TO: The Lithuanian Securities Commission
Konstitucijos pr.23
Vilnius LT-08105

14th April 2008

ENDORSEMENT BY THE RESPONSIBLE PERSONS

Pursuing Part 1 of Article 21 of the Law on Securities of the Republic of Lithuania, and rules prepared by the Lithuanian Securities Commission for preparation and announcement of periodical and supplementary information, we, the undersigned – the Chief Executive Officer Antanas Trumpa and the Chief Financial Officer Antanas Kavaliauskas – approve that the audited financial accounting of „Rokiskio suris“ for the year 2007, is formed in accordance with applicable international accounting standards valid in EU, is true and shows fair assets, obligations, financial state and profits of the Company and total consolidated group, and also that the annual report shows fair business environment as well as description of the company's performance including key risk factors and uncertainties which may be met by AB "Rokiskio sûris".

Attached: Consolidated financial audited report of AB "Rokiskio suris“ for the year 2007, prepared in accordance with the EU international accounting standards, also consolidated audited annual report of AB "Rokiskio sûris" and the company's disclosure of compliance with the Governance Code of the companies whose securities are traded on a regulated market.

Chief Executive Officer Antanas Trumpa

Chief Financial Officer Antanas Kavaliauskas

LIETUVOS RESPUBLIKA
Akcinė bendrovė
ROKIŠKIO SŪRIS
„ROKIŠKIO SŪRIS“
ROKIŠKIS

ROKIŠKIO SŪRIS AB

CONSOLIDATED AND

PARENT COMPANY'S FINANCIAL STATEMENTS,

ANNUAL REPORT AND

INDEPENDENT AUDITOR'S REPORT

31 DECEMBER 2007

CONTENTS

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Translation note

This version of our report/the accompanying documents is a translation from the original, which was prepared in Lithuanian language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Rokiškio sūris AB Group:

Report on the financial statements

We have audited the accompanying stand alone and consolidated financial statements (the "financial statements") of Rokiškio sūris AB (the "Company") and its consolidated subsidiaries (together the "Group") which comprise the stand alone and consolidated balance sheet as at 31 December 2007 and the stand alone and consolidated income statement, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

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

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

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

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

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Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company and the Group as of 31 December 2007, and their 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 Other Legal and Regulatory Requirements

Furthermore, we have read the Consolidated Annual Report for the year ended 31 December 2007 set out on pages 44 - 104 and have not noted any material inconsistencies between the financial information included in it and the audited financial statements for the year ended 31 December 2007.

On behalf of PricewaterhouseCoopers UAB

Christopher C. Butler
Partner

Rasa Radzevičienė
Auditor's Certificate No.000377

Vilnius, Republic of Lithuania
14 April 2008

(All tabular amounts are in LTL '000 unless otherwise stated)

Income statement

The Group				The Company	
Year ended 31 December				Year ended 31 December	
2007	**2006**		**Notes**	**2007**	**2006**
664,962	510,272	Sales	5	609,595	510,272
(549,020)	(444,341)	Cost of sales		(520,621)	(444,341)
115,942	65,931	**Gross profit**		88,974	65,931
(29,401)	(24,358)	Selling and marketing expenses	6	(15,948)	(24,358)
(40,328)	(21,936)	General and administrative expenses	7	(31,835)	(21,936)
10,801	7,872	Other income	8	13,570	7,872
(8,623)	(6,622)	Other expenses	9	(11,808)	(6,622)
394	(197)	Other operating (losses)/gains - net	10	383	(197)
48,785	20,690	**Operating profit**		43,336	20,690
(2,278)	(2,452)	Finance costs	12	(2,275)	(2,452)
46,507	18,238	**Profit before tax**		41,061	18,238
(12,269)	(5,217)	Income tax	13	(10,462)	(5,217)
34,238	13,021	**Net profit**		30,599	13,021
		Attributable to:			
34,238	13,021	Equity holders of the Company		30,599	13,021
-	-	Minority interest		-	-
34,238	13,021			30,599	13,021
0,81	0,30	**Diluted and basics earnings per share (LTL per share)**	14	0,72	0,30

The notes on pages 10 to 43 are an integral part of these financial statements.

The financial statements on pages 5 to 43 have been approved for issue by the Board of Directors as at 14 April 2008 and signed on their behalf by the Director and Chief Financial Officer.

Antanas Trumpa
Director

Antanas Kavaliauskas
Chief Financial Officer

(All tabular amounts are in LTL '000 unless otherwise stated)

Balance sheet

The Group				The Company	
As at 31 December				As at 31 December	
2007	2006		Notes	2007	2006
		ASSETS			
		Non-current assets			
113,451	122,822	Property, plant and equipment	15	86,950	122,822
3,815	547	Intangible assets	16	341	547
1,186	-	Investments	17	33,220	10
1,590	-	Deferred income tax asset	18	1,590	-
15,336	10,064	Loans granted	19	15,336	10,064
3,840	3,103	Other receivables	21	3,730	3,103
139,218	136,536			141,167	136,546
		Current assets			
104,195	102,703	Inventories	20	99,378	102,703
25,985	12,524	Loans granted	19	25,624	12,524
59,923	68,699	Trade and other receivables	21	55,023	68,699
-	1,625	Prepaid Income Tax		-	1,625
4,623	669	Cash and cash equivalents	22	1,041	659
194,726	186,220			181,066	186,210
333,944	322,756	**Total assets**		322,233	322,756
		EQUITY			
		Attributable to the equity holders of the Company			
42,716	47,462	Share capital	23	42,716	47,462
41,473	41,473	Share premium		41,473	41,473
14,394	30,000	Reserve for acquisition of treasury shares		14,394	30,000
(4,702)	(20,352)	Treasury shares	24	(4,702)	(20,352)
5,362	69,805	Other reserves	25	5,362	69,805
113,245	24,645	Retained earnings		109,606	24,645
212,488	193,033	**Total equity**		208,849	193,033
		LIABILITIES			
		Non-current liabilities			
504	-	Borrowings	26	459	-
5,946	6,703	Deferred income	27	4,422	6,703
6,450	6,703			4,881	6,703
		Current liabilities			
8,413	-	Income tax liabilities		6,584	
36,154	76,337	Borrowings	26	36,034	76,337
2,160	2,380	Deferred income	27	1,949	2,380
67,455	44,303	Trade and other payables	28	63,112	44,303
824	-	Provisions	29	824	
115,006	123,020			108,503	123,020
121,456	129,723	**Total liabilities**		113,384	129,723
333,944	322,756	**Total equity and liabilities**		322,233	322,756

The notes on pages 10 to 43 are an integral part of these financial statements.

(All tabular amounts are in LTL '000 unless otherwise stated)

The Company's statement of changes in equity

	Notes	Share capital	Share premium	Reserve for acquisition of treasury shares	Treasury shares	Other reserves	Retained earnings	Total
Balance at 1 January 2006		**47,462**	**41,473**	**10,000**	**(16,224)**	**69,805**	**41,900**	**194,416**
Net profit for the period		-	-	-	-	-	13,021	13,021
Total recognised income for 2006		**-**	**-**	**-**	**-**	**-**	**13,021**	**13,021**
Acquisition of own shares	24	-	-	-	(4,128)	-	-	(4,128)
Transfer to reserve for acquisition of treasury shares		-	-	20,000	-	-	(20,000)	-
Dividends relating to 2005		-	-	-	-	-	(10,276)	(10,276)
Balance at 31 December 2006		47,462	41,473	30,000	(20,352)	69,805	24,645	193,033
Net profit for the period		-	-	-	-	-	30,599	30,599
Total recognized income for 2007		**-**	**-**	**-**	**-**	**-**	**30,599**	**30,599**
Treasury shares acquisition	24	-	-	-	(4,702)	-	-	(4,702)
Decrease in share capital / cancellation of treasury shares	24	(4,746)	-	(15,606)	20,352	-	-	-
Transfer to legal reserve		-	-	-	-	651	(651)	-
Reallocation of unutilized distributable reserves	25	-	-	-	-	(65,094)	65,094	-
Dividends relating to 2006		-	-	-	-	-	(10,081)	(10,081)
Balance at 31 December 2007		**42,716**	**41,473**	**14,394**	**(4,702)**	**5,362**	**109,606**	**208,849**

The notes on pages 10 to 43 are an integral part of these financial statements.

(All tabular amounts are in LTL '000 unless otherwise stated)

The Group's statement of changes in equity

	Notes	Share capital	Share premium	Reserve for acquisition of treasury shares	Treasury shares	Other reserves	Retained earnings	Total
Balance at 1 January 2006		**47,462**	**41,473**	**10,000**	**(16,224)**	**69,805**	**41,900**	**194,416**
Net profit for the period		-	-	-	-	-	13,021	13,021
Total recognised income for 2006		**-**	**-**	**-**	**-**	**-**	**13,021**	**13,021**
Acquisition of own shares	24	-	-	-	(4,128)	-	-	(4,128)
Transfer to reserve for acquisition of treasury shares		-	-	20,000	-	-	(20,000)	-
Dividends relating to 2005		-	-	-	-	-	(10,276)	(10,276)
Balance at 31 December 2006		**47,462**	**41,473**	**30,000**	**(20,352)**	**69,805**	**24,645**	**193,033**
Net profit for the period		-	-	-	-	-	34,238	34,238
Total recognized income for 2007		**-**	**-**	**-**	**-**	**-**	**34,238**	**34,238**
Treasury shares acquisition	24	-	-	-	(4,702)	-	-	(4,702)
Decrease in share capital / cancellation of treasury shares	24	(4,746)	-	(15,606)	20,352	-	-	-
Transfer to legal reserve		-	-	-	-	651	(651)	-
Reallocation of unutilized distributable reserves	25	-	-	-	-	(65,094)	65,094	-
Dividends relating to 2006		-	-	-	-	-	(10,081)	(10,081)
Balance at 31 December 2007		**42,716**	**41,473**	**14,394**	**(4,702)**	**5,362**	**113,245**	**212,488**

The notes on pages 10 to 43 are an integral part of these financial statements.

(All tabular amounts are in LTL '000 unless otherwise stated)

Cash flow statement

The Group				The Company	
Year ended 31 December				Year ended 31 December	
2007	2006		Notes	2007	2006
		Cash flows from operating activities			
106,606	17,822	Cash generated from operations	30	99,230	17,822
(2,278)	(2,452)	Interest paid		(2,275)	(2,452)
(3,821)	(6,970)	Income tax paid		(3,843)	(6,970)
100,507	8,400	Net cash generated from operating activities		93,112	8,400
		Cash flows from investing activities			
(19,867)	(20,442)	Purchase of property, plant and equipment	15	(15,377)	(20,442)
(126)	(41)	Purchase of intangible assets	16	(126)	(41)
(8,347)	-	Purchase of investments (for the Group net of cash acquired)	17	(8,409)	-
(9,953)	(516)	Loans granted to farmers and employees		(9,753)	(516)
(13,270)	(1,529)	Other loans granted		(13,270)	(1,529)
2,263	134	Proceeds from sale of property, plant and equipment		1,396	134
3,505	300	Government Grants received		3,505	300
129	677	Other loan repayments received		129	677
3,466	2,929	Loan repayments from farmers and employees		3,466	2,929
348	594	Interest received		323	594
(41,851)	(17,894)	Net cash used in investing activities		(38,115)	(17,894)
		Cash flows from financing activities			
(10,081)	(10,276)	Dividends paid		(10,081)	(10,276)
(4,702)	(4,128)	Acquisition of treasury shares	23	(4,702)	(4,128)
(267,226)	38,135	Proceeds from borrowings		267,284	38,135
(299,066)	(25,232)	Repayments of borrowings		(299,066)	(25,232)
(20)	(260)	Finance lease principal payments		-	(260)
(46,643)	(1,761)	Net cash used in financing activities		(46,565)	(1,761)
12,013	**(11,255)**	**Net increase (decrease) in cash and cash equivalents**		**8,431**	**(11,255)**
(16,582)	(5,327)	Cash and cash equivalents at beginning of the year	20	(16,582)	(5,327)
(4,569)	**(16,582)**	**Cash and cash equivalents at end of the year**		**(8,151)**	**(16,582)**

The notes on pages 10 to 43 are an integral part of these financial statements.

(All tabular amounts are in LTL '000 unless otherwise stated)

Notes to the financial statements

1. General information

Rokiškio Sūris AB (hereinafter "the Company") is a public listed company incorporated in Rokiškis, 160 km North–West from Vilnius, the capital of Lithuania. Company's code 173057512, address: Pramonės St. 3, LT-42150 Rokiškis, Lithuania.

The shares of Rokiškio Sūris AB are traded on the Official List of the National Stock Exchange.

The consolidated Group (hereinafter "the Group") consists of the Company its two branches, six subsidiaries and one joint venture (2006: two branches and one subsidiary). The branches and subsidiaries that comprise consolidated Group are indicated below:

Branches	Operating as at 31 December 2007	2006
Utenos Pienas	Yes	Yes
Ukmergės Pieninė	Yes	Yes

Subsidiaries	Group's share (%) as at 31 December 2007	2006
Rokiškio pienas UAB	100	100
Skeberdis ir partneriai UAB	100	-
Skirpstas UAB	100	-
Žalmargė KB	100	-
*Batėnai UAB **	100	-
*Pečupė UAB **	100	-
Joint venture		
Pieno upės UAB	50	-

** These subsidiaries were not consolidated due to their insignificance.*

All the above-mentioned branches and subsidiary undertakings are incorporated in Lithuania.

The Company's and the Group's main line of business is the production of ferment cheese and a wide range of milk products. During 2006 the Company established a new legal entity Rokiškio pienas UAB with an objective to transfer its fresh milk products activity. Fresh milk products production activity was fully transferred in 2007 (Note 17).

Average number of Company's employees during the year ended 31 December 2007 was 1,192 people (2006: 1,620 people). Average number of Group's employees during the year ended 31 December 2007 was 1,738 people (2006: 1,620 people).

2. Accounting policies

2.1 Basis of preparation

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

The consolidated financial statements have been prepared under the historical cost convention.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(All tabular amounts are in LTL '000 unless otherwise stated)

The preparation of consolidated financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current event and actions, actual results ultimately may differ from those estimates (Note 4).

Standards, amendments to standards and interpretations effective in 2007

IFRS 7, Financial Instruments: Disclosures (effective for annual periods beginning on or after 1 January 2007), and the complementary Amendments to IAS 1, Presentation of Financial Statements–Capital disclosure were adopted by the Company in 2007. The IFRS 7 introduced new disclosures to improve the information about financial instruments, including about quantitative aspects of risk exposures and the methods of risk management. The new quantitative disclosures provide information about the extent of exposure to risk, based on information provided internally to the entity's key management personnel. Qualitative and quantitative disclosures cover exposure to credit risk, liquidity risk and market risk including sensitivity analysis to market risk. The Amendment to IAS 1 introduced disclosures about the level of an entity's capital and how it manages capital. The new disclosures are made in these financial statements.

Standards, amendments to standards and interpretations effective in 2007, but not relevant to the Company'sand Group's operations

The following standards, interpretations and amendments to published standards are mandatory for accounting periods beginning on or after 1 January 2007 but are either not relevant to the Companys and Group's operations or do not have a material effect on the financial statements:

- IFRS 4, Insurance Contracts
- IFRIC 7, Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies
- IFRIC 8, Scope of IFRS 2
- IFRIC 9, Reassessment of Embedded Derivative
- IFRIC 10, Interim Financial Reporting and Impairment

Early adoption of standards, interpretations and amendments to published standards

The Group and the Company has not elected to early adopt any new standards, interpretations and amendments to published standards.

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

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Company's and Group's accounting periods beginning on or after 1 January 2008 or later periods but which the Company and the Group has not early adopted:

- IAS 1, Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2009). The Company will apply this Standard with effect from 1 January 2009, however, it is not expected to have material effect on the Company's financial statements.
- IAS 23, Borrowing Costs, Amendment (effective for annual periods beginning on 1 January 2009). The Company will apply this Standard with effect from 1 January 2009; however, meanwhile this Standard is not relevant to the Company's operations since no borrowings are used to finance the construction of qualifying assets.
- IAS 27, Consolidated and Separate Financial Statements (reviewed in January 2008 and effective for annual periods beginning on or after 1 July 2009). Management plans to apply the new standard when it is effective.

- IFRS 3, Business Combinations (reviewed in January 2008 and applicable to business combinations, in which the acquisition date falls within the first annual period beginning on or after 1 July 2009). Management plans to apply the new standard when it is effective.
- Vesting Conditions and Cancellations – Amendment to IFRS 2, Share-based (issued in January 2008, effective for annual periods beginning on or after 1 January 2008). Management believe this Standard is not relevant to the Company's operations.
- IFRS 8, Operating Segments (effective for annual periods beginning on or after 1 January 2009). Management plans to apply the new standard when it is effective.
- IFRIC 11, IFRS 2 - Group and Treasury Share Transactions (effective for annual periods beginning on or after 1 March 2007). Management do not expect this interpretation to be relevant to the Company's operations.
- IFRIC 12 Service Concession Arrangements (effective for annual periods beginning on or after 1 January 2008). Management do not expect this interpretation to be relevant to the Company's operations.
- IFRIC 13, Customer Loyalty Programmes (effective for annual periods beginning on or after 1 July 2008). This Interpretation is not relevant to the Company.
- IFRIC 14, IAS 19 – The Limit on Defined Benefit Asset, Minimum Funding Requirement and their Interaction (effective for annual periods beginning on or after 1 January 2008). Management believe this Interpretation is not relevant to the Company's operations.
- IAS 32 and IAS 1 Amendment, Puttable financial instruments and obligations arising on liquidation (effective from 1 January 2009). Management does not expect the amendment to affect its stand alone and consolidated financial statements.

IFRIC 12, 13, 14 and amended IAS 1, IAS 23, IAS 27, IAS 32 as well as amended IFRS 2 and revised IFRS 3 have not been yet endorsed by the EU.

2.2 Consolidated financial statements

(a) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Transactions and minority interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the income statement.

(c) Joint venture

The group's interests in jointly controlled entities are accounted for by proportionate consolidation. The group combines its share of the joint ventures' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the group's financial statements. The group recognises the portion of gains or losses on the sale of assets by the group to the joint venture that is attributable to the other venturers. The group does not recognise its share of profits or losses from the joint venture that result from the group's purchase of assets from the joint venture until it resells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets, or an impairment loss.

2.3 Stand alone financial statements

Subsidiaries in the stand-alone financial statements are accounted at cost – that is the income from the investment is recognized only to the extent that the Company receives distributions from accumulated profits of the investee arising after the date of acquisition. Distributions received in excess such profits are regarded as a recovery of investment and are recognized as a reduction of the cost of the investment.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of the Company and each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Litas (LTL), which is the Company's (and each of the Group entity's) functional and presentation currency.

Litas is pegged to the Euro at an exchange rate of LTL 3.4528 = EUR 1 from 2 February 2002.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

(All tabular amounts are in LTL '000 unless otherwise stated)

2.5 Property, plant and equipment

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives.

