and attention to perform his duties as a member of the collegial body. Each member of the collegial body shall limit other professional obligations of his (in particular any directorships held in other companies) in such a manner they do not interfere with proper performance of duties of a member of the collegial body. In the event a member of the collegial body shall be present in less than a half of the meetings of the collegial body throughout the financial year of the company, shareholders of the company shall be notified.	Yes	Members of the collegial body properly fulfill their duties: take active part in sittings and allot sufficient time for execution of duties. All sittings of the collegial body had quorum.
4.4. Where decisions of a collegial body may have a different effect on the company's shareholders, the collegial body shall treat all shareholders impartially and fairly. It shall ensure that shareholders are properly informed on the company's affairs, strategies, risk management and resolution of conflicts of interest. The company shall have a clearly established role of members of the collegial body when communicating with and committing to shareholders.	Yes	
4.5. It is recommended that transactions (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions), concluded between the company and its shareholders, members of the supervisory or managing bodies or other natural or legal persons that exert or may exert influence on the company's management shall be subject to approval of the collegial body. The decision concerning approval of such transactions shall be deemed adopted only provided the majority of the independent members of the collegial body voted for such a decision.	Yes	

<p>4.6. The collegial body should be independent in passing decisions that are significant for the company's operations and strategy. Taken separately, the collegial body should be independent of the company's management bodies. 10 Members of the collegial body should act and pass decisions without an outside influence from the persons who have elected it. Companies should ensure that the collegial body and its committees are provided with sufficient administrative and financial resources to discharge their duties, including the right to obtain, in particular from employees of the company, all the necessary information or to seek independent legal, accounting or any other advice on issues pertaining to the competence of the collegial body and its committees. When using the services of a consultant with a view to obtaining information on market standards for remuneration systems, the remuneration committee should ensure that the consultant concerned does not at the same time advise the human resources department, executive directors or collegial management organs of the company concerned.</p>	Yes	Board is provided with sufficient administrative and financial resources to discharge their duties.
<p>4.7. Activities of the collegial body shall be organized in a manner that independent members of the collegial body could have major influence in relevant areas where chances of occurrence of conflicts of interest are very high. Such areas to be considered as highly relevant are issues of nomination of company's directors, determination of directors' remuneration and control and assessment of company's audit. Therefore when the mentioned issues are attributable to the competence of the collegial body, it is recommended that the collegial body shall establish nomination, remuneration, and audit committees. Companies shall ensure that the functions attributable to the nomination, remuneration, and audit committees are carried out. However they may decide to merge these functions and set up less than three committees. In such case a company shall explain in detail reasons behind the selection of alternative approach and how the selected approach complies with the objectives set forth for the three different committees. Shall the collegial body of the company comprise small number of members, the functions assigned to the three committees may be performed by the collegial body itself, provided that it meets composition requirements advocated for the committees and that adequate information is provided in this respect. In such case provisions of this Code relating to the committees of the collegial body (in particular with respect to their role, operation, and transparency) shall apply, where relevant, to the collegial body as a whole.</p>	No	Only Audit committee established
<p>4.8. The key objective of the committees is to increase efficiency of the activities of the collegial body by ensuring that decisions are based on due consideration, and to help organize its work with a view to ensuring that the decisions it takes are free of material conflicts of interest. Committees should exercise independent judgement and integrity when exercising its functions as well as present the collegial body with recommendations concerning the decisions of the collegial body. Nevertheless the final decision shall be 10 In the event the collegial body elected by the general shareholders' meeting is the board, the recommendation concerning its independence from the company's management bodies applies to the extent it relates to the independence from the company's chief executive officer.</p>	Yes	
<p>4.9. Committees established by the collegial body should normally be composed of at least three members. In companies with small number of members of the collegial body, they could exceptionally be composed of two members. Majority of the members of each committee should be constituted from independent members of the collegial body. In cases when the company chooses not to set up a supervisory board, remuneration and audit committees should be entirely comprised of non-executive directors. Chairmanship and membership of the committees should be decided with due regard to the need to ensure that committee membership is refreshed and that undue reliance is not placed on particular individuals.</p>	Yes	