Useful lives of property, plant and equipment are given in the table below:

Buildings	25-55 years
Plant & machinery	5-15 years
Motor vehicles	3-5 years
Equipment and other property, plant and equipment	3-8 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Interest costs on borrowings to finance the construction of property, plant and equipment are capitalised, during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed when incurred.

Construction in progress is transferred to appropriate groups of property, plant and equipment when it is completed and available for its intended use.

When property is retired or otherwise disposed, the cost and related depreciation are removed from the financial statements and any related gains or losses are determined by comparing proceeds with carrying amount and are included in operating profit.

2.6 Intangible assets

(a) Computer software
Software assets expected to provide economic benefit to the Company and the Group in future periods are valued at acquisition cost less subsequent amortisation. Software is amortised on the straight-line basis over the useful life of 1 to 5 years.

(b) Contractual Customer relationships
Contractual customer relationships recognized as intangible asset upon business acquisition (Note 30) are accounted for at cost less accumulated amortization and impairment. Contractual customer relationships are amortised on the straight-line basis over the estimated useful life of 2 years.

(All tabular amounts are in LTL '000 unless otherwise stated)

2.7 Impairment of non-financial assets

Assets that are subject to amortisation and depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

2.8 Financial assets

The Group classifies its financial assets in a category of loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as 'trade and other receivables' in the balance sheet.

2.9 Inventories

Inventories are stated at the lower of cost or net realisable value. Cost is determined by the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related indirect production overheads, but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

2.10 Trade and other amounts receivable

Amounts receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of amounts receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement within 'general and administrative expenses'. Bad debts are written off during the year in which they are identified as irrecoverable.

2.11 Cash and cash equivalents

Cash and cash equivalents are carried at nominal value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and at bank and bank overdrafts. Bank overdrafts are included in borrowings in current liabilities on the balance sheet.

2.12 Share capital

(a) Ordinary shares

Ordinary shares are stated at their par value. Consideration received for the shares sold in excess over their par value is shown as share premium. Incremental external costs directly attributable to the issue of new shares are accounted for as a deduction from share premium.

(b) Treasury shares

Where the Company or its subsidiaries purchase the Company's equity share capital, the consideration paid including any attributed incremental external costs is deducted from shareholders' equity as treasury shares until they are sold, reissued, or cancelled. No gain or loss is recognised in the income statement on the sale, issuance, or cancellation of treasury shares. Where such shares are subsequently sold or reissued, any consideration received is presented in the consolidated financial statements as a change in shareholders' equity.

2.13 Reserves

(a) Other reserves

Other reserves are established upon the decision of annual general meeting of shareholders on profit appropriation. These reserves can be used only for the purposes approved by annual general meeting of shareholders.

Legal reserve is included into other reserves. Legal reserve is compulsory under the Lithuanian regulatory legislation. Annual transfers of 5 per cent of net result are required until the reserve reaches 10 per cent of share capital. The legal reserve cannot be used for payment of dividends and it is established to cover future losses only.

(b) Reserve for acquisition of treasury shares

This reserve is maintained as long as the Group is involved in acquisition/disposal of its treasury shares. This reserve is compulsory under the Lithuanian regulatory legislation and should not be lower than the nominal value of treasury shares acquired.

2.14 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are
subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.15 Deferred income tax

Profit is taxable at a 15 per cent (2006: 15 per cent) set in accordance with Lithuanian regulatory legislation on taxation.

According to the newly adopted Lithuanian Provisional Law on Social Tax, social tax at the rate of 4 per cent for 2006 and at a rate of 3 per cent for 2007 should be paid on taxable income earned during 2006 and 2007 respectively.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.16 Leases – where the Group is the lessee

(a) Finance lease

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in long-term payables except for instalments due within 12 months which are included in current liabilities. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

(b) Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

2.17 Employee benefits

(a) Social security contributions

The Group pays social security contributions to the state Social Security Fund (the Fund) on behalf of its employees based on the defined contribution plan in accordance with the local legal requirements. A defined contribution plan is a plan under which the Group pays fixed contributions into the Fund and will have no legal or constructive obligations to pay further contributions if the Fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior period. Social security contributions are recognised as expenses on an accrual basis and included in payroll expenses.

(b) Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

(c) Bonus plans

The Group recognises a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

2.18 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminated sales within the Group. Revenue from sales of goods is recognised only when all significant risks and benefits arising from ownership of goods is transferred to the customer.

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

2.19 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

2.20 Earnings per share

Basic earnings per share are calculated by dividing net profit attributed to shareholders from average weighted number of ordinary registered shares in issue, excluding ordinary registered shares purchased by the Company and the Group and held as treasury shares.

2.21 Segment reporting

The Company's single business segment is production of cheese and other diary products, therefore, information on key business segment is not presented. The Group is organised on a basis of two main business segments: Fresh milk products and Cheese and other diary products. Secondary reporting format – geographical segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and return that are different from those of segments operating in other economic environments.

2.22 Government grants and subsidies

Government grants are recognised at fair value where there is sufficient evidence that the grant will be received and the Group will comply with all conditions attached.

Export subsidies paid by the Government for each exported tone of products meeting certain requirements are included in sales revenue.

Government grants received to finance acquisition of property, plant and equipment are included in deferred income in the balance sheet. They are recognised as income on a straight-line basis over the useful life of related property, plant and equipment.

2.23 Provisions

Provisions for restructuring costs and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.24 Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using effective interest method.

2.25 Comparatives

Comparative figures have been adjusted to conform to changes in presentation in the current year by reclassifying LTL 7,872 thousand from sales to other operating income (Note 8) and LTL 6,622 thousand from cost of sales to other operating expenses (Note 9) for the year ended 31 December 2006.
In the Company's and Group's balance sheet comparative figures have been adjusted to conform to changes in presentation in the current year by reclassifying LTL 10,064 thousand from non current other receivables to non current loans granted and LTL 12,524 thousand from current trade and other receivables to current loans granted as at 31 December 2006.

2.26 Demergers

A disposal of a part of the business may take place by means of a demerger to fully controlled legal entity (subsidiary). In such demerger no gain or loss arises on the disposal, because it is a transaction under common control and no control is passed away i.e. in substance the net assets are not disposed off. Total carrying amount of net assets transferred by the Parent Company is treated as investment into the subsidiary (i.e. at cost method in its stand-alone financial statements).

3. Financial risk management

3.1 Financial risk factors

The Group's activities are exposed to a variety of financial risks. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

Risk management is carried out by Group's management. No written principles for overall risk management are prepared.

(a) Market risk

(i) foreign exchange risk
The Group operates internationally, however, its exposure to foreign exchange risk is set at minimum level, since its sales outside Lithuania are performed in euros. The exchange rate of euro and litas is fixed.

(ii) Cash flow and fair value interest rate risk
The Group's and Company's interest rate risk arises from interest-bearing loans and long-term borrowings issued. Borrowings issued at a variable interest rate expose the Group to cash flow interest rate risk. Loans granted at a fixed interest rate expose the Group to fair value interest rate risk. In 2007 and 2006, loans granted by the Group at a fixed interest rate were denominated in euros. In 2007 and 2006, borrowings issued to the Group at a variable interest rate were denominated in litas and euros.

The Company's and the Group's net interest sensitive liabilities amounted to LTL 14,566 thousand as at 31 December 2007 (31 December 2006: LTL 68,725 thousand). As a result of increase in interest rate by 1 percentage point, the Company's and the Group's profit would decrease by LTL 146 thousand (2006: by LTL 687 thousand).

(All tabular amounts are in LTL '000 unless otherwise stated)

(b) Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks, as well as credit exposures to customers, mainly related to outstanding receivables.

As at 31 December 2007 and 2006 all Company's and Group's cash balances held in banks that had external credit ratings of 'A', or higher, as set by international Fitch Ratings agency (assessed in accordance with long-term borrowing ratings).

i) Maximum exposure to credit risk
The table below summarizes all balance sheet items that are related to credit risk. Maximum exposure to credit risk before collateral held or other credit enhancements as at 31 December:

The Group			The Company	
2007	**2006**		**2007**	**2006**
4,290	472	Cash and cash equivalents within the banks	753	472
53,945	52,325	Trade receivables	48,875	52,325
41,158	22,588	Loans granted	40,958	22,588
9,982	21,087	Other amounts receivables	9,880	21,087
109,375	**96,472**		**100,466**	**96,472**

ii) Credit quality of financial assets
The Group's management does not classify amounts receivables and other financial assets that are exposed to credit risk based on quality of the credit. Credit risk is managed through established credit limits for a major customers and monitoring of overdue receivables. Analysis of overdue receivables and credit limits is regularly monitored by management.

Credit limits and receivables as at 31 December 2007 for the major 9 customers are summarized below.

The Group			The Company	
Credit limit	Receivables		Credit limit	Receivables
3,000	1,258	Customer A	3,000	1,258
16,000	9,899	Customer B	16,000	9,899
2,200	1,188	Customer C	2,200	1,188
3,452	2,762	Customer D	3,452	2,762
4,000	3,321	Customer E	4,000	3,321
3,578	3,617	Customer F	-	-
8,715	9,167	Customer G	-	-
2,600	833	Customer H	2,600	833
2,600	738	Customer I	2,600	738

(All tabular amounts are in LTL '000 unless otherwise stated)

Credit limits and receivables as at 31 December 2006 for the major 7 customers are summarized below.

The Group			The Company	
Credit limit	Receivables		Credit limit	Receivables
3,000	2,398	Customer A	3,000	2,398
16,000	5,302	Customer B	16,000	5,302
2,200	1,587	Customer C	2,200	1,587
3,452	370	Customer D	3,452	370
4,000	1,442	Customer E	4,000	1,442
3,578	2,626	Customer F	3,578	2,626
8,715	6,853	Customer G	8,715	6,853

No credit limits were significantly exceeded during the reporting period.

The table below summaries concentration of the loans granted:

The Group			The Company	
2007	**2006**		**2007**	**2006**
25,545	7,351	Loans granted for amount of above LTL 2 million	25,545	7,351
3,691	3,639	Loans granted for amount above LTL 1 million but not more than LTL 2 million	3,691	3,639
12,085	11,598	Loans granted for amount less than LTL 1 million	11,724	11,598
41,321	22,588		40,960	22,588

Major part of loans granted for amount of above LTL 2 million comprise loan granted to related parties (Note 33).

(c) Liquidity risk

Prudent liquidity risk management allows maintaining sufficient cash and availability of funding under committed credit facilities.

The table below analyses the Group's and the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Accounts payable and other financial liabilities due within 3 months or less are equal to their carrying balances as the impact of discounting is insignificant.

The Company

31 December 2007	**Less than 3 months**	**From 3 to 12 months**	**From 1 to 5 years**	**After 5 years**
Bank loans	-	37,000	461	-
Trade payables	49,843	-	-	-
Other financial liabilities	562	-	-	-
	47,746	**37,000**	**461**	**-**

31 December 2006	**Less than 3 months**	**From 3 to 12 months**	**From 1 to 5 years**	**After 5 years**
Bank loans	11,899	66,960	-	-
Trade payables	40,150	-	-	-
	52,049	**66,960**	**-**	**-**

The Group

(All tabular amounts are in LTL '000 unless otherwise stated)

31 December 2007	Less than 3 months	From 3 to 12 months	From 1 to 5 years	After 5 years
Bank loans	-	37,126	509	-
Trade payables	52,176	-	-	-
Other financial liabilities	562	-	-	-
	52,738	**37,126**	**509**	**-**

31 December 2006	Less than 3 months	From 3 to 12 months	From 1 to 5 years	After 5 years
Bank loans	11,899	66,960	-	-
Trade payables	40,150	-	-	-
	55,317	**66,960**	**-**	**-**

3.2. Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group and Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group defines its capital as cash and cash equivalents, equity and debt.

As at 31 December The Group's and the Company's capital structure was as follows:

The Group 2007	The Group 2006		The Company 2007	The Company 2006
36,658	76,337	Total borrowings	36,493	76,337
(4,623)	(669)	Less: cash and cash equivalents	(1,041)	(659)
32,035	75,668	Net debt	35,452	75,678
212,488	193,033	Total Equity	208,849	193,033
244,523	268,701	Total capital	244,301	268,711

Pursuant to the Lithuanian Law on Companies the authorised share capital of a public company must be not less than LTL 100,000 (private limited liability company must be not less than LTL 10,000) and the shareholders' equity should not be lower than 50 per cent of the company's registered share capital. As at 31 December 2007 and 31 December 2006, the Company and Group complied with these requirements.

3.3. Fair value estimation

Trade payables and receivables accounted for in the balance sheet should be settled within a period shorter than three months, therefore it is deemed that their fair value equals to their carrying amount. Interest rate on the borrowings received by is subject to repricing at least every six months, therefore it is deemed that their fair value equals their carrying amount.

(All tabular amounts are in LTL '000 unless otherwise stated)

4. Critical accounting estimates and judgments

Impairment provision for accounts receivable

Impairment provision for accounts receivable was determined based on the management's estimates on recoverability and timing relating to the amounts that will not be collectable according to the original terms of receivables. This determination requires significant judgement. Judgement is exercised based on significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments. Current estimates of the Group could change significantly as a result of change in situation in the market and the economy as a whole. Recoverability rate also highly depends on success rate and actions employed relating to recovery of significantly overdue amounts receivable.

Estimates of useful lives of property, plant and equipment

The Group has old buildings and machinery, where the useful lives are estimated based on the projected product lifecycles. However, economic useful lives may differ from the currently estimated as a result of technical innovations and competitors actions.

Contractual client relationship

In 2007 the Group acquired several milk collecting intermediary companies. On acquisition of these companies (as disclosed in note 31) the Group recognized costumer relationship intangibles (note 16). Milk collecting business is a very competitive where contracts with farmers are normally signed for 1 year period only. The Group estimates that the average customer relationship period is 2 years; however actual duration of the relationship may differ from currently estimated.

5. Segment reporting

Primary reporting format – business segments

The Company's single business segment is production of cheese and other diary products.

The Group is organised on a basis of two main business segments:

- Fresh milk products
- Cheese and other diary products

Other operations of the Group mainly comprise of milk collecting activity which is not of a sufficient size to be reported separately. Transactions between the business segments are on normal commercial terms and conditions.

Segment information for the main reportable business segments of the Group for the years ended 31 December 2007 and 2006 is set out below:

(All tabular amounts are in LTL '000 unless otherwise stated)

	Fresh diary products	Cheese and other diary products	Other	Group
2007				
Sales – external	185,387	474,919	4,656	664,962
Sales to other segments	(125,575)	106,565	19,010	-
Total revenue				664,962
Segment result / Operating profit	**7,612**	**43,475**	**(2,302)**	**48,785**
Finance costs (Note 12)	-	-	-	(2,278)
Profit before income tax				46,507
Income tax expense	-	-	-	(12,269)
Profit /(loss) for the year				34,238
Total segment assets	**28,525**	**298,823**	**1,936**	**329,284**
Other unallocated assets	-	-	-	4,660
Total assets				**333,944**
Total segment liabilities	**10,713**	**110,489**	**304**	**121,506**
Capital expenditure	5,565	13,853	67	19,576
Depreciation and amortisation	2,275	22,637	73	24,985

	Fresh diary products	Cheese and other diary products	Other	Group
2006				
Sales – external	107,231	403,041	-	510,273
Segment result / Operating profit	**4,150**	**16,540**	**-**	**20,690**
Finance costs (Note 12)	-	-	-	(2,452)
Profit before income tax				18,238
Income tax expense	-	-	-	(5,217)
Profit /(loss) for the year				13,021
Total segment assets	**71,643**	**250,451**		**322,094**
Other unallocated assets	-	-	-	662
Total assets				**322,756**
Total segment liabilities	**21,469**	**99,909**	**-**	**121,378**
Capital expenditure	3,208	18,304	-	21,512
Depreciation and amortisation	2,373	23,615	-	25,988

(All tabular amounts are in LTL '000 unless otherwise stated)

Secondary reporting format – geographical segments

All the Company's assets are located in Lithuania. The Company's sales by markets can be analysed as follows:

	Sales		Total assets		Capital expenditure	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**
Lithuania	161,820	181,488	322,233	322,756	15,213	21,553
Europe Union countries	282,707	198,075	-	-	-	-
CIS countries	111,180	120,500	-	-	-	-
Other (including USA and Japan)	53,888	10,209	-	-	-	-
	609,595	510,272	322,233	322,756	15,213	21,553

All the Group's assets are located in Lithuania. The Group's sales by markets can be analysed as follows:

	Sales		Total assets		Capital expenditure	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**
Lithuania	210,911	181,488	333,944	322,756	19,702	21,553
Europe Union countries	288,983	198,075	-	-	-	-
CIS countries	111,180	120,500	-	-	-	-
Other (including USA and Japan)	53,888	10,209	-	-	-	-
	664,962	510,272	333,944	322,756	19,702	21,553

Sales are allocated based on the country in which the customers are located.

The Company's revenue analyzed by category:

	2007	**2006**
Sales of goods	582,329	487,223
Export subsidies	6,558	21,040
Services rendered	20,708	9,881
	609,595	518,144

The Group's revenue analyzed by category:

	2007	**2006**
Sales of goods	657,173	487,223
Export subsidies	6,558	21,040
Services rendered	1,231	2,009
	664,962	510,272

Pursuant to European Commission Regulation *On definition of compensation for milk and milk product export costs*, with effect from 1 May 2004 the Company is entitled to receive subsidies for cheese exported to the countries specified in the Regulation. Export subsidies are paid for each tone of exported products that meet certain requirements attached to the Regulation. Export subsidies receivable are recorded under amounts trade and other receivables (Note 21).

(All tabular amounts are in LTL '000 unless otherwise stated)

6. Selling and marketing expenses

The Group 2007	The Group 2006		The Company 2007	The Company 2006
6,777	7,154	Marketing services	52	7,154
7,325	5,832	Payroll expenses	3,907	5,832
6,700	4,733	Transportation services	5,671	4,733
1,467	1,774	Product image creation and advertising expenses	388	1,774
2,597	1,752	Repair and maintenance	2,067	1,752
1,290	1,315	Depreciation of property, plant and equipment	1,175	1,315
115	142	Warehousing services	115	142
3,130	1,656	Other expenses	2,573	1,656
29,401	24,358		15,948	24,358

7. General and administrative expenses

The Group 2007	The Group 2006		The Company 2007	The Company 2006
7,956	6,814	Payroll expenses	5,409	6,814
328	371	Taxes (other than income tax)	254	371
3,798	2,773	Impairment and write-offs of loans and receivables	3,025	2,773
1,271	765	Consulting expenses	803	765
3,678	1185	Depreciation of property, plant and equipment	1,302	1,185
913	581	Repair and maintenance	802	581
11,567	4,200	Paid and accrued bonuses	11,567	4,200
523	80	Telecommunication and IT maintenance expenses	411	80
300	324	Insurance expenses	281	324
1,603	54	Write-offs of property, plant and equipment	1,102	54
264	212	Bank charges	229	212
610	746	Business trips	522	746
1,050	191	Fines	831	191
320	167	Training of employees	302	167
138	140	Membership fees	141	140
1,805	139	Charity, support	1,764	139
-	-	Impairment and write-offs of amounts receivable	-	-
4,204	3,194	Other expenses	3,090	3,194
40,328	21,936		31,835	21,936

8. Other income

The Group 2007	The Group 2006		The Company 2007	The Company 2006
8,061	6,161	Re-sale of goods	10,888	6,161
1,234	291	Interest income	1,208	291
1,506	1,420	Other income	1,474	1,420
10,801	7,872		13,570	7,872

(All tabular amounts are in LTL '000 unless otherwise stated)

9. Other expenses

The Group 2007	The Group 2006		The Company 2007	The Company 2006
8,070	6,125	Cost of goods resold	10,889	6,125
553	497	Other costs	919	497
8,623	6,622		11,808	6,622

10. Other operating (losses)/gains - net

The Group 2007	The Group 2006		The Company 2007	The Company 2006
394	(155)	Loss on disposal of property, plant and equipment (Note 32)	383	(155)
-	(42)	Other	-	(42)
394	(197)		383	(197)

11. Expenses by nature

The Group 2007	The Group 2006		The Company 2007	The Company 2006
422,384	360,701	Raw materials and consumables used	405,724	360,701
(11,304)	(31,096)	Changes in inventories of finished goods and work in progress	(9,746)	(31,096)
45,543	36,107	Salaries	37,301	36,107
12,562	9,916	Social security costs	8,051	9,916
27,635	28,713	Transportation services	32,104	28,713
27,440	25,988	Depreciation and amortization	22,716	25,988
(2,250)	(2,179)	Amortization of grant for property, plant and equipment (Note 27)	(2,152)	(2,179)
6,777	7,154	Marketing services	52	7,154
12,041	7,821	Repair and maintenance	13,014	7,821
-	-	Cost of finished goods resold (Intercompany)	3,635	-
468	577	Taxes (other than income tax)	432	577
1,271	765	Consulting expenses	803	765
660	223	Telecommunication and IT maintenance expenses	584	223
75,502	45,945	Other	55,886	45,945
618,749	490,635	Total cost of sales, selling and marketing expenses and general and administrative expenses	568,404	490,635

12. Finance costs

The Group 2007	The Group 2006		The Company 2007	The Company 2006
		Interest expense:		
(2,277)	(2,432)	– bank borrowings	(2,275)	(2,432)
(1)	(20)	– finance leases	-	(20)
(2,278)	(2,452)		(2,275)	(2,452)

(All tabular amounts are in LTL '000 unless otherwise stated)

13. Income tax

The Group 2007	The Group 2006		The Company 2007	The Company 2006
(13,859)	(5,217)	Current tax	(12,016)	(5,217)
1,590	-	Deferred tax (Note 18)	1,590	-
(12,269)	(5,217)		(10,426)	(5,217)

The tax on the Company's and Group's profit before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

The Group 2007	The Group 2006		The Company 2007	The Company 2006
46,507	18,238	Profit before tax	41,061	18,238
8,371	3,465	Tax calculated at a tax rate of 18 per cent (2006: 19 per cent) (Note 2.14)	7,391	3,465
5,035	1,825	Tax non-deductible expenses	4,172	1,825
(151)	(32)	Income not subject to tax	(151)	(32)
(594)	(34)	Charity expenses deductible twice for tax purposes	(594)	(34)
(392)	(7)	Other	(392)	(7)
12,269	5,217	Tax charge	10,426	5,217

The tax authorities have carried out full-scope tax audits at the Company for the year 2001. The tax authorities may at any time inspect the books and records within 5 years subsequent to the reported tax year, and may impose additional tax assessments and penalties. The Company's management is not aware of any circumstances which may give rise to a potential material liability in this respect.

14. Earnings per share

The Group 2007	The Group 2006		The Company 2007	The Company 2006
34,238	13,021	Net profit attributable to shareholders	30,599	13,021
42,325	43,267	Weighted average number of ordinary shares in issue (thousands)	42,325	43,267
0.81	0.30	Basic earnings per share (LTL per share)	0.72	0.30

The Group has no dilutive potential ordinary shares, therefore, the diluted earnings per share are the same as basic earnings per share.

(All tabular amounts are in LTL '000 unless otherwise stated)

15. Property, plant and equipment

The Company

	Buildings	Plant & machinery	Vehicles, equipment & other	Construction in progress	Total
At 1 January 2006					
Cost	47,354	130,827	65,455	1,862	245,498
Accumulated depreciation	(10,378)	(67,710)	(40,397)	-	(118,485)
Net book amount	36,976	63,117	25,058	1,862	127,013
Year ended 31 December 2006					
Opening net book amount	36,976	63,117	25,058	1,862	127,013
Additions	99	10,113	5,410	5,890	21,512
Disposals	(150)	(68)	(71)	-	(289)
Write-offs	(2)	(6)	(46)	-	(54)
Transfers from CIP	332	1,288	593	(2,213)	-
Depreciation charge	(1,874)	(15,576)	(7,910)	-	(25,360)
Closing net book amount	35,381	58,868	23,034	5,539	122,822
At 31 December 2006					
Cost	47,609	141,147	69,947	5,539	264,242
Accumulated depreciation	(12,228)	(82,279)	(46,913)	-	(141,420)
Net book amount	35,381	58,868	23,034	5,539	122,822
Year ended 31 December 2007					
Opening net book amount	35,381	58,868	23,034	5,539	122,822
Additions	122	8,087	5,534	1,344	15,087
Disposals	(179)	(723)	(111)	-	1,013
Contribution to subsidiaries share capital (Note 17)	(12,489)	(10,567)	(1,710)	-	(24,766)
Write-offs	(251)	(27)	(1,173)	(1,309)	(2,760)
Transfers from CIP	1,805	3,114	635	(5,572)	-
Depreciation charge	(1,557)	(13,893)	(6,970)	-	(22,419)
Closing net book amount	22,832	44,859	19,257	2	86,950
At 31 December 2007					
Cost	32,612	116,315	67,200	2	216,130
Accumulated depreciation	9,781	71,456	47,943	-	129,180
Net book amount	22,832	44,859	19,257	2	86,950

(All tabular amounts are in LTL '000 unless otherwise stated)

The Group

	Buildings	Plant & machinery	Vehicles, equipment & other	Construction in progress	Total
At 1 January 2006					
Cost	47,354	130,827	65,455	1,862	245,498
Accumulated depreciation	(10,378)	(67,710)	(40,397)	-	(118,485)
Net book amount	36,976	63,117	25,058	1,862	127,013
Year ended 31 December 2006					
Opening net book amount	36,976	63,117	25,058	1,862	127,013
Additions	99	10,113	5,410	5,890	21,512
Disposals	(150)	(68)	(71)	-	(289)
Write-offs	(2)	(6)	(46)	-	(54)
Transfers from CIP	332	1,288	593	(2,213)	-
Depreciation charge	(1,874)	(15,576)	(7,910)	-	(25,360)
Closing net book amount	35,381	58,868	23,034	5,539	122,822
At 31 December 2006					
Cost	47,609	141,147	69,947	5,539	264,242
Accumulated depreciation	(12,228)	(82,279)	(46,913)	-	(141,420)
Net book amount	35,381	58,868	23,034	5,539	122,822
Year ended 31 December 2007					
Opening net book amount	35,381	58,868	23,034	5,539	122,822
Acquisition of subsidiaries (Note 30)	687	118	417	67	1,289
Additions	128	9,923	5,791	3,734	19,576
Disposals	(179)	(1,579)	(111)	-	(1,869)
Write-offs	(267)	(1,629)	(177)	(1,309)	(3,382)
Transfers from CIP	2,123	5,184	655	(7,962)	-
Depreciation charge	(1,894)	(15,837)	(7,254)	-	(24,985)
Closing net book amount	35,979	55,048	22,355	69	113,451
At 31 December 2007					
Cost	46,428	127,842	71,416	69	245,755
Accumulated depreciation	(10,449)	(72,794)	(49,061)	-	(132,304)
Net book amount	35,979	55,048	22,355	69	113,451

As at 31 December 2007, certain property, plant and equipment with a carrying value of LTL 58,407 thousand (31 December 2006: LTL 54,624 thousand) have been pledged as security for bank borrowings.

Depreciation expenses of property, plant and equipment are included in selling and marketing expenses, general and administrative expenses and cost of sales in the income statement, and in work in progress and finished goods in the balance sheet.

No borrowing costs were capitalised during the years ended 31 December 2007 and 31 December 2006.

(All tabular amounts are in LTL '000 unless otherwise stated)

16. Intangible assets

The Comapny

	Software
At 1 January 2006	
Cost	2,075
Accumulated amortisation	(940)
Net book amount	1,135
Year ended 31 December 2006	
Opening net book amount	1,135
Additions	41
Write-offs	(1)
Amortisation charge	(628)
Closing net book amount	547
At 31 December 2006	
Cost	2,039
Accumulated amortisation	(1,492)
Net book amount	547
Year ended 31 December 2007	
Opening net book amount	547
Additions	126
Contribution to subsidiaries share capital (Note 17)	(35)
Amortisation charge	(297)
Closing net book amount	341
At 31 December 2007	
Cost	1,712
Accumulated amortisation	(1,371)
Net book amount	341

(All tabular amounts are in LTL '000 unless otherwise stated)

The Group	Client contractual relationships	Software	Total
At 1 January 2006			
Cost	-	2,075	2,075
Accumulated amortisation	-	(940)	(940)
Net book amount	-	1,135	1,135
Year ended 31 December 2006			
Opening net book amount	-	1,135	1,135
Additions	-	41	41
Write-offs	-	(1)	(1)
Amortisation charge	-	(628)	(628)
Closing net book amount	-	547	547
At 31 December 2006			
Cost	-	2,039	2,039
Accumulated amortisation	-	(1,492)	(1,492)
Net book amount	-	547	547
Year ended 31 December 2007			
Opening net book amount	-	547	547
Acquisition of subsidiaries (Note 31)	5,597	-	5,597
Additions	-	126	126
Amortisation and impairment charge	(2,123)	(332)	(2,455)
Closing net book amount	3,474	341	3,815
At 31 December 2007			
Cost	5,597	1,712	7,309
Accumulated amortisation	(2,123)	(1,371)	(3,494)
Net book amount	3,474	341	3,815

Amortisation expenses of software and other intangible assets are included in general and administrative expenses in the income statement.

17. Investment in subsidiaries

The Company's investments into subsidiaries and joint venture are accounted for at cost in stand-alone financial statements.

During the year 2007 the Company increased cost of investment in Rokiškio pienas UAB by contributing property, plant and equipment with the net book value of LTL 24,766 thousand (Note 15) and intangibles with the net book value of LTL 35 thousand (Note 16). Furthermore the Company acquired 5 new subsidiaries (Skeberdis ir partneriai UAB, Skirpstas UAB, Žalmargė KB, *Batėnai UAB *, Pečupė UAB **) and 1 joint venture (Pieno upės). Investments in subsidiaries as of 31 December are summarized in the table below:

	2007	2006
Rokiškio pienas UAB	24,811	10
New subsidriaries and Joint venture acquired	8,409	-
	33,220	10

* These subsidiaries were not included in consolidated financial statements due to their insignificance and are accounted for at cost in the consolidated financial statememnts.

(All tabular amounts are in LTL '000 unless otherwise stated)

18. Deferred income tax

Deferred Tax asset was recognized on Inventory net realizable value adjustment accounted (See Note 20). All amount of deferred tax asset accounted to be recovered within the 12 months period.

19. Loans granted

The Group 2007	The Group 2006		The Company 2007	The Company 2006
16,461	10,218	Long-term loans to farmers	16,461	10,218
460	676	Long-term loans to employees	460	676
653	-	Other long-term loans	653	-
(2,238)	(830)	Less: provision for impairment of loans receivable	(2,238)	(830)
15,336	10,064	Long-term loans net	15,336	10,064
4,340	4,800	Current portion of loans to farmers	4,294	4,800
708	128	Current portion of loans to employees	708	128
20,937	9,796	Other short term loans granted	20,622	9,796
-	(2,200)	Less: provision for impairment of other amounts receivables	-	(2,200)
25,985	12,524	Current portion of long term loans and short term loans net	25,624	12,524

Loans to farmers were granted with repayment terms ranging from 1 to 15 years. The annual interest rate ranges from 1 to 10 per cent. Effective interest rate was 7.74 per cent (2006: 7.56 per cent).

Long-term loans to employees were granted with repayment terms ranging from 5 to 25 years. The loans are interest free. Effective interest rate was 9.56 per cent (2006: 10.90 per cent).

Loans to employees and farmers include a certain amount of loans granted to Directors and Board member of the Group (Note 32).

As at 31 December 2007 fair value of loans granted to employees amounted to LTL 1,083 thousands (2006: LTL 769 thousands). As at 31 December 2007 fair value of loans granted to farmers as at 31 December amounted to LTL 14,397 thousand (2006: LTL 11,236 thousands).

The information of loans receivable overdue as at 31 December is provided in the table below:

The Group 2007	The Group 2006		The Company 2007	The Company 2006
37,238	17,100	Loans granted not past due	36,922	17,100
4,038	5,488	Loans granted past due but not impaired	4,038	5,488
2,238	828	Impaired loans granted	2,238	828
43,559	23,416	Gross value of loans granted	43,198	23,416
(2,238)	(828)	Impairment	(2,238)	(828)
41,321	22,588	Net value	40,960	22,588

(All tabular amounts are in LTL '000 unless otherwise stated)

20. Inventories

The Group 2007	The Group 2006		The Company 2007	The Company 2006
7,072	5,572	Raw materials	3,994	5,572
18,489	10,776	Work in progress	18,489	10,776
85,381	81,790	Finished goods	83,820	81,790
3,855	4,565	Other inventory	3,677	4,565
114,797	102,703	Total inventories at cost	109,980	102,703
(10,602)	-	Less: write-down to net realizable value	(10,602)	-
104,195	102,703	Total inventories	99,378	102,703

As at 31 December 2007, inventories with cost of LTL 37,336 thousand (as at 31 December 2006: LTL 45,336 thousand) have been pledged as security for bank borrowings.

As at 31 December 2007, inventories (fat-free powdered milk and concentrate of whey protein) with cost of LTL 6,090 thousand (as at 31 December 2006: none) was in the custody of Girtekos Logistika UAB.

21. Trade and other receivables

The Group 2007	The Group 2006		The Company 2007	The Company 2006
		Non current receivables		
3,840	3,088	Prepayments	3,730	3,088
-	15	Other	-	15
3,840	3,103		3,730	3,103
		Current receivables		
53,945	52,325	Trade receivables	48,875	52,325
5,358	3,541	VAT receivable	5,537	3,541
64	9,912	Export subsidies receivable	64	9,912
-	2,232	Grant receivable	-	2,232
556	689	Prepayments and deferred charges	547	689
59,923	68,699		55,023	68,699

As at 31 December 2007, trade accounts receivable for LTL 17,087 thousand (as at 31 December 2006: LTL 14,972 thousand) have been pledged as security for bank borrowings.

Current portion of long-term receivables and other amounts receivable include a certain amount of loans and other receivables from related parties (Note 32).

The information on receivables overdue is provided in the table below:

The Group 2007	The Group 2006		The Company 2007	The Company 2006
44,200	35,610	Trade receivables that were not past due neither impaired	39,326	35,610
9,745	16,715	Trade receivables that were past due but not impaired	9,549	16,715
53,945	52,325	Gross value	48,875	52,325
-	-	Impairment	-	-

(All tabular amounts are in LTL '000 unless otherwise stated)

53,945	52,325	Net value	48,875	52,325

The Group has received no collateral as security in relation to impaired amounts receivable.

Trade receivables that are less than 360 days past due are not considered impaired if the Company does not posses other negative information about the customers. The ageing analysis of trade receivables past due but not impaired as at 31 December is as follows:

The Group			The Company	
2007	2006		2007	2006
8,336	13,473	Up to 30 days	8,140	13,473
1,306	2,467	31 to 60 days	1,306	2,467
88	771	61 to 180 days	88	771
15	4	More than 181 days	15	4
9,745	16,715		9,549	16,715

22. Cash and cash equivalents

The Group 31 December			The Company 31 December	
2007	2006		2007	2006
4,623	669	Cash in bank and on hand	1,041	659
4,623	669		1,041	659

As at 31 December 2007 cash in certain bank accounts and future cash inflows into these accounts up to LTL 9,156 thousand (2006: LTL 14,250 thousand) have been pledged as security for bank borrowings.

No Group's cash balance were frozen as at 31 December 2007 (2006: LTL 872 thousand), for the payment guarantees issued.

For the purposes of the cash flow statement, the cash and cash equivalents comprise the following:

The Group			The Company	
2007	2006		2007	2006
4,623	669	Cash and bank balances	1,041	669
(9,192)	(17,251)	Bank overdrafts (Note 26)	(9,192)	(17,251)
(4,569)	(16,582)		(8,151)	(16,582)

23. Share capital

As at 31 December 2007, the share capital was comprised of 42,716,000 ordinary registered shares with par value of LTL 1 each (31 December 2006: 4,746,270 ordinary registered shares with par value of LTL 10 each). On 29 October 2007 the Company's each ordinary share with par value of LTL 10 was spitted into 10 ordinary shares with par value of LTL 1. All the shares are fully paid. For changes in share capital during the year see Note 24.

(All tabular amounts are in LTL '000 unless otherwise stated)

24. Treasury shares

	2007		2006	
	Number	**Amount**	**Number**	**Amount**
At beginning of year	474,617	20,352	392,047	16,224
Cancelation of treasury shares	(474,617)	(20,352)	-	-
Additions	78,365	4,702	82,570	4,128
	78,365	4,702	474,617	20,352
Split of shares *	783,650	4,702	-	-
At end of year	783,650	4,702	474,617	20,352

On 22 December 2006 the Company's shareholders made a decision to reduce the Company's authorized share capital by LTL 4,746 thousand through cancellation of 474,617 own shares previously purchased. Appropriate amendments were made to the Company's Articles of Association in 2007.

* On 29 October 2007 the Company's each share with par value of LTL 10 was spitted into 10 ordinary shares with par value of LTL 1.

25. Other reserves

	2007	2006
Distributable reserve	-	65,091
Non-distributable reserve	5,362	4,714
	5,362	69,805

Based on decision of the Company's shareholders distributable reserves not utilized and amounting to LTL 65,091 thousand were reallocated to the retained earnings.

Non-distributable reserves of LTL 3,593 thousand can only be used for share capital increase and non-distributable reserves of LTL1,121 thousand (legal reserve) can only be used for offsetting future operating losses, if any.

The dividends, declared in respect of 2006 and 2005 and paid in 2007 and 2006, amounted to LTL 10,081 thousand and LTL 10,276 thousand, respectively, which is LTL 2,36 per share. There were no dividends proposed or declared in respect of 2007 as at the date of approval of these financial statements.