<p>4.10. Authority of each of the committees shall be determined by the collegial body. Committees shall perform their duties in line with authority delegated to them and inform the collegial body on their activities and performance on regular basis. Authority of every committee stipulating the role and rights and duties of the committee shall be made public at least once a year (as part of the information disclosed by the company annually on its corporate governance structures and practices). Companies shall also make public annually a statement by existing committees on their composition, number of meetings and attendance over the year, and their main activities. Audit committee shall confirm that it is satisfied with the independence of the audit process and describe briefly the actions it has taken to reach this conclusion.</p>	<p>Yes</p>	<p>Annual statement of the audit committee is presented to the Board and shareholders meeting.</p>
<p>4.11. In order to ensure independence and impartiality of the committees, members of the collegial body that are not members of the committee shall commonly have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or demand participation in the meeting of particular officers or experts. Chairman of each of the committees shall have a possibility to maintain direct communication with the shareholders. Events when such are to be performed shall be specified in the regulations for committee activities.</p>	<p>Yes</p>	
<p>4.12. Nomination Committee. 4.12.1. Key functions of the nomination committee shall be the following: 1) Identify and recommend, for the approval of the collegial body, candidates to fill board vacancies. The nomination committee shall evaluate the balance of skills, knowledge and experience on the management body, prepare a description of the roles and capabilities required to assume a particular office, and assess the time commitment expected. Nomination committee can also consider candidates to members of the collegial body delegated by the shareholders of the company; 2) Assess on regular basis the structure, size, composition and performance of the supervisory and management bodies, and make recommendations to the collegial body regarding the means of achieving necessary changes; 3) Assess on regular basis the skills, knowledge and experience of individual directors and report on this to the collegial body; 4) Properly consider issues related to succession planning; 5) Review the policy of the management bodies for selection and appointment of senior management. 4.12.2. Nomination committee shall consider proposals by other parties, including management and shareholders. When dealing with issues related to executive directors or members of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) and senior management, chief executive officer of the company shall be consulted by, and entitled to submit proposals to the nomination committee.</p>	<p>N/A</p>	
<p>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</p>	<p>N/A</p>	

<p>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;;</p> <p>3) Ensure that remuneration of individual executive directors or members of management body is proportionate to the remuneration of other executive directors or members of management body and other staff members of the company.</p> <p>4) Periodically review the remuneration policy for executive directors or members of management body, including the policy regarding share-based remuneration, and its implementation.</p> <p>5) Make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies;</p> <p>6) Assist the collegial body in overseeing how the company complies with applicable provisions regarding the remuneration-related information disclosure (in particular the remuneration policy applied and individual remuneration of directors);</p> <p>7) Make general recommendations to the executive directors and members of the management bodies on the level and structure of remuneration for senior management (as defined by the collegial body) with regard to the respective information provided by the executive directors and members of the management bodies.</p> <p>4.13.2. With respect to stock options and other share-based incentives which may be granted to directors or other employees, the committee should:</p> <p>1) Consider general policy regarding the granting of the above mentioned schemes, in particular stock options, and make any related proposals to the collegial body;</p> <p>2) Examine the related information that is given in the company’s annual report and documents intended for the use during the shareholders meeting;</p> <p>3) Make proposals to the collegial body regarding the choice between granting options to subscribe shares or granting options to purchase shares, specifying the reasons for its choice as well as the consequences that this choice has.</p> <p>4.13.3. Upon resolution of the issues attributable to the competence of the remuneration committee, the committee should at least address the chairman of the collegial body and/or chief executive officer of the company for their opinion on the remuneration of other executive directors or members of the management bodies.</p> <p>4.13.4. The remuneration committee should report on the exercise of its functions to the shareholders and be present at the annual general meeting for this purpose</p>		
<p>4.14. Audit Committee.</p> <p>4.14.1. Key functions of the audit committee shall be the following:</p> <p>1) Observe the integrity of the financial information provided by the company, in particular by reviewing the relevance and consistency of the accounting methods used by the company and its group (including the criteria for the consolidation of the accounts of companies in the group);</p> <p>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;</p> <p>3) Ensure the efficiency of the internal audit function, among other things, by making recommendations on the selection, appointment, reappointment and removal of the head of the internal audit department and on the budget of the department, and by monitoring the responsiveness of the management to its findings and recommendations. Shall there be no internal audit authority in the company, the need for one shall be reviewed at least annually;</p> <p>4) Make recommendations to the collegial body related with selection, appointment, reappointment and removal of the external auditor (to be done</p>	Yes	Audit committee established and approved by the shareholders’ meeting.