(All tabular amounts are in LTL '000 unless otherwise stated)

26. Borrowings

The Group 2007	The Group 2006		The Company 2007	The Company 2006
		Current		
25,078	59,086	Short-term bank borrowings	25,000	59,086
9,192	17,251	Bank overdrafts	9,192	17,251
1,830	-	Current portion of long-term bank borrowings	1,830	-
54	-	Finance lease liabilities	12	-
36,154	76,337		36,034	76,337
		Non-current		
459	-	Long-term bank borrowings	459	-
45	-	Finance lease liabilities	-	-
504	-		459	-
36,658	76,337	**Total borrowings**	36,493	76,337

The bank borrowings are secured over certain of the property, plant and equipment (Note 17), inventories (Note 20), trade receivables (Note 21), cash in certain bank accounts (Note 22) and a bill of exchange issued for LTL 13,811 thousand (2006: LTL 13,811 thousand).

Weighted average interest rates effective as at 31 December (per cent) were as follows:

The Group 2007	The Group 2006		The Company 2007	The Company 2006
5.75	-	Long-term bank borrowings	5.75	-
5.67	4.04	Short-term bank borrowings	5.67	4.04
4.33	4.33	Finance lease liabilities	4.33	4.33
5.94	4.31	Bank overdrafts	5.94	4.31

As at 31 December the carrying amounts of the Group's borrowings (excluding finance lease liabilities) are denominated in the following currencies:

The Group 2007	The Group 2006		The Company 2007	The Company 2006
36,493	55,718	Euro	36,493	55,718
165	20,619	Litas	-	20,619
36,658	76,337		36,493	76,337

Fair value of borrowings approximates to their carrying values due to fact that interest rate on the borrowings received is subject to repricing at least every six months.

(All tabular amounts are in LTL '000 unless otherwise stated)

27. Deferred income

The Group 2007	The Group 2006		The Company 2007	The Company 2006
9,083	8,730	Government grants at beginning of year	9,083	8,730
1,273	2,532	Government grants recognised	1,273	2,532
-	-	Government grants transferred*	(1,833)	-
(2,250)	(2,179)	Credited to income statement	(2,152)	(2,179)
8,106	9,083		6,371	9,083
(5,946)	(6,703)	Less non-current portion	(4,422)	(6,703)
2,160	2,380	Current portion	1,949	2,380

* Government grants amounting to LTL 1,833 thousand related property, plant and equipment transferred to Rokiškio pienas UAB (Note 15). Transfer was made by settlement with intercompany receivables.

Deferred grants are related to acquisition of property, plant and equipment and are donated by the European Union funds and Lithuanian Government under the SAPARD and other programmes. The Company and the Group has no obligation to repay or otherwise refund the grants received unless it breaches the contractual provisions contained in the agreements concluded with the grantors.

28. Trade payables and other amounts payable

The Group 31 December 2007	The Group 31 December 2006		The Company 31 December 2007	The Company 31 December 2006
52,176	40,150	Trade payables	49,843	40,150
3,531	2,892	Salaries, social security and taxes	2,314	2,892
1,044	321	Other payables	884	321
10,704	940	Accrued charges	10,071	940
67,455	44,303		63,112	44,303

29. Provisions

In March of 2008, the Competition Council, following its operational research of the Company and other companies operating in the milk sector, imposed a fine of LTL 824 thousand on the Company in respect of the Company's management established a 100 per cent provision. For the purpose of the income statement, the above-mention amount was stated under administrative expenses.

(All tabular amounts are in LTL '000 unless otherwise stated)

30. Contingent liabilities and commitments

Contingent liabilities

The Group 31 December			The Company 31 December	
2007	**2006**		**2007**	**2006**
793	4,269	Guarantees issued by the bank to third parties on behalf of the Group	793	4,269
196	740	Guarantees issued by the Group on behalf of farmers and agricultural companies	196	740
989	5,009		989	5,009

The Group has given these guarantees in the ordinary course of business and anticipates that no material liabilities will arise.

Capital commitments

Capital expenditure contracted for property, plant and equipment at the balance sheet date but not recognized in the financial statements was LTL 3,426 thousand (31 December 2006: LTL 1,501 thousand)

Operating lease commitments – where the Group is the lessee

The Group leases passenger cars and premises under operating lease agreements.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

The Group			The Company	
2007	**2006**		**2007**	**2006**
257	298	Not later than 1 year	257	298
336	546	Later than 1 year but not later than 5 years	336	546
593	844		593	844

(All tabular amounts are in LTL '000 unless otherwise stated)

31. Business combinations

On 31 July 2007, the group acquired 100% of the share capital of Žalmargė KB, a milk provider. On 30 November 2007, the group acquired 100% of share capital of Skirpstas UAB and Skeberdis ir partneriai UAB. All those companies are milk collectors. The acquired businesses contributed revenues of LTL 2,392 thousand and net loss of LTL 1,753 thousand to the group for the period from 31 July 2007 to 31 December 2007 and 30 November 2007 to 31 December 2007 respectively. If the acquisition had occurred on 1 January 2007, revenue contribution to the group would have been LTL 4,415 thousand, and net loss contribution to the group would have been LTL 3,702 thousand. These amounts have been calculated using the group's accounting policies and by adjusting the results of the subsidiaries to reflect the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from 1 January 2007, together with the consequential tax effects.

The table below summaries the details of net assets acquired in a subsidiaries at the date of acquisition and 50% share of net assets acquired in a Joint venture Pieno upės UAB at the date of acquisition, which is 31 May 2007.

	Fair value	**Acquiree's carrying amount**
Cash and cash equivalents	63	63
Property, plant and equipment (Note 15)	1,290	1,290
Other assets	4	4
Contractual customer relationships (included in intangibles) (Note 16)	5,597	-
Inventories	6	6
Trade and other receivables	2,335	2,335
Trade and other payables	(1,878)	(1,878)
Borrowings	(178)	(178)
Net assets acquired	**7,239**	**1,642**
Purchase consideration settled in cash	**7,239**	
Cash and cash equivalents in subsidiary acquired	(63)	
Net cash outflow on acquisition	7,176	

The following amounts represent the group's 50% share of the assets and liabilities, sales and results of the joint venture as at 31 December 2007. They are consolidated in the Group's balance sheet and income statement:

	2007
Assets	
Long-term assets	474
Current assets	537
	1 011
Liabilities	
Long-term liabilities	26
Current liabilities	479
	505
Net assets	506
Income	4 258
Expenses	(4 108)
Profit after income tax	150

There are no contingent liabilities relating to the group's interest in the joint venture, and no contingent

(All tabular amounts are in LTL '000 unless otherwise stated)

liabilities of the venture itself.

32. Cash generated from operations

Reconciliation of profit before tax to cash generated from operations:

The Group 31 December 2007	The Group 31 December 2006		The Company 31 December 2007	The Company 31 December 2006
46,507	18,238	Net profit before tax	41,062	18,238
		Adjustments for:		
24,985	25,360	– depreciation (Note 15)	22,419	25,360
2,455	629	– amortisation and impairment charge (Note 16)	297	629
3,382	54	– write-off of property, plant and equipment and intangible assets (Notes 15 and 16)	2,760	54
(394)	155	– loss (gain) on disposal of property, plant and equipment (Note 10)	(383)	155
2,278	2,459	– interest expense (Note 12)	2,275	2,459
(348)	(594)	– interest income (Note 10)	(323)	(594)
10,602	-	– write-offs of inventories	10,602	-
-	2,200	– impairment of other loans receivable (Note 9)	-	2,200
1,083	270	– impairment and write-offs of doubtful and bad receivables (Note 9)	1,083	270
2,715	303	– impairment and write-offs of loans granted to farmers (Note 9)	1,942	303
(9,637)	(75)	– accrual for vacation reserve and bonus	(9,000)	(75)
(2,250)	(2,179)	– amortisation of government grants received (Note 27)	(2,152)	(2,179)
		Changes in working capital		
5,313	640	– receivables and prepayments	7,002	640
(12,083)	(31,588)	– inventories	(7,277)	(31,588)
31,977	1,957	– payables	28,923	1,957
106,606	17,822	Net cash generated from operating activities	99,230	17,822

In the cash flow statement, proceeds from disposal of property, plant and equipment comprise:

2007	2006		2007	2006
1,869	289	Net book amount (Note 15)	1,013	289
394	(155)	Loss from disposal of property, plant and equipment (Note 10)	383	(155)
2,263	134	Proceeds from disposal property, plant and equipment	1,396	134

(All tabular amounts are in LTL '000 unless otherwise stated)

33. Related party transactions

The Group is controlled by Pieno Pramonės Investicijų Valdymas UAB (incorporated in Lithuania) and Mr. A.Trumpa (the Company's Managing Director), which together own 48.85 per cent (2006: 47.87) of the Company's share capital. Pieno Pramonės Investicijų Valdymas UAB is controlled by Mr. A.Trumpa (through the majority of shareholding). The remaining 51.15 per cent of the shares are widely held (including treasury shares).

Pieno Pramonės Investicijų Valdymas UAB, the members of the Board and Senior Management and their close family members are treated as related parties.

Certain cooperative societies, engaged in the production of milk, are treated as other related parties of the Company through close family relationships with members of the Senior Management and because certain of the Company's employees have significant influence over day-to-day activities of these societies.

The Group 31 December			**The Company 31 December**	
2007	**2006**		**2007**	**2006**

(i) The following transactions were carried out with related parties:

64,833	56,132	Purchase of milk and milk collection services from other related parties	79,339	56,132
-	-	Purchase of fixed assets	1,261	-
-	-	Purchase of inventory	7,564	-
-	-	Purchase of services	16,318	-
1,375	1,687	Sales of utility services to other related parties	20,484	1,687
1,081	-	Sales of production and other inventories	117,907	
8	-	Sale of fixed assets	321	
852	277	Interest charges on credit facility	852	277

(ii) Year end balances arising from transactions with related parties:

2007	**2006**		**2007**	**2006**
3,035	3,065	Non-interest bearing loans granted to Senior Management (and their families)	3,035	3,065
20,545	7,351	Credit facility granted to Pieno Pramonės Investicijų Valdymas UAB	20,545	7,351
10,803	1,853	Trade payables to other related parties	13,035	1,853
-	-	Trade receivables from other related parties	12,025	-

(iii) Compensation of key management

2007	**2006**		**2007**	**2006**
1,010	1,024	Salaries	1,010	1,024
2,567	4,200	Bonuses	2,567	4,200
347	337	Social Insurance Contributions	347	337
3,924	5,561		3,924	5,561

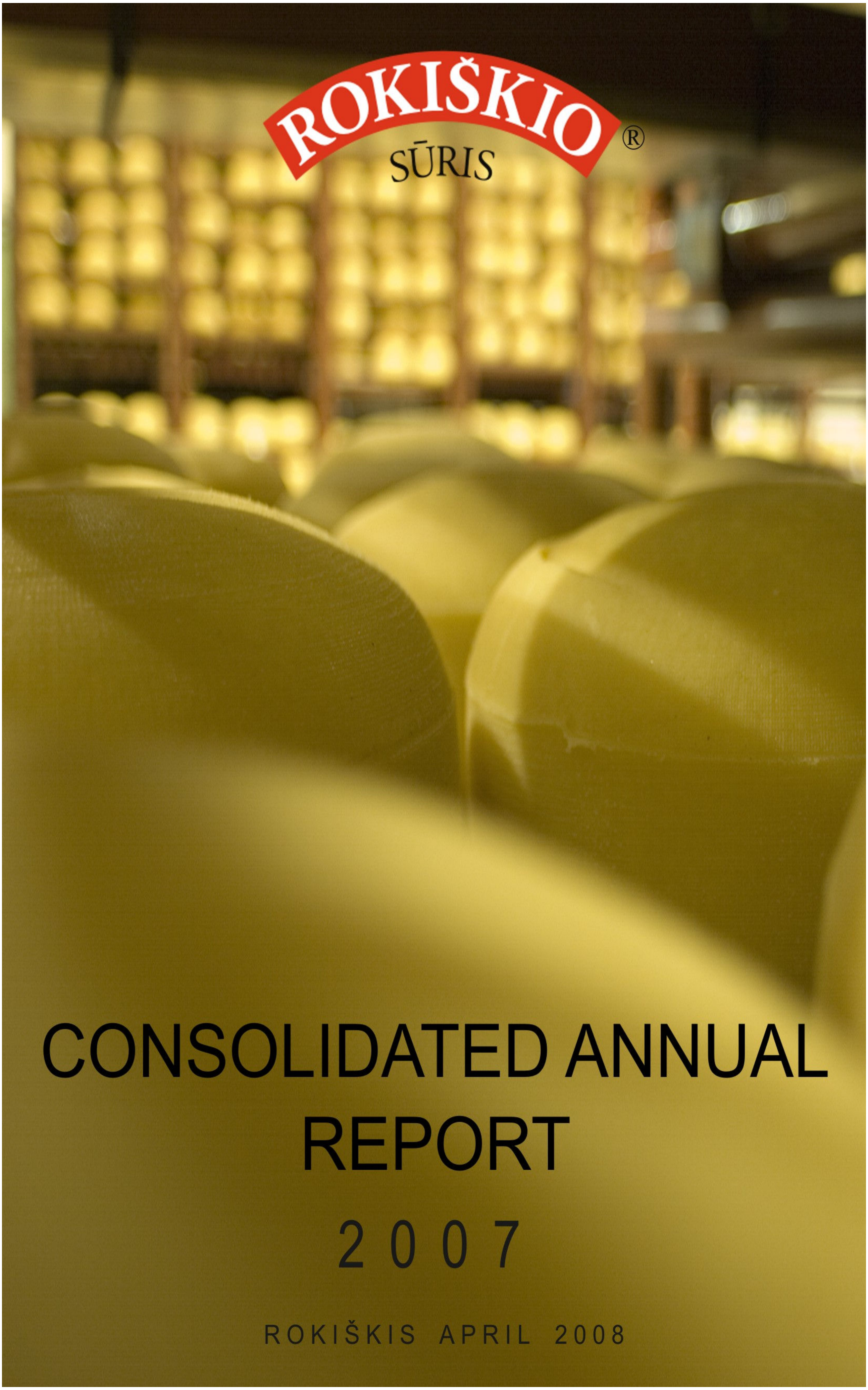
Key management includes 12 (2006: 12) members of the Board and Senior Management.

34. Events after the balance sheet date

As at 25 January 2008 the Company has acquired 50,05% of the share capital of SIA Jekabpils piena kombinats, the milk provider company for a total purchase price (cash paid) of LTL 1,509 thousand. Management of the Company is still in the process on purchase price allocation.

Based on Company's board decision as at 11 February 2008 the Company acquired 674,000 treasury shares (par value per each is LTL 1) for a price of 6 LTL per one ordinary share acquired.

Subsequent to the balance sheet, the Company concluded a credit line agreement to finance its working capital. The credit line was extended in EUR and amounted to LTL 24 000 thousand. The repayment term of the credit line is 30 September 2010 and it is subject to an interest rate of LIBOR + 0.9 per cent margin. The borrowings were secured over the property, plant and equipment with net book value of LTL 15,499 thousands.



CONSOLIDATED ANNUAL REPORT

2 0 0 7

ROKIŠKIS APRIL 2008

TABLE OF CONTENTS

1. Reporting term of the prepared report

The consolidated annual report is prepared for the year 2007.

2. Key information of the issuer

Name of the issuer: Joint stock company "Rokiskio suris".
Legal base: joint stock company.
Address – Pramones str. 3, LT 42150 Rokiskis, Republic of Lithuania.
Telephone: +370 458 55 200, fax +370 458 55 300.
E-mail address: rokiskio.suris@rokiskio.com
Website: www.rokiskio.com
Registered in on 28th February 2007 by the Authorities of Rokiskis region.
Re-registered in on 28th November 1995 by the Ministry of Economy of the Republic of Lithuania.
Company code 173057512.
Manager of legal persons registry – State company "Registru centras".
The authorized capital of AB "Rokiskio suris" equals to LTL 42 716 530 (forty two million seven hundred sixteen thousand five hundred thirty litas).
There are 42 716 530 shares. Nominal value per share equals to LTL 1 (one litas).

3. Information on the issuer's subsidiaries and branches

As at 31st December 2007, the group of AB „Rokiskio suris" consisted of the parent company AB "Rokiskio suris", two branches, six subsidiaries and one joint venture. Following tables introduce the subsidiaries and branches which are included in the consolidated report:

	Actively performing as at 31st December 2007	
Branches	**2007**	**2006**
Utenos pienas	Yes	Yes
Ukmerges pienine	Yes	Yes

	Share of the group (%) as at 31st December 2007	
Subsidiaries	**2007**	**2006**
UAB „Rokiškio pienas"	100,00	100,00
PK „Žalmargė"	100,00	
UAB „Skeberdis ir partneriai"	100,00	-
UAB „Skirpstas"	100,00	-
UAB „Batėnai" *	100,00	-
UAB "Pečupė" *	100,00	-
Joint Venture		-
UAB "Pieno upės"	50,00	-

** These subsidiries were not consolidated in Group's Financial statements due to their insignificance.*

UAB „Rokiskio pienas“ legal address: Pramonės g. 8, LT - 28216 Utena. Company code: 300561844. AB „Rokiškio sūris“ happens to be its founder and the only shareholder having 100 per cent of shares.

UAB „Pieno upės“ legal address: Sandėlių g. 9, Kaunas. Company code: 135027862.

UAB „Skeberdis ir partneriai“ legal address: Maironio g.32, Ariogala LT-60001 Raseinių raj. Company code: 172396552.

UAB “Skirpstas“ legal address: Mindaugo g.38, LT-82001 Radviliškis. Company code: 171344353.

UAB „Batėnai“ legal address: Videniškių km. LT-33295 Molėtų raj. Company code: 167543723.

UAB „Pečupė“ legal address: Dubysos g.8, Ariogala LT-60001 Raseinių raj. Company code: 172258722.

Dairy cooperative „Žalmargė“ legal address: Kalnalaukio g.1, Širvintos. Company code: 178301073.

The main performance of AB „Rokiškio sūris“ branch Utenos pienas (Company code: 110856741, Pramonės g. 8, LT-28216 Utena) and AB „Rokiškio sūris“ branch Ukmergės pieninė (Company code: 182848454, Kauno g. 51, LT-20119, Ukmergė) – purchase of raw milk.

4. Characterization of the issuer's basic business

Basic business of the group of “Rokiškio sūris“:

- Dairying and cheese production (EVRK 10.51);

Basic business of AB „Rokiškio sūris“ is production and sales of fermented cheese, whey products, and skim milk powder.

Daughter enterprises:

Basic business of UAB „Rokiškio pienas“ production and sales of fresh dairy products (fluid milk, kefir, sour milk, butter, curds, fresh cheese, sour cream, chocolate coated curds dessert, desserts).

Basic business of UAB „Pieno upės“ is purchase of raw milk.

Basic business of UAB „Skeberdis ir partneriai“ is purchase of raw milk.