<p>by the general shareholders' meeting) and with the terms and conditions of his engagement. The committee shall investigate situations that lead to a resignation of the audit company or auditor and make recommendations on required actions in such situations;</p> <p>5) Monitor independence and impartiality of the external auditor, in particular by reviewing the audit company's compliance with applicable guidance relating to the rotation of audit partners, the level of fees paid by the company, and similar issues. In order to prevent occurrence of material conflicts of interest, the committee, based on the auditor's disclosed inter alia data on all remunerations paid by the company to the auditor and network, shall at all times monitor nature and extent of the non-audit services. Having regard to the principals and guidelines established in the 16 May 2002 Commission Recommendation 2002/590/EC, the committee shall determine and apply a formal policy establishing types of non-audit services that are (a) excluded, (b) permissible only after review by the committee, and (c) permissible without referral to the committee;</p> <p>6) Review efficiency of the external audit process and responsiveness of management to recommendations made in the external auditor's management letter.</p> <p>4.14.2. All members of the committee shall be furnished with complete information on particulars of accounting, financial and other operations of the company. Company's management shall inform the audit committee of the methods used to account for significant and unusual transactions where the accounting treatment may be open to different approaches. In such case a special consideration shall be given to company's operations in offshore centers and/or activities carried out through special purpose vehicles (organizations) and justification of such operations.</p> <p>4.14.3. The audit committee shall decide whether participation of the chairman of the collegial body, chief executive officer of the company, chief financial officer (or superior employees in charge of finances, treasury and accounting), or internal and external auditors in the meetings of the committee is required (if required, when). The committee shall be entitled, when needed, to meet with any relevant person without executive directors and members of the management bodies present.</p> <p>4.14.4. Internal and external auditors shall be secured with not only effective working relationship with management, but also with free access to the collegial body. For this purpose the audit committee shall act as the principal contact person for the internal and external auditors.</p> <p>4.14.5. The audit committee shall be informed of the internal auditor's work program, and shall be furnished with internal audit's reports or periodic summaries. The audit committee shall also be informed of the work program of the external auditor and shall be furnished with report disclosing all relationships between the independent auditor and the company and its group. The committee shall be timely furnished information on all issues arising from the audit.</p> <p>4.14.6. The audit committee shall examine whether the company is following applicable provisions regarding the possibility for employees to report alleged significant irregularities in the company, by way of complaints or through anonymous submissions (normally to an independent member of the collegial body), and shall ensure that there is a procedure established for proportionate and independent investigation of these issues and for appropriate follow-up action.</p> <p>4.14.7. The audit committee shall report on its activities to the collegial body at least once in every six months, at the time the yearly and half-yearly statements are approved.</p>		
---	--	--

<p>4.15. Every year the collegial body shall conduct the assessment of its activities. The assessment shall include evaluation of collegial body's structure, work organization and ability to act as a group, evaluation of each of the collegial body member's and committee's competence and work efficiency and assessment whether the collegial body has achieved its objectives. The collegial body shall, at least once a year, make public (as part of the information the company annually discloses on its management structures and practices) respective information on its internal organization and working procedures, and specify what material changes were made as a result of the assessment of the collegial body of its own activities.</p>	No	
<p>Principle V: The working procedure of the company's collegial bodies</p> <p>The working procedure of supervisory and management bodies established in the company shall ensure efficient operation of these bodies and decision-making and encourage active co-operation between the company's bodies.</p>		
<p>5.1. The company's supervisory and management bodies (hereinafter in this Principle the concept 'collegial bodies' covers both the collegial bodies of supervision and the collegial bodies of management) shall be chaired by chairpersons of these bodies. The chairperson of a collegial body is responsible for proper convocation of the collegial body meetings. The chairperson shall ensure that information about the meeting being convened and its agenda are communicated to all members of the body. The chairperson of a collegial body shall ensure appropriate conducting of the meetings of the collegial body. The chairperson shall ensure order and working atmosphere during the meeting.</p>	Yes	This regulation in the Company is realised by the Board.
<p>5.2. It is recommended that meetings of the company's collegial bodies shall be carried out according to the schedule approved in advance at certain intervals of time. Each company is free to decide how often to convene meetings of the collegial bodies, but it is recommended that these meetings shall be convened at such intervals, which would guarantee an interrupted resolution of the essential corporate governance issues. Meetings of the company's supervisory board shall be convened at least once in a quarter, and the company's board shall meet at least once a month.</p>	Yes	The Board sittings are convened at least once per quarter.
<p>5.3. Members of a collegial body shall be notified of the meeting being convened in advance in order to allow sufficient time for proper preparation for the issues on the agenda of the meeting and to ensure fruitful discussion and adoption of appropriate decisions. Alongside with the notice of the meeting, all the documents relevant to the issues on the agenda of the meeting shall be submitted to the members of the collegial body. The agenda of the meeting shall not be changed or supplemented during the meeting, unless all members of the collegial body are present or certain issues of great importance to the company require immediate resolution.</p>	Yes	
<p>5.4. In order to co-ordinate operation of the company's collegial bodies and ensure effective decision-making process, chairpersons of the company's collegial bodies of supervision and management shall closely co-operate by co-coordinating dates of the meetings, their agendas and resolving other issues of corporate governance. Members of the company's board shall be free to attend meetings of the company's supervisory board, especially where issues concerning removal of the board members, their liability or remuneration are discussed.</p>	Yes	The Board is doing the work that collegial body should do.
<p>Principle VI: The equitable treatment of shareholders and shareholder rights</p> <p>The corporate governance framework shall ensure the equitable treatment of all shareholders, including minority and foreign shareholders. The corporate governance framework shall protect the rights of the shareholders.</p>		

6.1. It is recommended that the company's capital shall consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all their holders.	Yes	Ordinary shares comprising the share capital provide equal rights to all shareholders of the Company.
6.2. It is recommended that investors shall have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.	Yes	
6.3. Transactions that are important to the company and its shareholders, such as transfer, investment, and pledge of the company's assets or any other type of encumbrance shall be subject to approval of the general shareholders' meeting. All shareholders shall be furnished with equal opportunity to familiarize with and participate in the decision-making process when significant corporate issues, including approval of transactions referred to above, are discussed.	Yes	The major shareholders have representatives in the Board which is the decision-maker.
6.4. Procedures of convening and conducting a general shareholders' meeting should ensure equal opportunities for the shareholders to effectively participate at the meetings and should not prejudice the rights and interests of the shareholders. The venue, date, and time of the shareholders' meeting should not hinder wide attendance of the shareholders.	Yes	All shareholders are informed about the date, place and time of the general meeting. The shareholders can get information on the meeting's agenda beforehand.