Basic business of UAB “Skirpstas“ is purchase of raw milk.

Basic business of UAB „Batėnai“ is purchase of raw milk.

Basic business of UAB „Pečupė“ is purchase of raw milk.

Basic business of KB „Žalmargė“ is purchase of raw milk.

5. Contracts with financial brokers

On 24th December 2003, AB „Rokiškio sūris“ made a contract with UAB FMĮ „Baltijos vertybiniai popieriai“ (Gedimino pr.60, Vilnius) regarding administration of shareholders of AB „Rokiškio sūris“. On 15th January 2007, the financial company changed its name into UAB FMĮ „Orion securities“ (A.Tumėno str. 4 , LT-01109 Vilnius).

6. Trade on issuer's securities by stock exchange and other organised markets

42 716 530 ordinary registered shares of AB “Rokiškio sūris”. Nominal value per share is LTL 1 (one litas). (VVPB symbol is RSU1L; ISIN code – LT0000100372). Total nominal value

equals to LTL 42 716 530. The shares are admitted to the Main List of Vilnius Stock Exchange.

7. Authorized capital of the issuer

As at 31st December 2007, the Authorized capital of AB "Rokiškio sūris":

Type of shares	Number of shares	Nominal value, LTL	Total nominal value, LTL	Share of authorized capital (%)
1	2	3	4	5
Ordinary registered shares	42 716 530	1	42 716 530	100,00

All shares of AB „Rokiškio sūris" are paid-up , and they are not subject to any limitations of transference.

8. Limitation on transference of securities

There are no limitations to be applied to the block of shares nor any regulations according to which an agreement with the company or other owners of securities is required.

9. Shareholders

Total number of shareholders (as at 31.12.2007) – 5.608 shareholders.

The shareholders having or owning over 5 percent of the issuer's authorized capital (as at 31.12.2007):

Name, surname Name of company	Address	Proprietary rights			With associated persons	
		Number of shares	Capital share %	Votes %	Capital share %	Votes %
UAB "Pieno pramonės investicijų valdymas"	Pramonės g. 3, Rokiškis Lithuania	16 738 900	39,19	39,92	53,70	54,70
Antanas Trumpa	Sodų 41a, Rokiškis Lithuania	4 128 370	9,66	9,85	53,70	54,70
Hansabank clients	Liivalaia 8, Tallinn 15040 Estonia	3 606 392	8,44	8,60	-	-
Skandinaviska Enskilda Banken AB clients	Sergels Torg 2, 10640 Stockholm, Sweden	5 472 880	12,81	13,05	-	-

10. Shareholders with special control rights and description of the rights

There are no shareholders with special control rights.

11. All limitations of voting rights

As at 31st December 2007, AB „Rokiškio sūris“ possessed 783 650 units of own shares. The shares are without voting right. It makes 1,83% of the Authorized capital of AB “Rokiškio sūris”. There are no other shares with limited voting rights.

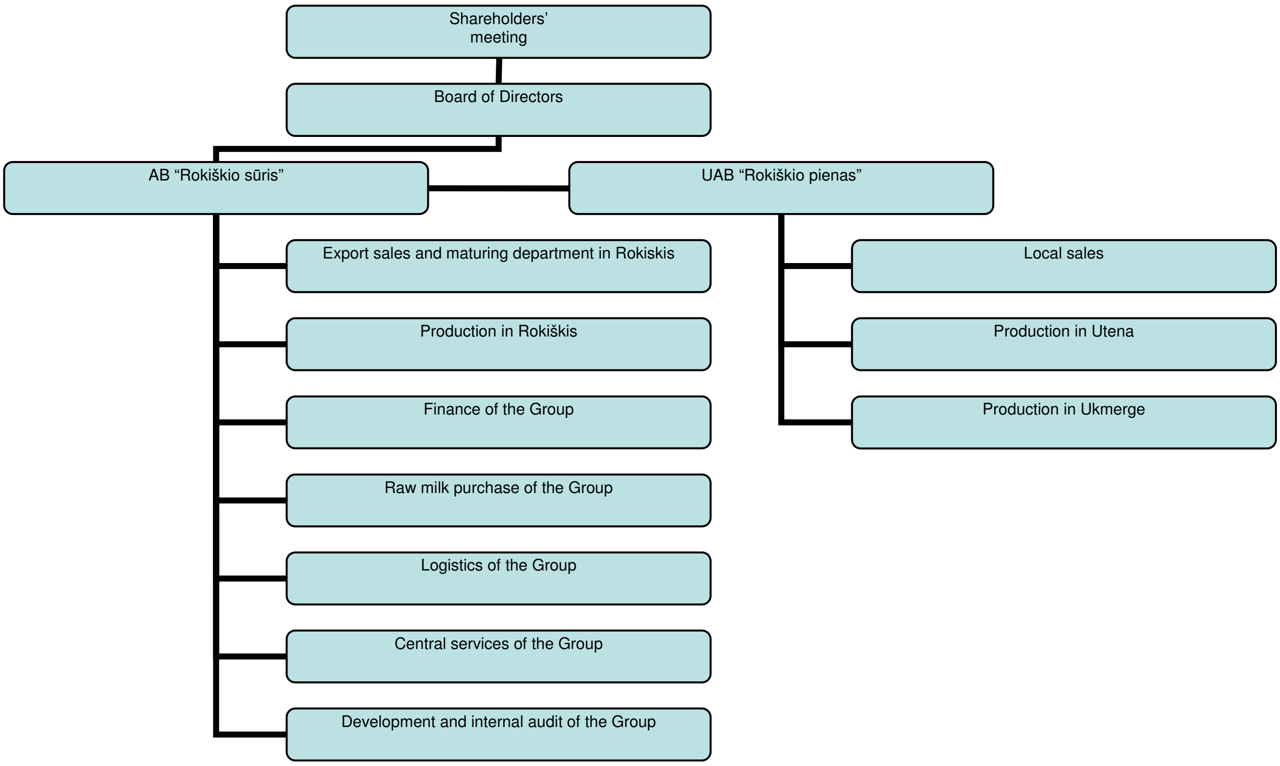
12. All agreements between shareholders

The issuer is not aware of any agreements between shareholders which would restrict transference of securities and (or) voting rights.

13. Employees

Group’s structure of AB „Rokiškio sūris“

AB „Rokiškio sūris“ Group’s (hereinafter The Group) management structure is formed in line with the key functions such as Sales, Production, Finance management, Milk procurement, Logistics, Central services, Development and internal audit. The Functional Directors condition and develop the Group’s strategy, tactics and targets in accordance with the functions.



The management of AB „Rokiškio sūris“ is concerned about continuous improvement of employee qualification. The great attention is paid to the studies of foreign languages. There are language lessons at the company as well as lessons organized by external organizations.
Rights and responsibilities of the company employees are provided by Job descriptions. There are no special rights and responsibilities provided by job contracts.

As at 31st December 2007, the number of employees working for the group of AB „Rokiškio sūris“ amounted to 1738 (average number pf employees).

The table shows average number of employees of Rokiškio sūris group and variation of salaries in 2007:

Average number of employees	**2007.01.01.**	**2007.12.31.**
Total:	1836	1738
incl. Managers	14	10
Specialists	160	168
Workers	1662	1560
Average monthly salary, Lt	**1544**	**1968**
managers	7895	9644
specialists	2239	2351
workers	1419	1789

Education of the employees working for Rokiskio suris

Education	**2007.01.01**	**2007.12.31**
University degree	138	131
Special education	731	692
High school	876	829
Unfinished high school	91	86

14. Procedure for amendments of the Articles of association

Pursuing the Articles of Association of AB „Rokiškio sūris“, the Articles may be exclusively changed by the general meeting of shareholders, except the cases provided by the Law on joint stock companies of the Republic of Lithuania. To accept the decision changing the Articles of Association, it is needed 2/3 of votes of total participants in general meeting of shareholders.

15. Transactions with related parties and significant agreements

1. The Group is controlled by UAB „Pieno pramonės investicijų valdymas” (established in Lithuania) and Antanas Trumpa (Director of the Company) who alltogether own 48,85 per cent of the Company’s Authorized Capital. The Closed Joint \stock Company „Pieno pramonės investicijų valdymas” is controlled by Antanas Trumpa (as the main shareholders). The rest part of 51,13 per

cent of the company’s shares belongs to various minor shareholders (including 1,83 per cent of treasury shares).

UAB „Pieno pramonės investicijų valdymas”, members of the Board of Directors, executive managers and their family members are considered to be related parties also.
Some cooperative companies directed to milk production are considered as related parties also, because the Company may have influence on them through close relatives of the directors and some employees.

2. There are no significant agreements whose one party is the issuer and which would get in power, change or terminate upon the changed issuer’s control as well as there is no such influence except the cases when the disclosure of certain agreements would make significant damage on the issuer.

3. There are no agreements between the issuer and its members or employees providing any compensation upon their resignation or dismissal from job without reliable reason or in case of job termination due to the change issuer’s control.

Transactions with related persons/ parties are disclosed in Note 33 of Financial statements.

16. Key characteristics of the securities launched to the public trading

As at 31st December 2007, it was launched to the public trading 42 716 530 (forty two million seven hundred sixteen thousand five hundred thirty) ordinary registered shares. Nominal value equals to LTL 1 (one litas) per share, total nominal value of shares is LTL 42 716 530 (forty two million seven hundred sixteen thousand five hundred thirty litas).

17. Securities listed on the official trading list

The 4 746 270 ordinary registered shares of AB “Rokiškio sūris“ are listed on the official list of OMX Vilnius Stock Exchange. (VVPB symbol RSU1L). Nominal value per share 10 (ten) litas. As at 1st January 2007, total nominal value of shares 47 462 700 (forty seven million four hundred sixty two thousand seven hundred) litas.

Shares of AB “Rokiškio sūris“ are traded by Vilnius Stock Exchange on the official trade list.
The shares were not traded by other stock exchanges or similar institutions.

Trade by Vilnius Stock Exchange:
Trade in central market:

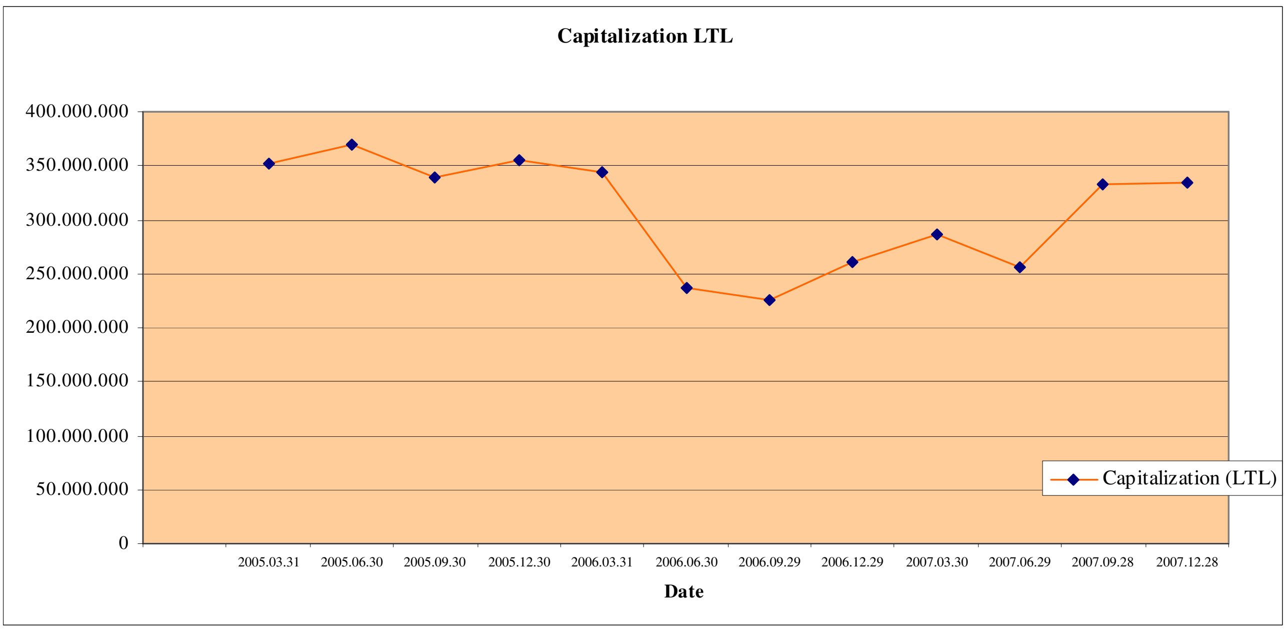
Reporting period		Price (Lt)			Turnover (Lt)			Date of last session	Total turnover	
from	to	max	min	last sess.	max	min	last sess.		(units)	(Lt)
2005.01.01	2005.03.31	77,00	71,00	74,00	5 335 597	7 500	81 348	2005.03.31	294 225	21 585 117
2005.04.01	2005.06.30	82,50	74,00	77,77	57 539 044	0	47 872	2005.06.30	2 409 299	178 308 179
2005.07.01	2005.09.30	78,50	70,00	71,30	3 272 780	0	175 939	2005.09.30	245 377	18 149 244
2005.10.01	2005.12.31	75,50	70,00	75,00	3 528 225	0	75 000	2005.12.30	258 355	18 620 766
2006.01.01	2006.03.31	75,50	68,00	72,50	2 669 836	0	7 015	2006.03.31	194 218	14 016 379
2006.04.01	2006.06.30	71,50	50,00	50,00	1 746 560	0	156 447	2006.06.30	90 581	5 423 753

2006.07.01	2006.09.30	50,00	44,00	47,50	2 222 702	0	76 353	2006.09.29	409 002	19 177 690
2006.10.01	2006.12.31	56,20	43,80	55,00	5 269 556	0	49 870	2006.12.29	457 987	20 985 247
2007.01.01	2007.03.31	64,50	56,00	60,40	3 772 364	0	3020	2007.03.30	291 066	16 644 056
2007.04.01	2007.06.30	61,40	55,50	60,01	2 651 355	0	381 491	2007.06.29	207 654	12 425 930
2007.07.01	2007.09.30	80,56	60,00	77,80	3 036 573	0	27 000	2007.09.28	224 941	15 481 420
2007.10.01	2007.12.31	8,31*	7,70*	7,84*	4 856 398	0	314 962	2007.12.28	2 620 619*	19 865 395

* - nominal value per share 1 (one) litas.

18. Capitalization of securities

Capitalization of the company‘s shares, Lt



Date of trading last session	Capitalization (Lt)
2005.03.31	351 223 980
2005.06.30	369 117 418
2005.09.30	338 409 051
2005.12.30	355 970 250
2006.03.31	344 104 575
2006.06.30	237 313 500
2006.09.29	225 447 825
2006.12.29	261 044 850
2007.03.30	286 674 708
2007.06.29	256 341 897
2007.09.28	332 334 603
2007.12.28	334 897 595

19. The Group‘s audited consolidated financial accounts for the year 2007

See attached Annex: The consolidated audited financial accounts of AB „Rokiškio sūris“ group for the year 2007.

20. Information on purchase of issuer‘s own shares

As at 1st January 2007, AB „Rokiškio sūris“ owned 474 617 ordinary registered shares which made 10 % of the authorized capital of AB “Rokiškio sūris”.

The 22nd December 2006 General meeting of shareholders of AB „Rokiškio sūris“ resolved to annul 474 617 treasury shares (nominal value per share 10 litas) and to decrease the Authorized Capital of the company by that part.

On 11th May 2007, the amended Articles of Association of AB „Rokiškio sūris“ with the decreased Authorized Capital were registered in the Register of Juridical Bodies. After the registration the Authorized Capital of AB „Rokiškio sūris“ was equal to LTL 42 716 530 Lt (forty two million seven hundred sixteen thousand five hundred thirty litas), divided into 4 271 653 (four million two hundred seventy one thousand six hundred fifty three) ordinary registered shares with par value of LTL 10 (ten litas) per share.

The company’s Authorized Capital was decreased by annulled 474 617 ordinary registered shares. After annulment of treasury shares, AB „Rokiškio sūris“ owned no treasury shares.

The 28th May 2007 Board of Directors of AB „Rokiškio sūris“ resolved:

Pursuing resolutions of the 22nd December 2006 General Shareholders’ Meeting to support and increase the price of AB ”Rokiškio sūris” shares, it will be acquired up to 333 000 (three hundred thirty three thousand) units of AB ”Rokiškio sūris” ordinary registered shares of LTL 10 (ten) par value. Minimal quantity of intended purchase – 1 000 (one thousand) ordinary registered shares of AB ”Rokiškio sūris”.

The price set for the acquisition of treasury shares is equal to LTL 60,00 (sixty litas) per ordinary registered share. Period for the purchase of treasury shares – 30 days.

In the course of implementation of the official tender offer, AB „Rokiškio sūris“ acquired 78 365 ordinary registered shares. Nominal value equals to LTL 10 per shares. It makes 1,83% of the company’s Authorized Capital. The treasury shares are without the voting right.

Upon the resolution adopted by the 19th October 2007 General meeting of shareholders of AB „Rokiškio sūris“ to change the nominal value of ordinary registered shares of AB “Rokiškio sūris” from 10 (ten) litas par value to 1 (one) litas par value whereas the size of the authorized capital of the company remained unchanged and number of shares was increased proportionally, AB „Rokiškio sūris“ owned 783 650 of treasury shares. Nominal value equaled to LTL 1 per share.

As at 31st December 2007, AB „Rokiškio sūris“ owned 783 650 of treasury shares.

The 11th February 2008 Board of Directors of AB “Rokiškio sūris“ resolved:
„Pursuing the resolution of the 22nd December 2006 General meeting of shareholders of AB ”Rokiškio sūris” – to acquire up to 1 355 000 (one million three hundred fifty five thousand) ordinary registered shares of AB ”Rokiškio sūris” with LTL 1 (one litas) par value. (3,17 per cent of the authorized capital). The price for the acquisition is set as LTL 6 (six litas) per ordinary registered share.“

In the course of voluntary tender offer, AB „Rokiškio sūris“ purchased 674 000 units of treasury shares which makes 1,83 % of the company’s authorized capital.

As at the date of signing this report (14th April 2008) AB „Rokiškio sūris“ owns 1 457 650 treasury shares which makes 3,4 % of the company’s authorized capital.

21. Legal grounds of the issuer‘s performance

The performance of AB “Rokiškio sūris“ is guided by the Law on Joint Stock Companies of the Republic of Lithuania, the Law on Securities, the Company’s Articles of Association and other legal documents valid in Lithuania and applied to company practice.

22. Belonging to the associated organizations

AB “Rokiškio sūris“ is a member of the Lithuanian Dairymen Association “Pieno centras“ and the Lithuanian Confederation of Industrialists. Moreover, it participates in the activities of the Chamber of Commerce, Industry and Trade of Panevezys.

The activities of the Lithuanian Dairymen Association are regulated by the Law on Associations of the Republic of Lithuania and by the Confederation Regulations.