6.5. If it is possible, in order to ensure shareholders living abroad the right to access to the information, it is recommended that documents on the course of the general shareholders' meeting should be placed on the publicly accessible website of the company not only in Lithuanian language, but in English and /or other foreign languages in advance. It is recommended that the minutes of the general shareholders' meeting after signing them and/or adopted resolutions should be also placed on the publicly accessible website of the company. Seeking to ensure the right of foreigners to familiarize with the information, whenever feasible, documents referred to in this recommendation should be published in Lithuanian, English and/or other foreign languages. Documents referred to in this recommendation may be published on the publicly accessible website of the company to the extent that publishing of these documents is not detrimental to the company or the company's commercial secrets are not revealed.	Yes	
6.6. Shareholders shall be furnished with the opportunity to vote in the general shareholders' meeting in person and in absentia. Shareholders shall not be prevented from voting in writing in advance by completing the general voting ballot.	Yes	
6.7. With a view to increasing the shareholders' opportunities to participate effectively at shareholders' meetings, the companies are recommended to expand use of modern technologies by allowing the shareholders to participate and vote in general meetings via electronic means of communication. In such cases security of transmitted information and a possibility to identify the identity of the participating and voting person should be guaranteed. Moreover, companies could furnish its shareholders, especially shareholders living abroad, with the opportunity to watch shareholder meetings by means of modern technologies.	No	
<p>Principle VII: The avoidance of conflicts of interest and their disclosure</p> <p>The corporate governance framework shall encourage members of the corporate bodies to avoid conflicts of interest and assure transparent and effective mechanism of disclosure of conflicts of interest regarding members of the corporate bodies.</p>		

7.1. Any member of the company's supervisory and management body shall avoid a situation, in which his/her personal interests are in conflict or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory and management body shall, within reasonable time, inform other members of the same collegial body or the company's body that has elected him/her, or to the company's shareholders about a situation of a conflict of interest, indicate the nature of the conflict and value, where possible.	Yes	
7.2. Any member of the company's supervisory and management body may not mix the company's assets, the use of which has not been mutually agreed upon, with his/her personal assets or use them or the information which he/she learns by virtue of his/her position as a member of a corporate body for his/her personal benefit or for the benefit of any third person without a prior agreement of the general shareholders' meeting or any other corporate body authorized by the meeting.	Yes	
7.3. Any member of the company's supervisory and management body may conclude a transaction with the company, a member of a corporate body of which he/she is. Such a transaction (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions) must be immediately reported in writing or orally, by recording this in the minutes of the meeting, to other members of the same corporate body or to the corporate body that has elected him/her or to the company's shareholders. Transactions specified in this recommendation are also subject to recommendation 4.5.	Yes	
7.4. Any member of the company's supervisory and management body shall abstain from voting when decisions concerning transactions or other issues of personal or business interest are voted on.	Yes	
<p>Principle VIII: Company's remuneration policy</p> <p>Remuneration policy and procedure for approval, revision and disclosure of directors' remuneration established in the company shall prevent potential conflicts of interest and abuse in determining remuneration of directors, in addition it shall ensure publicity and transparency both of company's remuneration policy and remuneration of directors.</p>		
8.1. A company should make a public statement of the company's remuneration policy (hereinafter the remuneration statement) which should be clear and easily understandable. This remuneration statement should be published as a part of the company's annual statement as well as posted on the company's website.	N/A	
8.2. Remuneration statement shall mainly focus on directors' remuneration policy for the following year and, if appropriate, the subsequent years. The statement shall contain a summary of the implementation of the remuneration policy in the previous financial year. Special attention shall be given to any significant changes in company's remuneration policy as compared to the previous financial year.	N/A	

<p>8.3. Remuneration statement should leastwise include the following information:</p> <ol style="list-style-type: none"> 1) Explanation of the relative importance of the variable and non-variable components of directors' remuneration; 2) Sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration; 3) An explanation how the choice of performance criteria contributes to the long-term interests of the company; 4) An explanation of the methods, applied in order to determine whether performance criteria have been fulfilled; 5) Sufficient information on deferment periods with regard to variable components of remuneration; 6) Sufficient information on the linkage between the remuneration and performance; 7) The main parameters and rationale for any annual bonus scheme and any other non-cash benefits; 8) Sufficient information on the policy regarding termination payments; 9) Sufficient information with regard to vesting periods for share-based remuneration, as referred to in point 8.13 of this Code; 10) Sufficient information on the policy regarding retention of shares after vesting, as referred to in point 8.15 of this Code; 11) Sufficient information on the composition of peer groups of companies the remuneration policy of which has been examined in relation to the establishment of the remuneration policy of the company concerned; 12) A description of the main characteristics of supplementary pension or early retirement schemes for directors; 13) Remuneration statement should not include commercially sensitive information. 	N/A	
<p>8.4. Remuneration statement shall also summarize and explain company's policy regarding the terms of the contracts executed with executive directors and members of the management bodies. It shall include, inter alia, information on the duration of contracts with executive directors and members of the management bodies, the applicable notice periods and details of provisions for termination payments linked to early termination under contracts for executive directors and members of the management bodies.</p>	N/A	

<p>8.5. Remuneration statement shall also contain detailed information on the entire amount of remuneration, inclusive of other benefits, that was paid to individual directors over the relevant financial year. This document shall list at least the information set out in items 8.5.1 to 8.5.4 for each person who has served as a director of the company at any time during the relevant financial year.</p> <p>8.5.1. The following remuneration and/or emoluments-related information shall be disclosed:</p> <ol style="list-style-type: none"> 1) The total amount of remuneration paid or due to the director for services performed during the relevant financial year, inclusive of, where relevant, attendance fees fixed by the annual general shareholders meeting; 2) The remuneration and advantages received from any undertaking belonging to the same group; 3) The remuneration paid in the form of profit sharing and/or bonus payments and the reasons why such bonus payments and/or profit sharing were granted; 4) If permissible by the law, any significant additional remuneration paid to directors for special services outside the scope of the usual functions of a director; 5) Compensation receivable or paid to each former executive director or member of the management body as a result of his resignation from the office during the previous financial year; 6) Total estimated value of non-cash benefits considered as remuneration, other than the items covered in the above points. <p>8.5.2. As regards shares and/or rights to acquire share options and/or all other share-incentive schemes, the following information shall be disclosed:</p> <ol style="list-style-type: none"> 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. <p>8.5.3. The following supplementary pension schemes-related information shall be disclosed:</p> <ol style="list-style-type: none"> 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. <p>8.5.4. The statement shall also state amounts that the company or any subsidiary company or entity included in the consolidated annual financial statements of the company has paid to each person who has served as a director in the company at any time during the relevant financial year in the form of loans, advance payments or guarantees, including the amount outstanding and the interest rate.</p>	N/A	
<p>8.6. Where the remuneration policy includes variable components of remuneration, companies should set limits on the variable component(s). The non-variable component of remuneration should be sufficient to allow the company to withhold variable components of remuneration when performance criteria are not met.</p>	N/A	
<p>8.7. Award of variable components of remuneration should be subject to predetermined and measurable performance criteria.</p>	N/A	
<p>8.8. Where a variable component of remuneration is awarded, a major part of the variable component should be deferred for a minimum period of time.</p>	N/A	

The part of the variable component subject to deferment should be determined in relation to the relative weight of the variable component compared to the non-variable component of remuneration.		
8.9. Contractual arrangements with executive or managing directors should include provisions that permit the company to reclaim variable components of remuneration that were awarded on the basis of data which subsequently proved to be manifestly misstated.	N/A	
8.10. Termination payments should not exceed a fixed amount or fixed number of years of annual remuneration, which should, in general, not be higher than two years of the non-variable component of remuneration or the equivalent thereof.	No	
8.11. Termination payments should not be paid if the termination is due to inadequate performance	Yes	
8.12. The information on preparatory and decision-making processes, during which a policy of remuneration of directors is being established, should also be disclosed. Information should include data, if applicable, on authorities and composition of the remuneration committee, names and surnames of external consultants whose services have been used in determination of the remuneration policy as well as the role of shareholders' annual general meeting.	N/A	
8.13. Shares should not vest for at least three years after their award.	N/A	
8.14. Share options or any other right to acquire shares or to be remunerated on the basis of share price movements should not be exercisable for at least three years after their award. Vesting of shares and the right to exercise share options or any other right to acquire shares or to be remunerated on the basis of share price movements, should be subject to predetermined and easurable performance criteria	N/A	