23. Brief description of the issuer‘s history

AB “Rokiškio sūris“ is one of the largest and most modern dairy production companies in Lithuania. The main activity of the company is production and sales of fermented cheese, fresh dairy products, butter, milk powders, whey and other milk products.

Specialized “Rokiškio” cheese production was planned and started to build in 1964, whereas at the beginning of 1966 the company started its work. From the very beginning of the company’s business fermented cheese became its main product. In 1980 the company started the first reconstruction phase by putting into action a new cheese production department. The second reconstruction phase was in 1988 when the construction of new milk receiving machinery and full cream milk production departments was completed. In 1991 a new Finnish cheese maturation base was put into action.

In 1992, the state-owned enterprise “Rokiškio sūrio gamykla” was privatized and reorganized into a joint stock company “Rokiškio sūris”. In 1993 the remaining governmental enterprise shares were sold. Following the decisions of the Government, in 1994 the company indexed its property. During the period from 1993 to 2002 the company‘s share capital increased 7 times with the help of additional contributions, 2 times thanks to own means and 3 times due to reorganization. In 2000, after affiliation of AB “Utenos pienas“, and in 2002, after affiliation of ”Eišiškių pieninė” the authorized capital was no longer increased.

In 1997, 150 000 of nominal equity were distributed in the form of international depository notes (GDR).

To secure constant material supply and to strengthen its position in the local market, AB ”Rokiškio sūris” affiliated “Zarasų pieninė“ in 1995, in 1996 – “Ukmergės pieninė“, in 1998 “Šalčininkų pieninė“, in 2000 “Utenos pienas“ and in 2002 – “Eišiškių pieninė“. In all these dairies the company created its branches.

In the months of November and December, 2000 AB “Rokiškio sūris“ increased the share portfolio of AB “Švenčionių pieninė“ up to 90,6%.

In December, 2000 AB “Rokiškio sūris“ acquired 49,9% of AB “Eišiškių pieninė“ share portfolio, whereas in March, 2002 AB “Rokiškio sūris“ increased the share portfolio of AB ”Eišiškių pieninė” up to 100% of authorized capital and votes.

In March, 2001 AB “Rokiškio sūris“ purchased 49,9% of AB “Varėnos pieninė“ share portfolio.

In October, 2001 AB ”Rokiškio sūris” purchased 49,9% of AB ”Ignalinos pieninė” and 100% UAB “Jonavos pieninė” share portfolio.

On 1st of June, 2005 AB ”Rokiškio sūris“ sold the share portfolio of AB “Varėnos pieninė” and AB ”Ignalinos pieninė”.

On 26th of April, 2002 at the general shareholder meeting of AB ”Rokiškio sūris“ the decision to reorganize the enterprises was made. It was decided to affiliate AB ”Eišiškių pieninė” and UAB ”Jonavos pieninė”; that is, the enterprises stopped functionning as legal persons.

On 4th of July, 2002 AB ”Rokiškio sūris“ Board decided to stop the activities of AB ”Rokiškio sūris” subsidiary company “Šalčininkų pieninė“ and to sign it out from the Enterprises‘ Register.

On 30th of December, 2002 the subsidiary company of AB ”Rokiškio sūris” “Šalčininkų pieninė“ was signed out from the Enterprises‘ Register of the Republic of Lithuania.

On 6th of September, 2002 at the general meeting of AB ”Rokiškio sūris” shareholders the following decisions were made: reorganization of AB ”Rokiškio sūris”, AB “Eišiškių pieninė” and UAB ”Jonavos pieninė” was terminated; AB ”Eišiškių pieninė” and UAB ”Jonavos pieninė” property, rights and responsibilities acceptance and transfer acts were confirmed. AB ”Eišiškių pieninė” and UAB ”Jonavos pieninė” terminated their activities as legal persons and they were signed out from the Enterprises‘ Register.

On 14th of November, 2002 AB ”Rokiškio sūris” Board decided to establish a subsidiary company “Eišiškių pieninė“. On 6th of December, 2002 AB ”Rokiškio sūris” subsidiary company “Eišiškių pieninė“ was registered into the Enterprises‘ Register. On 29th October, 2005 AB “Rokiškio sūris“ Board decided to terminate the subsidiary company‘s activities. In April, 2006 the subsidiary company “Eišiškių pieninė“ was signed out from the register of legal persons.

On 14th of February, 2003, following the decision of AB ”Rokiškio sūris” Board, the activities of AB ”Rokiškio sūris” subsidiary company “Zarasų pieninė“ were terminated. On 26th of June, 2003 “Zarasų pieninė“ was signed out from the Enterprises‘ Register of the Republic of Lithuania.

On 20th of August, 2003 AB ”Rokiškio sūris” baught 12 units of UAB ”Kalora” nominal equity, which composed 100% of UAB ”Kalora” authorized capital. In October, 2005 AB ”Rokiškio sūris” sold these shares.

On 18th of February, 2005 an insolvency case with creditors, without the court process, was raised against AB “Švenčionių pieninė“. On 29th of April, 2005, due to its bankruptcy, AB “Švenčionių pieninė“ was signed out from the register of legal persons.

On 14th of June, 2005 AB “Rokiškio sūris“ sold 410 330 units of AB “Žemaitijos pieno investicija“ shares, that is, 11,63% of AB “Žemaitijos pieno investicija“ authorized capital.

On 3rd of March 2006, in order to achieve more effective fresh dairy production results, AB ”Rokiškio sūris” Board decided to separate export-oriented cheese production business from fresh dairy production business oriented to the local market. For this reason a new subsidiary company was established. On 21st of April, 2006 a subsidiary company UAB “Rokiškio pienas“ was registered into the register of legal persons. The subsidiary is totally owned by AB “Rokiškio sūris“.

After termination of the activities of subsidiary Eišiškių pieninė on 5th April 2006 the subsidiary of AB „Rokiškio sūris“ Eišiškių pieninė was registered out from Juridical Register of the Republic of Lithuania.

In the year 2007, AB „Rokiškio sūris“ acquired 50 per cent of UAB „Pieno upės“ shares and 100 per cent of each of the following companies: UAB “Skeberdis ir partneriai“, UAB „Skirpstas“, UAB „Batėnai“, UAB „Pečupė“ and PK “Žalmargė”. The main activity of the companies is purchase of raw milk.

In January 2008, AB „Rokiškio sūris“ acquired 50,05 per cent of block of shares of Latvian company SIA Jekabpils piena kombinats. SIA Jekabpils piena kombinats specializes in production of fermented cheese and sales of raw milk.

The 22nd December 2006 general meeting of shareholders of AB „Rokiškio sūris“ resolved to decrease the authorized capital by LTL 4 746 170 (four million seven hundred forty six thousand one hundred seventy litas) in the way of annulment of 474 617 (four hundred seventy four thousand six hundred seventeen) ordinary registered shares with LTL 10 (ten litas) par value.

The 19th October 2007 general meeting of shareholders of AB „Rokiškio sūris“ resolved to change the nominal value of ordinary registered shares of AB “Rokiškio sūris” from 10 (ten) litas par value to 1 (one) litas par value whereas the size of the authorized capital of the company remained unchanged and number of shares was increased proportionally. Shares of all shareholders were changed from 10 (ten) litas par value to 10 ordinary registered shares with 1 (one) litas par value.

Upon annulment of the treasury shares and change of nominal value of shares, the authorized capital of AB „Rokiškio sūris“ is equal to LTL 42 716 530 (forty two million seven hundred sixteen thousand five hundred thirty litas), and it is divided into 42 716 530 ((forty two million seven hundred sixteen thousand five hundred thirty) ordinary registered shares with LTL 1 (one litas) par value.

24. Production, description of production capacities, and implementation of new products

The Group‘s main activity is milk processing. The main products are cheese, butter, dry and fresh milk products. Production is developed in the towns of Rokiškis, Utena and Ukmerge.

- Specialization of Rokiskis production plant – fermented cheese, lactose and whey products.
- Specialization of Utena production plant – fresh dairy products for the local market, whey protein concentrate, milk powder and butter production.
- Specialisation of Ukmerge production plant – curd and curd cheese production.

Throughout the long years of successful production fermented cheese remains the main company product. It is a valuable alimentary food, rich in milk fat, proteins, minerals, salts and vitamins.

The cheese produced by the company is divided into semi-hard and hard cheese. The group of semi-hard cheese includes the following products: “Rokiškio sūris“ (varies in fat and height), “Hermis“, “Utenos“, “Lietuviškas“, “Gauda“ and “Edamas“, whereas “Goya“, “Montecampo“ and “Gojus“ belong to the hard cheese type.

Besides the main production of fermented cheese, the AB ”Rokiškio sūris” Group produces fresh and dry dairy products, butter, melted cheese, soft fresh “Mozzarella” cheese, melted breakfast cheese, selected curd “Rinktinė varškė Kasdien”, liquid bio-yoghurt “Savas”, whey protein concentrate (WPC) and milk sugar (lactose). The latter products are processed from whey, which is produced in fermented cheese production. Milk sugar is used in pharmacology, confectionery and so on.

New fresh products with the trademark BIFIDO were mastered (milk, kefir, yoghurts, curd, chocolate coated cheese with vanilla, honey and wild strawberry taste). These products are enriched with lactulose. AB ”Rokiškio sūris” is the first among the Lithuanian dairymen to produce a group of fat-free milk products called "Valgyk lengvai" under one trademark. It includes milk, kefir, sour buttermilk, fermented cheese, yoghurts, curd and curd cheese.

In 2001, AB ”Rokiškio sūris” and in 2002, its subsidiary companies were certified on the international scale: Food Security - HACCP, Quality Management - ISO 9001:2000 and Environment Protection Management ISO 14001:1996 systems. The HACCP system was re-certified according to “Food safety management system”. Every step of production should comply with the requirements stated by ISO 22000:2005.

The certificates conferred by the international certification organisation BVQI confirm that the above-mentioned systems are in conformity with ISO 9001:2000, ISO 14001:1996 standard requirements. Moreover, it is determined that all work process, production, machinery and technical maintenance management of the company ensure its production to be safe and of high quality. Moreover, efforts to improve the entire environment protection efficiency, without any deviation from the company’s executive policy, are acknowledged.

According to food safety system, important production points have to be under constant observation, this way safeguarding from any critical deviation limits. The system determines these critical limits and means allowing managing the process.

The quality management system ISO 9001:2000 determines both safe and high quality production means. The rules of the system ensure receiving stable, equal and qualified production. The quality management system includes the entire process from material purchase to client need satisfaction when selling the final production.

AB „Rokiškio sūris“

In 2007, „Rokiškio sūris“ produced 22 248 tons of fermented cheese, 660 tons of processed cheese, (incl. 150 tons of smoked cheese), 13 335 tons of cream of 35% fat content, 959 tons of whey cream, 7 522 tons of milk sugar, 57 980 tons of whey protein concentrate of 9 per cent.

In 2007, the company started production of certified organic products.

The company pays great attention to the quality and safety of production, the company continuously decreases its production costs remaining on the top level of production and reducing negative impact on the environment whilst ensuring minimal usage of damaging materials and treatment of waste.

In 2007, a new line for production of sliced cheese was acquired and started. Also, it was implemented a technology for processing of sweet whey. The most modern technologies are applied to the production of de-mineralized milk sugar (lactose without minerals) in the way of separation of natural calcium which is dried and dry calcium is obtained.

UAB „Rokiškio pienas“

In 2007, “Rokiškio pienas” in Utena produced 4637 t of skim milk powder, 5132 t of dry whey protein concentrate, 125 t of buttermilk powder (in total the production of powders was increased by 54,8 % in 2007 compared to 2006), 4455 t of butter and fat blends, 55016 t of fresh dairy products, 11083 t of cream was exported.

The following new products were launched: yogurt with forest berries, fat blend “Sūdytas”, sour milk product “Šaltibarščiai”.

A new packaging machine was acquired to pack sour cream in order to improve quality of the product.

A part of milk, kefir, and yogurts are packed into a new packaging using equipment made by “Ecolean”.

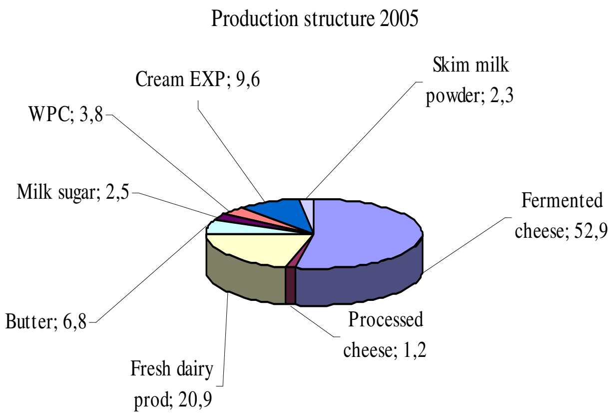
In 2007, the company was highly concerned to produce safe dairy products complying with the food safety management system.

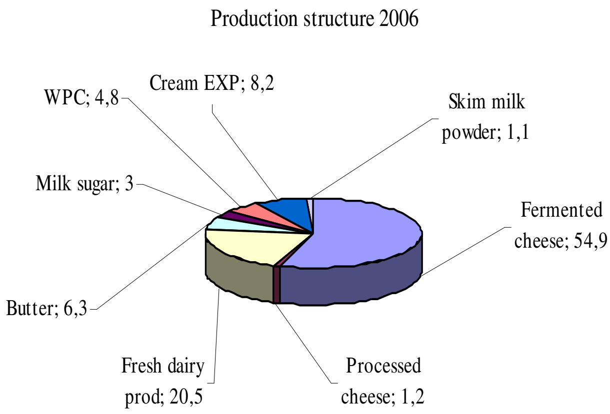
UAB „Rokiškio pienas“ branch Ukmergės pieninė

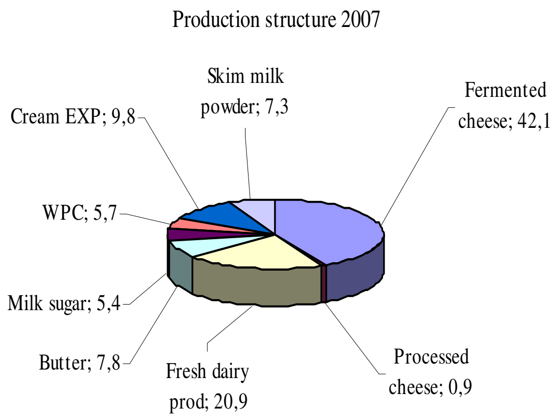
In 2007, it was produced 22 414 tons of fresh dairy products, incl. 13 664 tons of un-skimmed dairy products and 8 749 tons of skimmed dairy products.

AB ”Rokiškio sūris” Production Dynamics in Qualitative and Quantitative Terms

	Name of product	2005			2006			2007		
		Quan-tity, t	Thou LTL	%	Quan-tity, t	Thou LTL	%	Quan-tity, t	Thou LTL	%
1.	Fermented cheese (incl. frozen processed cheese)	24.454	246.672	52,9	28033	288303	54,9	22248	254178	42,1
2.	Processed cheese	616	5.448	1,2	659	6026	1,2	660	5566	0,9
3.	Fresh dairy products	46.575	97.202	20,9	47920	107750	20,5	48546	126220	20,9
4.	Butter	3.724	31.866	6,8	3911	32887	6,3	4435	47102	7,8
5.	Milk sugar	6.390	11.751	2,5	7446	15499	3,0	7522	32394	5,4
6.	WPC powder	3.609	17.753	3,8	4550	25263	4,8	5131	34442	5,7
7.	Exported cream	10.279	44.559	9,6	10602	42967	8,2	11094	59098	9,8
8.	Skim milk powder	1.667	10.932	2,3	843	5881	1,1	4637	44109	7,3
	Total:	**97.314**	**466.183**	**100**	**103964**	**524576**	**100**	**104273**	**603109**	**100**







25. Sales and marketing

AB „Rokiškio sūris" group is one of the biggest and strongest dairy producers in Lithuania. The sales are directed into the Eastern and Western markets, and there is big variety of fresh dairy products which are firstly realized on the Lithuanian market.

In 2007, the group's sales reached LTL 665 million or 30,3 % more than in 2006 (LTL 510 million). In 2005, the turnover was equal to LTL 473 million. The company increases its sales every year and it plans to reach LTL 700 million in 2008.

In 2007, the prices for export products were extremely high and it significantly increased the level of turnover. On the other hand, the company increases its production capacities also.

More than 2/3 of the production of AB „Rokiškio sūris" is exported. The mayor part of exports is fermented cheese. The group historically orientates itself into the mass production of fermented cheese, and it is one of the biggest and most famous fermented cheese producers in the Cetral and Eastern Europe regions. There are two main export directions with equal weight: European Union (mainly Italy, the Netherlands) and Russia. In the EU, the main products are hard fermented cheese and non-matured cheese, meanwhile the main production going to Russia is semi-hard fermented cheese.

Although the company does not enjoy EU subsidies for the sales in Russia, it shows high ability to compete with cheaper local production. The potential of this market is increasing, and the company sells its products with own brands which are going to be strengthened. And of course Rokiškio cheeses are well known in the local market, and the brand is considered as irreproachable high quality production.

The group now does not have any sales to the USA where the prices are not acceptable due to the dollar rate change.

Also, the group includes other products into its export product portfolio such as butter, cream, milk powders and whey products – WPC and lactose.

The group is the biggest exporter in Lithuania – in 2007 it exported over 22 thousand tons of fermented cheese, over 11 thousand tons of cream, 5,8 thousand tons of lactose, 3,8 thousand tons of whey protein concentrate, 2,1 thousand tons of butter and 4 thousand tons of milk powders.

Production of milk powders increased by 4 times as much compared to the year 2006. It was determined by the extremely increased price in summer time.

Another important direction of the group's production is fresh dairy production and sales in Lithuania. As from 1st January 2007, this activity is carried out by UAB „Rokiškio Pienas".During the last year the group became a market leader and now it shares the leader position together with AB „Pieno žvaigždės". The group's activities in the local market has changed tremendously – now the group's politics is to create added value products, the sales are promoted via strong brands and new product development, innovative market actions.

The local sales in 2007 made LTL 179 million which was around 20% more than in 2006.

The groups targets in the local market are to concentrate beside the portfolio of strongest products and maintain 20 - 25% market share. Up to now the tasks are being implemented successfully.

The company's sales on the local market are directed to the sales though supermarket nets whose share in the company's sales is increasing and now it is over 80 % from the total sales in the local market.

In the past two years, the supermarket nets are implementing the system of central storages and seeking to undertake logistics by themselves. Considering the intentions, the company is planning changes of its own logistics system and tends to hire logistics of outside company in the future.