8.15. After vesting, directors should retain a number of shares, until the end of their mandate, subject to the need to finance any costs related to acquisition of the shares. The number of shares to be retained should be fixed, for example, twice the value of total annual remuneration (the non-variable plus the variable components).	N/A	
8.16. Remuneration of non-executive or supervisory directors should not include share options.	N/A	
8.17. Shareholders, in particular institutional shareholders, should be encouraged to attend general meetings where appropriate and make considered use of their votes regarding directors' remuneration.	N/A	
8.18. Without prejudice to the role and organization of the relevant bodies responsible for setting directors' remunerations, the remuneration policy or any other significant change in remuneration policy shall be included into the agenda of the shareholders' annual general meeting. Remuneration statement shall be put for voting in shareholders' annual general meeting. The vote may be either mandatory or advisory.	N/A	
8.19. Schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements shall be subject to the prior approval of shareholders' annual general meeting by way of a resolution prior to their adoption. The approval of scheme shall be related with the scheme itself and not to the grant of such share-based benefits under that scheme to individual directors. All significant changes in scheme provisions shall also be subject to shareholders' approval prior to their adoption; the approval decision shall be made in shareholders' annual general meeting. In such case shareholders shall be notified on all terms of suggested changes and get an explanation on the impact of the suggested changes.	N/A	
8.20. The following issues shall be subject to approval by the shareholders' annual general meeting: 1) Grant of share-based schemes, including share options, to directors; 2) Determination of maximum number of shares and main conditions of share granting;	N/A	

<p>3) The term within which options can be exercised;</p> <p>4) The conditions for any subsequent change in the exercise of the options, if permissible by law;</p> <p>5) All other long-term incentive schemes for which directors are eligible and which are not available to other employees of the company under similar terms. Annual general meeting shall also set the deadline within which the body responsible for remuneration of directors may award compensations listed in this article to individual directors.</p>		
<p>8.21. Shall national law or company's Articles of Association allow, any discounted option arrangement under which any rights are granted to subscribe to shares at a price lower than the market value of the share prevailing on the day of the price determination, or the average of the market values over a number of days preceding the date when the exercise price is determined, shall also be subject to the shareholders' approval.</p>	N/A	
<p>8.22. Provisions of Articles 8.19 and 8.20 shall not be applicable to schemes allowing for participation under similar conditions to company's employees or employees of any subsidiary company whose employees are eligible to participate in the scheme and which has been approved in the shareholders' annual general meeting.</p>	N/A	
<p>8.23. Prior to the annual general meeting that is intended to consider decision stipulated in Article 8.19, the shareholders must be provided an opportunity to familiarize with draft resolution and project-related notice (the documents shall be posted on the company's website). The notice shall contain the full text of the share-based remuneration schemes or a description of their key terms, as well as full names of the participants in the schemes. Notice shall also specify the relationship of the schemes and the overall remuneration policy of the directors. Draft resolution must have a clear reference to the scheme itself or to the summary of its key terms. Shareholders must also be presented with information on how the company intends to provide for the shares required to meet its obligations under incentive schemes. It shall be clearly stated whether the company intends to buy shares in the market, hold the shares in reserve or issue new ones. There shall also be a summary on scheme-related expenses the company will suffer due to the anticipated application of the scheme. All information given in this article must be posted on the company's website.</p>	N/A	
<p>Principle IX: The role of stakeholders in corporate governance</p> <p>The corporate governance framework shall recognize the rights of stakeholders as established by law and encourage active co-operation between companies and stakeholders in creating the company value, jobs and financial sustainability. For the purposes of this Principle, the concept "stakeholders" includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interest in the company concerned.</p>		
<p>9.1. The corporate governance framework shall assure that the rights of stakeholders that are protected by law are respected.</p>	Yes	
<p>9.2. The corporate governance framework shall create conditions for the stakeholders to participate in corporate governance in the manner prescribed by law. Examples of mechanisms of stakeholder participation in corporate governance include: employee participation in adoption of certain key decisions for the company; consulting the employees on corporate governance and other important issues; employee participation in the company's share capital; creditor involvement in governance in the context of the company's insolvency, etc.</p>		
<p>9.3. Where stakeholders participate in the corporate governance process, they shall have access to relevant information.</p>		
<p>Principle X: Information disclosure and transparency</p>		

The corporate governance framework shall ensure that timely and accurate disclosure is made on all material information regarding the company, including the financial situation, performance and governance of the company.