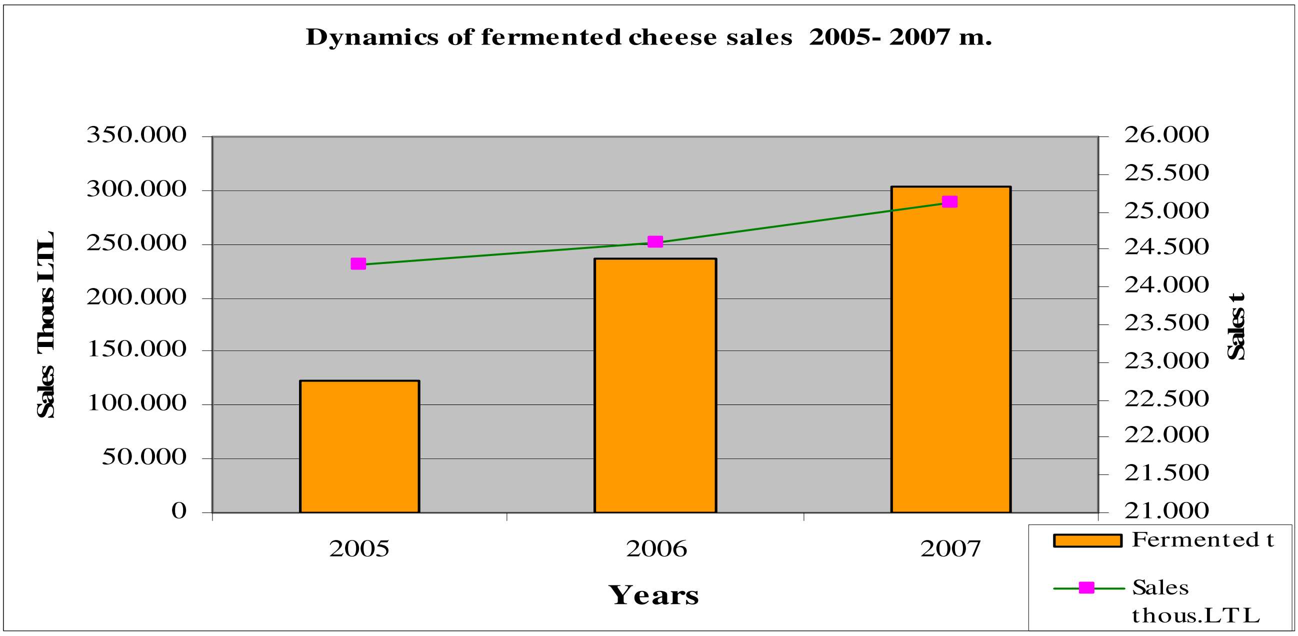
The company has strong brands such as: the economical VISIEMS, massive – ŽALOSIOS KARVUTĖS, Premium – ROKIŠKIO and ROKIŠKIO NAMINIS, dessert - &JOY, Horeca sector - PROF, low fat and healthier – VALGYK LENGVAI. Also, the company sells organic products.

The product quality is also one of the company's underlying tasks and it helps in implementation of marketing strategies.

The group intends to implement various projects related with product quality improvement through the structural funds of the EU.

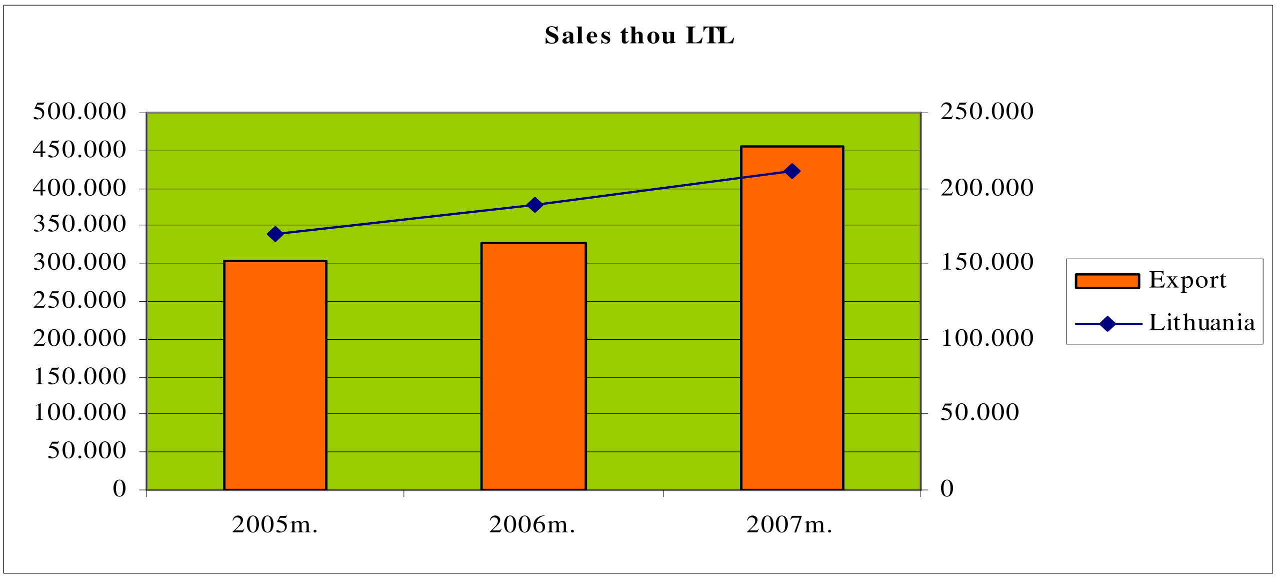
Sales in 2005-2007, in tons and thousand litas

Name of product		Sold		
		2005	2006	2007
Fermented cheese	t	22749	24388	25334
	thou LTL	231022	251351	289435
Fresh dairt products	t	46257	47916	48313
	thou LTL	100220	107433	126511
Butter	t	3504	3907	4291
	thou LTL	29983	32902	45573
Milk sugar	t	6843	6998	5965
	thou LTL	12582	14584	32417
Milk powders	t	1695	1093	3874
	thou LTL	11116	7938	43325
WPC	t	3697	3553	3781
	thou LTL	18187	19664	30838



Sales markets in 2005-2007

Countries	Sold					
	2005		2006		2007	
	thou LTL	%	thou LTL	%	thou LTL	%
Lithuania	169 927	35,9	181 488	35,3	210 911	31,69
Export	303 191	64,1	328 784	64,7	454 637	68,31
Total	**473 118**	**100**	**510 272**	**100**	**665 548**	**100**



26. Purchase of raw material

In 2007, purchase of raw milk in Lithuania increased by 4,9%. According to the data prepared by the Ministry of Agriculture, in 2007 it was purchased 1 349,52 thousand tons of milk of natural fat content, in 2006 – 1 287,07 thousand tons. The average price of natural raw milk was LTL/ t 830,37 in 2007, and it was by 19,5% higher than in 2006 (LTL/ t 694,82).

The group purchased directly 308 024 tons of raw milk of basic parameters, average price – LTL/ t 660. From this figure of basic parameters raw milk for which no deductions were applied it made 96,2 per cent of total basic parameters raw milk bought up in 2007. The company bought up 200 832 tons of milk from other suppliers. In total it was purchased 508 855 tons of milk of basic parameters or 4,5 per cent less than in 2006. In 2007, the average price of raw milk was LTL/ t 737, i.e. LTL/ t 127 higher than in 2006.

In the second part of 2007, it was acquired 100% of control on the suppliers of services: UAB „Skeberdis ir partneriai“, UAB „Pečupė“, and UAB „Batėnai“.

In 2007, the zone of purchase of raw milk was expanded in Lithuania as well as in Latvia where in 2007 the company purchased 63,4 thousand tons of natural raw milk which is 37,1% more than in 2006 (46,3 thousand tons)

27. Risk factors related with the issuer‘s performance

Economic factors:

- Unfavourable influences related with raw milk production and sales of finished products:
  a) rapidly increasing price of raw milk, and decrease of quantity which is extremely important for cheese production;
  b) low purchasing power of Lithuanian residents;
  c) unrecognized LT brands on the EU market (due to which it is difficult to trade in the retail market)
  d) high concentration of producers;
  e) increase of prices for fuel/power;
  f) abolishment of EU export subsidies to third countries;
  h) lack of raw milk, high competition.
  g) government tax politics is not supportive to business
  i) bureaucratic restrains
  k) fluctuation of export prices
- Lithuania is dominated by small milk farms. Such a high number of raw milk suppliers causes increase of costs for raw milk quality testing and raw milk collection costs. In addition, small farms cannot ensure sufficient and consistent raw milk quality, and impede investment into milk farms. Average dairy farm in Lithuania is the least in EU, moreover it is smaller thirteen times as much compared to the average figure in EU.
- Raw milk production in Lithuania is heavily influenced by seasonality: collection of raw milk in August - September is 2,3 as high as in February. It has a negative impact on the effectiveness of milk processors, and utilization of equipment capacities.
- Low productivity of milking cows:

Low productivity of cows is caused by insufficient genetic potential of herd and poor feedstuffs.

- Unsteady dairy industry regulatory measures implemented by the State. Development of family based milk farms was and still is too slow. Absence of consequent State politics to develop this sector, frequent changes of subsidy requirements and its amounts, concentration into milk prices rather than into investment support have had negative influence on the development of milk farms and improvement of veterinary-sanitary conditions.

Social factors:

During the past few years, emigration of residents of Lithuania increased. Now it is experienced lack of qualified work power. The farming is dominated by older farmers. Community of villages is getting older also.

Technical – technological factors:

Technical-technological risk factors of AB „Rokiškio sūris“ are determined by HACCP program.

The main parts of HACCP program are Prerequisites and HACCP programs. They identify hazard points in every production step, as well as their critical control limits and correction actions.

The company has the following Pre-requisites:

1. Raw milk quality;
2. Maintenance of buildings and premises;
3. Sanitary;
4. Training of personnel;
5. Supply of water, steam and electricity. Water control;
6. Supply of water, steam and electricity. Water control;
7. Purchase and storage of additional materials;
8. Maintenance of equipment. Calibration of measurement devices;
9. Maintenance of equipment. Calibration of measurement devices;
10. Product treacebility and recall;
11. Monitoring of logistics;
12. Pest control.

To monitor every production process there are prepared procedures, technological instructions, their control procedures (both microbiological and chemical), provided records. Final products are handled according the company’s standards which concerns their specifications, chemical content, nourishment, energetic value, packaging, terms of storage, shelf life etc.

Ecological factors:

The most sensitive environmental points of AB ”Rokiškio sūris” are processing and treatment of production pollutants: production/ operational waste, whey, and raw milk processing waste. Quantities of pollutants are limited and strongly controlled. The most sophisticated technologies are used for the production of fermented cheeses at AB ”Rokiškio sūris”, as well as up-to-date waste treatment systems. The company has constructed its own waste water treatment plant in order to target loads for pollutants as required by the EU standards. With a view to continuous reduction of ecological risk and environmental improvement AB ”Rokiškio sūris” has implemented Environment protection programme.

1. On 31st December 2005, AB ”Rokiškio sūris” received a Licence for integrated prevention and control of pollution (TIPK). Period of validity unlimited.
2. In 2007, the company paid taxes for environment pollution amounting to LTL 178 070.
2. There are five environmental programmes designed for observation and analysis of influence on environment. There is no objectionable influence identified.

The company went though analysis of risk and hazard factors, consequently it was prepared a plan for prevention and liquidation of accidents which was agreed with certain institutions: State Work

Inspection, Department of Civil Safety, Fire Protection Authorities, Community Health Centre, Department of Environment Protection, Minicipality.
The company’s buildings were evaluated and marked according to the requirements for fire protection as stated by the document approved by Fire Protection Authorities at VRM (2005 02 18) No. 64. In order to ensure protection from fire and decrease of possible losses, fire alarms were installed as well as other means of this nature (fire plugs, hydrants, ponds, fire-extinguishers), evacuation plans. the fire protection measures were agreed with Fire Protection Authorities.

Key ratios of the company performance, their dynamics

The table shows consolidated figures of the Group.

	Ratios		2004	2005	2006	2007
1.	Net profit %	Net profit / Revenues	6	4	3	5
2.	Average return on assets	Net profit / Average assets	0,09	0,07	0,04	0,10
3.	Debt ratio	Liabilities / Assets	0,30	0,35	0,40	0,36
4.	Debt-to-equity ratio	Liabilities / Equity	0,43	0,54	0,67	0,57
5.	General liquidity ratio	Current assets / Current liabilities	1,96	1,70	1,60	1,69
6.	Assets turnover ratio	Revenues / Assets	1,61	1,58	1,61	1,99
7.	Book value per share, Lt	Equity / Number of ordinary shares	41,26**	40,96**	40,67**	4,97*
8.	Net earnings per share, Lt	Net profit / Number of shares	6,21**	4,81**	3,0**	0,81*

* - Nominal value 1 litas per share.
**- Nominal value 10 litas per share.

28. Investment projects implemented during the past 3 fiscal years

AB „Rokiškio sūris“ management’s key concern is modernization of production procedures, including modern milk-trucks with high isolation and accounting systems. It is endevoured to maintain high product quality, following requirements for food safety and veterinary, as well as introduction of modern worldwide recognized equipment.

During the last 3 financial years the investments were mainly directed to cheese production modernization and reconstruction.

In 2004 one of the major investment tendencies in Rokiskis was modernization of hard cheese production, assuring a constant quality and parameter cheese.

In 2004 building of the washing machine department for cheese salting containers was completed. The amount invested - 151 thousand litas.

In 2004 building of a cheese production department extension was completed. The investment amount was 102 thousand litas.

In 2004 mounting of Goya cheese production line was completed. The total investment amount was 9,1 million litas.

Following the first priority sector ‘Milk and Dairy Products’ of the SAPARD rural development programme ‘Development of Agricultural and Fishery Product Processing and Marketing’, AB “Rokiškio sūris” received financial support, equal to 12,5 million litas, for production modernization. Following the National Payment Agency Director’s order No. 221 of 30th October, 2002 “Concerning SAPARD Support to AB “Rokiškio sūris””, the Support Agreement No. SA 8 – P25020013 was signed on 30th October, 2002. This modernization project was successfully completed in 2004.

In 2005 AB “Rokiškio sūris” invested 17 million litas into such areas as production, logistics and purveyance. Major investments, equal to 8,6 million litas, were made in production development, namely, acquiring evaporators. 2 million litas were used in purchasing milk refrigerators and milk stations.

In 2006, investments of AB “Rokiškio sūris“ reached – 21 512 tūkst. litų.

The main investment of „Rokiškio sūris“ in 2006 - 15,5 mln. litų – is provided for whey collection and processing. Therefore the company applied for the support through EU structural funds amounting to LTL **3,4528** million. On 8th December 2006, it was signed an agreement with National paying agency for LTL 3,4528 mln.

It was received the first step support amounting to LTL 2,2 million. According to the program Rokiškis purchased whey filtration system for LTL 4,4 million, this equipment will help to improve quality of milk sugar because it will decrease the amount of ash in product. Also, the quality of molasses will be improved. In branch „Utenos pienas“ it was modernized the permeate evaporator and dryer of powders for LTL 1,2 million.
It was purchased ammoniac and pressed air compressor for whey cooling for LTL 0,4 million. The 8 ton tank for whey products allow higher effectiveness of production capacities. For the investments it was allocated LTL 1,5 million.

Upon implementation of those modern technologies, there will not be any product leftover for discharge into waste treatment plant. Also, during the production season when the capacities are used at maximal levels, all whey will be collected and processed.

LTL 2 million is allocated for cooling of raw milk and production, and the other LTL 2 million – for purchase of modern milk trucks.

In order to solve environmental problems, it was bought waste sludge drying decanter for LTL 0,5 million. The storage of cheese was renewed and modernized for LTL 0,3 million. LTL 0,2 million was allocated to renovate cheese floating canal from production into brining plant. In general it can be said that investments of AB „Rokiškio sūris“ are organized in the way to ensure food safety requirements.

All investments are made in Lithuania: in Rokiškis And its branches –Utenos and Ukmergės. In 2007, the Group invested LTL 19,6 million. The main of them:

- Cheese production modernization
- Cheese packaging modernization
- Lactose production modernization
- Ventilation system modernization
- Internal logistics modernization
- Energy supply modernization
- Cooling system modernization
- Waste treatment modernization
- Fresh dairy production modernization
- Dry milk production modernization
- Butter production modernization

Also, it was purchased new milk trucks for raw milk transportation, and collection.

29. Future plans, forecasts and investments envisaged in 2008

In 2008, it is planned to reach turnover of around LTL 700 million (~ EUR 202,7 million). The evaluated profitability should be around 3 per cent.

In 2008, the level of investments is evaluated at LTL 46,12 million.

Key directions for investment:

- Raw milk processing (equipment for cheese production, cheese packaging, weighing and labeling, production of butter, fresh dairy products and dry dairy products);
- Departments servicing production plants (ventilation systems, compressor rooms, preparation of soft water, automatization equipment);
- Whey processing into WPC IBK 35% and edible lactose;
- Treatment and handling of dairy waste;
- Laboratory equipment for control of raw material, technological process and production quality.
- Software and hardware;
- Special transportation equipment and vehicles pf raw milk and dairy products;
- Directly related with the company’s activities sand whole production procedure.

Targets of AB „Rokiškio sūris“ consist of the following: modernization of raw milk collection and preparation for loading, modernization of transport, production plants and the departments providing services to the production plants. It should be achieved that the equipment in all production and technological plants would comply with the requirements applied to the most modern technology, also it is important to ensure saving of energy resources, environment protection, improvement of work conditions as well as product quality employing the most modern technologies. The up-to-date equipment would secure production at the highest level in terms of sanitary and hygiene, and the main objective in this field is reduction of manual work during production.

The company also endeavours to modernize its outside suppliers of services namely waste treatment, production of freeze and air, ventilation systems, power supply in order to ensure safety, economical using and appropriate hygiene. It should increase the company’s competitiveness, as well as improved employment of production facilities by implementing additional equipment and considering environment protection.

30. Dividends paid

Dividends paid according share types and class during the last 6 years:

Type of shares	2001		2002		2003	
	Sum, Lt	Per share	Sum, Lt	Per share	Sum, Lt	Per share
Ordinary registered shares	Dividends were not paid		Dividends were not paid		20.012.006,00	4,45 Lt (44,50%)

Continued

Type of shares	2004		2005		2006	
	Sum, Lt	Per share	Sum, Lt	Per share	Sum, Lt	Per share
Ordinary registered shares	21.771.115,00	5,00 Lt (50,00%)	10.275.966,28	2,,36 Lt (23,60%)	10.081.101,08	2,36 (23,60%)

31. Management bodies of the issuer

In accordance with the Articles of Association of AB ”Rokiškio sūris“, the managing bodies of the company are as follows: General shareholders’ meeting, the Board of Directors and the Chief Executive Officer.

The competence and procedure of announcement applied to the general shareholders’ meeting complies with the competence and procedure of announcement applied to the general shareholders’ meeting established by the Law on Joint Stock Companies.

The Board of Directors is a collegial management body comprised of 5 (five) members. The Board members are elected and recalled by the general shareholders’ meeting pursuing the procedure set by the Law on Joint Stock Companies.

The Chief Executive Officer is a one-man management body who organizes everyday activities of the company, discusses and solves the company’s long term strategic objectives as well as issues of business plans. Within relationship between the company and other persons, the Chief Executive Officer acts determinatively on behalf of the company.