<p>10.1. The company shall disclose information on:</p> <ol style="list-style-type: none"> 1) The financial and operating results of the company; 2) Company objectives; 3) Persons holding by the right of ownership or in control of a block of shares in the company; 4) Members of the company's supervisory and management bodies, chief executive officer of the company and their remuneration; 5) Material foreseeable risk factors; 6) Transactions between the company and connected persons, as well as transactions concluded outside the course of the company's regular operations; 7) Material issues regarding employees and other stakeholders; 8) Governance structures and strategy. <p>This list shall be deemed as a minimum recommendation, while the companies are encouraged not to limit themselves to disclosure of the information specified in this list.</p>	<p>Yes</p>	<p>Information about the company pointed out in these recommendations is disclosed in the following sources: annual report, financial statements and notes to the financial statements, announcements on acquisition/disposal of shareholdings, announcements on significant events through the information system of the Stock Exchange.</p>
<p>10.2. It is recommended that consolidated results of the whole group to which the company belongs shall be disclosed when information specified in item 1 of Recommendation 10.1 is under disclosure.</p>	<p>Yes</p>	
<p>10.3. It is recommended that information on the professional background, qualifications of the members of supervisory and management bodies, chief executive officer of the company shall be disclosed as well as potential conflicts of interest that may have an effect on their decisions when information specified in item 4 of Recommendation 10.1 about the members of the company's supervisory and management bodies is under disclosure. It is also recommended that information about the amount of remuneration received from the company and other income shall be disclosed with regard to members of the company's supervisory and management bodies and chief executive officer as per Principle VIII.</p>	<p>Yes</p>	
<p>10.4. It is recommended that information about the links between the company and its stakeholders, including employees, creditors, suppliers, local community, as well as the company's policy with regard to human resources, employee participation schemes in the company's share capital, etc. shall be disclosed when information specified in item 7 of Recommendation 10.1 is under disclosure.</p>	<p>Yes</p>	
<p>10.5. Information shall be disclosed in such a way that neither shareholders nor investors are discriminated with regard to the manner or scope of access to information. Information shall be disclosed to all simultaneously. It is recommended that notices about material events shall be announced before or after a trading session on the NASDAQ OMX Vilnius, so that all the company's shareholders and investors shall have equal access to the information and make informed investing decisions.</p>	<p>Yes</p>	<p>Information through the centralised information system is presented in the Lithuanian and English languages at the same time. Furthermore, the company aims to to announce the information before or after the trading session and provide it to all markets in which the company's shares are traded. Information which may influence the share price is not disclosed in any way until such information is publicly announced through the Stock Exchange information system.</p>

<p>10.6. Channels for disseminating information shall provide for fair, timely and cost-efficient access to relevant information by users. It is recommended that information technologies shall be employed for wider dissemination of information, for instance, by placing the information on the company's website. It is recommended that information shall be published and placed on the company's website not only in Lithuanian, but also in English, and, whenever possible and necessary, in other languages as well.</p>	<p>Yes</p>	
<p>10.7. It is recommended that the company's annual reports and other periodical accounts prepared by the company shall be placed on the company's website. It is recommended that the company shall announce information about material events and changes in the price of the company's shares on the Stock Exchange on the company's website too.</p>	<p>Yes</p>	
<p>Principle XI: The selection of the company's auditor</p> <p>The mechanism of the selection of the company's auditor shall ensure independence of the firm of auditor's conclusion and opinion.</p>		
<p>11.1. An annual audit of the company's financial reports and interim reports should be conducted by an independent firm of auditors in order to provide an external and objective opinion on the company's financial statements.</p>	<p>Yes</p>	
<p>11.2. It is recommended that the company's supervisory board and, where it is not set up, the company's board shall propose a candidate firm of auditors to the general shareholders' meeting.</p>	<p>Yes</p>	<p>The Company follows this regulation. The Board proposes an audit firm for election to the general shareholders meeting.</p>
<p>11.3. It is recommended that the company shall disclose to its shareholders the level of fees paid to the firm of auditors for non-audit services rendered to the company. This information shall be also known to the company's supervisory board and, where it is not formed, the company's board upon their consideration which firm of auditors to propose for the general shareholders' meeting.</p>	<p>Yes</p>	