32. Members of collegial bodies

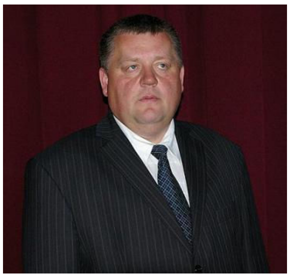
Members of managing bodies

Members of the Board of Directors – Dalius Trumpa, Andrius Trumpa, Antanas Kavaliauskas and Ramūnas Vanagas were elected by the 28th April 2006 general meeting of shareholders AB „Rokiškio sūris“; Alvydas Miliūnas was elected the 27th April 2007 general meeting of shareholders. Cadency of the Board of Directors is 4 years.

Board of Directors:

Dalius Trumpa - Board Chairman.

Antanas Kavaliauskas – Deputy Board Chairman. CFO of AB „Rokiškio sūris"



Alvydas Miliūnas – Board member, Board chairman of Kubilių ŽŪB

Andrius Trumpa - Board member, lecturer of Vilniaus Gedimino technical university

Ramūnas Vanagas - Board member, The Development and internal audit director of AB „Rokiškio sūris".

Manager of the company

Antanas Trumpa - CEO of AB „Rokiškio sūris".

Members of the Board of Directors :
(Data as at 31st December 2007)

Dalius Trumpa - Board Chairman (elected by the 28th April 2006 General meeting of shareholders), Deputy director of AB „Rokiškio sūris". Owns 1,78% of the Authorized capital and votes of AB „Rokiškio sūris“. He is the chief executive officer of UAB „Rokiškio pienas“ which is a daughter enterprise of AB „Rokiškio sūris“. He also is a shareholder of UAB ”Pieno pramonės investicijų valdymas” owning 3,91% of shares of UAB” Pieno pramonės investicijų valdymas”, director of UAB “Rokvalda”, having no ownership in the later.

Antanas Kavaliauskas - Deputy Chairman (elected by the 28th April 2006 General meeting of shareholders), the Chief Financial Officer of AB „Rokiškio sūris“, having no ownership of AB „Rokiškio sūris“. He is a shareholder of UAB ”Pieno pramonės investicijų valdymas” owning 3,91% of shares of UAB” Pieno pramonės investicijų valdymas”.

Andrius Trumpa Board member (elected by the 28th April 2006 General meeting of shareholders), works in Vilnius Gedimino Technikos University in the capacity of lecturer, owns 0,70% of the Authorized capital and 0,71% votes of AB „Rokiškio sūris“. He does not participate in the performance and capital of any other companies.

Ramūnas Vanagas - Board member (elected by the 28th April 2006 General meeting of shareholders), Development and Internal Audit Director of AB „Rokiškio sūris“, having no ownership of shares of AB „Rokiškio sūris“. He does not participate in the performance and capital of any other companies.

Alvydas Miliūnas - Board member (elected by the 27th April 2007 General meeting of shareholders), Board Chairman of agricultural company “Kubilių žemės ūkio bendrovė”, owning 84% of shares, Board Chairman of ŽŪK „Lietuviškas pienas“. He does not have any shares of AB „Rokiškio sūris“.

Cadence period of the Board of Directors is 4 years. The cadence ends on 28th April 2010.

Executive manager:
Antanas Trumpa - owns 9,66% of the authorized capital of AB “Rokiškio sūris“ and 9,85% of votes, a shareholder of UAB ”Pieno pramonės investicijų valdymas” with 74,86% of the shares of UAB” Pieno pramonės investicijų valdymas”. He does not participate in the performance and capital of any other companies.

Chief Financial Officer:
Antanas Kavaliauskas - has no shares of AB „Rokiškio sūris“.

33. Information on observance of the Company management codex

Annex to the Consolidated annual report

Rokiskio suris AB disclosure of compliance with the Governance Code of the companies whose securities are traded on a regulated market is provided as an annex to the consolidated report.

34. Information on the publicly announced data

34.1. Transfer of non-current assets of AB „Rokiskio suris“

Pursuing business separation procedure when fresh dairy production is separated from cheese production, and following the 28th April 2006 General meeting of shareholders, the 2nd January 2007 Meeting of the Board of Directors of AB “Rokiskio suris” resolved to transfer to Closed joint stock company “Rokiskio pienas”, which is established and owned by AB “Rokiskio suris” by 100 per cent, non-current assets amounting to LTL 26.848.700 (EUR 7.775.921) evaluated by market value (LTL 24.801 thousand residual book value). The assets were evaluated by outside evaluator according to established order by legal acts regulating assets evaluation.

The assets to be transferred consist of production facilities and premises of branches Utenos pienas and Ukmergės pieninė, and it will be needed for development of fresh dairy production. On 2nd January 2007, AB “Rokiskio suris” as a sole shareholder of Closed joint stock company “Rokiskio pienas”, resolved to increase the Authorised capital of Closed joint stock company “Rokiskio pienas” from LTL 10.000 (ten thousand) (EUR 2.896,20) to LTL 26.858.700 (twenty six million eight hundred fifty eight thousand seven hundred) (EUR 7.778.817,19) by the shareholder’s additional non-monetary contribution, and there will be issued 2.684.870 shares of UAB „Rokiškio pienas“ at par value of LTL 10. AB “Rokiskio suris” shall own the shares and votes by 100 per cent.

34.2. Investment plan for the year 2007

The Board of Directors of AB „Rokiškio sūris“ approved Investment plan for the year 2007. The company intends to invest LTL 22,154 million for the modernization of the company.

34.3. Summon of the annual general meeting of shareholders of AB „Rokiskio suris“.

Pursuing the initiative and decision of the Company's Board of Directors, on 27th April 2007 it shall be summoned the annual general meeting of shareholders of JSC Rokiskio suris to be held in the Company's residence (Pramones str. 3, Rokiskis, company code 173057512).
Registration starts at 10am to 11.45am.
The registration day of the AMG is 20st April 2007.

Agenda of the meeting:
1. The Annual report of the Company for the year 2006.
2. Auditor's report.
3. Confirmation of the financial accounting for the year 2006.
4. Confirmation of Profit distribution for the year 2006.
5. Auditor appointment and establishment of payment conditions for the auditing service.
6. Amendments to the Articles of Association.
7. Election of the Board member.

Participants of the general meeting of shareholders with the voting right should have a document proving their identity. The shareholders who cannot attend the meeting have the right to authorise another person to represent their interests.

The Board proposes for the Annual General Meeting to allocate LTL 2.36 (EUR 0.68) dividend per share.

34.4. Resolutions of the General Shareholders’ Meeting held on 27th April 2007:

1. The Annual report of the Company for the year 2006 approved.
2. The Auditor report approved.
3. The financial accounting for the year 2006 approved.

4. The Profit distribution for the year 2006 approved:

1) Non-distributable profit (loss) at beginning of year	LTL 41 900 thousand	EUR 12 135 thousand
2) Approved by shareholders dividends for the year 2005	LTL (10 276) thousand	EUR 2 976 thousand
3) Transferred to reserves for treasury share acquisition	LTL (20 000) thousand	EUR 5 792 thousand
4) Non-distributable profit (loss) at beginning of year after dividend payout and transfer to reserves	LTL 11 624 thousand	EUR 3 367 thousand
5) Net profit (loss) of fiscal year	LTL 13 021 thousand	EUR 3 771 thousand
6) Transfers from distributable reserves	LTL 65 091 thousand	EUR 18 852 thousand
7) Distributable profit (loss)	LTL 89 736 thousand	EUR 25 989 thousand
8) Profit share for mandatory reserve	LTL 651 thousand	EUR 189 thousand
9) Profit share for acquisition of treasury shares	-	
10) Profit share for other reserves	-	
11) Profit share for dividend payout	LTL 10 081 thousand	EUR 2 920 thousand
12) Profit share fro annual payments (tantiemes) to the Board of Directors, employee bonuses and other	LTL 2 600 thousand	EUR 753 thousand
13) Non-distributaable profit (loss) at end of year	LTL 76 404 thousand	EUR 22 128 thousand

As for dividends it is distributed LTL 2.36 (0.684 EURO) per ordinary registered share LTL 10 per value of JSC Rokiskio suris. In total it is allocated LTL 10.081.101,08 (EUR 2.919.688,68) to dividend payment.

5. UAB “PriceWaterhouseCoopers“ appointed as an Auditor of JSC Rokiskio suris. The Board of Directors shall establish the fee for the auditor’s work. The Company’s Chief Executive Officer shall sign a contract with the auditor.
6. Point 6.5 of the Articles of Association of AB “Rokiškio sūris“ shall be read as follows:
„6.5. Competence of the Board of Directors does not differ from the Board competence as described by the Law on Joint Stock Companies “.
Point 6.8 of the Articles of Association of AB “Rokiškio sūris“shall be read as follows:
„6.8. The Board of Directors may accept resolutions and its meeting is considered to be in force when over 2/3 of the members present at the meeting. Decision of the Board is considered to be accepted when voices “for” exceed voices “against”.
Point 7.4 of the Articles of Association of AB “Rokiškio sūris“ shall be read as follows:
„7.4. Competence of the Chief Executive Officer does not differ from the Director’s competence as described by the Law on Joint Stock Companies“
Point 7.5 of the Articles of Association of AB “Rokiškio sūris“ has lost its effect.
Point 10.1 of the Articles of Association of AB “Rokiškio sūris“ shall be read as follows:
„10.1. The Company’s information regulated by Article 28 of the Law on Securities is announced publicly as requested and also it is circulated via Central data base of regulated information. A notification convening General shareholders’ meeting is announced in daily newspaper „Lietuvos rytas“ and regional paper „Gimtasis Rokiškis“. Other announcements for shareholders, creditors etc may be circulated via daily “Lietuvos rytas” as well, given personally under signature or sent by the

registered mail as requested by the Lithuanian legacy.“

To authorize the CEO Antanas Trumpa to sign the amendments to the Articles of Association and to present them for registration by Register of Juridical persons.

7. Election of the Board member:
Chairman of Kubiliu agricultural company Alvydas Miliunas is elected a Board member of AB “Rokiskio sûris”.

34.5. Preliminary sales of AB „Rokiskio suris“ group in January 2007

Preliminary sales of AB „Rokiskio suris“ group within January 2007 made LTL 55.690 million (EUR 16.129 million EUR), i.e. 42,8 per cent more than during the same period of last year.

34.6. Preliminary non-audited operational results of AB "Rokiškio sūris" group per the year 2006 and estimated results of 2007:

Preliminary non-audited operational results of AB "Rokiškio sūris" group for the year 2006 as follows:
sales made LTL 517,670 million (EUR 149,928 million) i.e. more by 9,4 per cent compared to the same period of last year; net profit - made LTL 13,082 million (EUR 3,789 million).
The company estimates to reach the sales in the year 2007 up to LTL 610,010 million (EUR 176,671 million) i.e. more by 17,8 per cent compared to the same period of last year; and the net profit - not less than higher by 4,2 per cent.

34.7. Preliminary turnover of AB „Rokiškio sūris“ group per February 2007

Preliminary turnover of AB „Rokiškio sūris“ group in February 2007 made LTL 40,700 million (EUR 11,788 million) i.e. more by 14,49 per cent compared to the same period of last year.

34.8. Preliminary turnover of AB „Rokiškio sūris“ group in March and the first quarter of 2007

Preliminary sales of AB „Rokiskio suris“ group for March 2007 made LTL 48.270 million (EUR 13.980 million), i.e. 21.9 per cent more than during the same period last year. Preliminary non-audited consolidated sales of AB „Rokiskio suris“ group for the Ist quarter of the year 2007 made LTL 144.660 million (EUR 41.896 million), i.e. 27.3 per cent more than during the same period last year.

34.9. Preliminary turnover of AB „Rokiškio sūris“ group in April 2007

Preliminary sales of AB „Rokiskio suris“ group for April 2007 made LTL 46.884 million (EUR 13.579 million), i.e. 24.6 per cent more than during the same period last year. Preliminary sales of AB „Rokiskio suris“ group for the January-April 2007 made LTL 191.544 million (EUR 55.475 million), i.e. 24.6 per cent more than during the same period last year.

34.10. Acquisition of block of shares

AB „Rokiškio sūris“ acquired 50 % of block of shares of UAB „Pieno upės“, who acts in the raw milk purchasing field.

34.11. Registration of the decreased authorized capital with the Register of Enterprises

Register of Enterprises registered decreased AB „Rokiskio suris“ Authorised Capital in at 11 May 2007. After registration AB „Rokiskio suris“ Authorised capital is 42 716 530 Lt (forty two million seven hundred sixteen thousand five hundred thirty) litas. The Authorised capital is divided into 4 271 653 (four million two hundred seventy one thousand six hundred fifty three) ordinary registered shares at par value of LTL 10 (ten) litas. The Company‘s Authorised Capital was decreased by annulment of 474 617 (four hundred seventy four thousand six hundred seventeen) treasury shares..

34.12. Notification about the loss of the treasury shares

AB Rokiskio suris lost 10 per cent of the company shares. The treasury shares (474 617 shares) ware annulled and the Authorised capital was decreased by this share.

34.13. Regarding voluntary tender offer to buy up treasury shares

The 28th May 2007 Board of Directors of AB „Rokiškio sūris“ resolved:

1. Pursuing resolutions of the 22nd December 2006 General Shareholders' Meeting to support and increase the price of AB ”Rokiškio sūris” shares, it will be acquired up to 333 000 (three hundred thirty three thousand) units of AB ”Rokiškio sūris” ordinary registered shares of LTL 10 (ten) par value. Minimal quantity of intended purchase - 1 000 (one thousand) ordinary registered shares of AB ”Rokiškio sūris”.
2. The price set for the acquisition of treasury shares is equal to LTL 60,00 (sixty litas) per ordinary registered share.
3. Period for the purchase of treasury shares - 30 days.
4. Purchase of treasury shares will be commenced as from submission of official tender.
5. The Company's directors and related persons will not take part in this official tender and they will not sell their own shares

34.14. Preliminary turnover of AB „Rokiškio sūris“ group in May 2007

Preliminary sales of AB „Rokiskio suris“ group for May 2007 made LTL 62.713 million (EUR 18.163 million), i.e. 50.1 per cent more than during the same period last year.
Preliminary sales of AB „Rokiskio suris“ group for the January-May 2007 made LTL 253.713 million (EUR 73.480 million), i.e. 31,4 per cent more than during the same period last year.

34.15. AB “Rokiškio sūris” transferred assets to UAB „Rokiškio pienas“

Pursuing the decision of general meeting of shareholders of AB „Rokiškio sūris“, it was transferred the company's long term assets amounting to LTL 26 848 700 to UAB “Rokiškio pienas”, and the authorized capital of UAB “Rokiškio pienas” was increased adequately. On 29th June 2007, the increased authorized capital of UAB „Utenos pienas“ was registered in the Juridical persons register. AB “Rokiškio sūris“ owns 100% of shares and votes of UAB “Rokiškio pienas”.

34.16. Preliminary sales of Rokiskio suris group for the 1st half year 2007

Preliminary sales of Rokiskio suris group for Juny made LTL 59.982 million (17.372 million EUR), i.e. 31.2 per cent more than during the same period last year.
Preliminary sales of Rokiskio suris group for the 1st half year 2007 - LTL 312.921 million (90.628 million EUR), i.e. 31.3 per cent more than during the same period last year.

34.17. Bought treasury shares

During the official voluntary tender offer, AB „Rokiškio sūris“ bought up 78 365 own shares. It makes 1,83 % of the Company's Authorised Capital.

34.18. Preliminary sales of Rokiskio suris group for 7 month 2007

Preliminary sales of AB „Rokiskio suris“ group for July 2007 made LTL 59.600 million (EUR 17.261 million), i.e. 42.6 per cent more than during the same period last year.
Preliminary sales of AB „Rokiskio suris“ group for the January-July 2007 made LTL 372.713 million (EUR 107.945 million), i.e. 33.0 per cent more than during the same period last year.

34.19. Regarding purchase of treasury shares

The 31th August 2007 Board of Directors of AB „Rokiskio suris“ resolved:

1. Pursuing resolutions of the 22nd December 2006 General Shareholders' Meeting to support and increase the price of AB ”Rokiskio suris” shares, it will be acquired up to 254 635 units of AB ”Rokiskio suris” ordinary registered shares of LTL 10 (ten) par value. Minimal quantity of intended purchase - 1 000 (one thousand) ordinary registered shares of AB ”Rokiskio suris”.
2. The price set for the acquisition of treasury shares is equal to LTL 65,00 (sixty five litas) per ordinary registered share.
3. Period for the purchase of treasury shares - 14 days.
4. Purchase of treasury shares will be commenced as from submission of official tender.

34.20. Preliminary sales of Rokiskio suris group per 8 months of 2007

Preliminary sales of AB „Rokiskio suris“ group during January-August 2007 amounted to LTL 449.607 mil. (EUR 130.215 mil.), which is 37.2% more compare with the same period of 2006. The sales during January-August 2006 amounted to LTL 327.811 mil. (EUR 94.941 mil.).
In August 2007, the sales of AB “Rokiskio suris“ group amounted to LTL 77.418 mil. (EUR 22.422 mil). In August 2006, the sales of AB “Rokiskio suris“ group amounted to LTL 47.652 mil. (EUR 13.801 mil). To compare with the same period of 2007, the growth of sales income increased by 62,5%.

34.21. Regarding purchase of treasury shares

The 11th September 2007 Board of Directors of AB „Rokiskio suris“ resolved:

1. In light of changes in securities market due to which the price of AB „Rokiskio suris“ shares has increased, it shall be cancelled a resolution of the 31st August 2007 Board of Directors to buy up own shares at the price of LTL 65,00 per share, and it shall be set a new price of LTL 72,00 per share in order to follow current market situation. It is plan to buy up to 212 470 shares.(4,97%)
2. Minimal quantity of intended purchase - 1 000 (one thousand) ordinary registered shares of AB ”Rokiskio suris”.
3. Period for the purchase of treasury shares - 14 days.
4. Purchase of treasury shares will be commenced as from submission of official tender.

34.22. Summon of the Extraordinary general meeting of shareholders of AB Rokiskio suris

Pursuing the initiative and decision of the Company's Board of Directors, on 19th October 2007 it shall be summoned the Extraordinary general meeting of shareholders of JSC Rokiskio suris to be held in the Company's residence (Pramones str. 3, Rokiskis, company code 173057512).
Registration starts at 10am to 11.45am.
The registration day of the EGMS is 12th October 2007.

Agenda of the meeting:
1. Regarding nominal value of the company‘s shares and increase of number of shares.
2. Amendments to the Articles of Association.

34.23. Sales of AB "Rokiškio sūris" group for the nine month period of 2007

The consolidated non-audited turnover of AB ”Rokiškio sūris” group for nine month period 2007 made LTL 513,311 million (EUR 148,665 million), i.e. more by 36,04 per cent compared to the same period of last year. The consolidated turnover for nine month period 2006 made LTL 377,314 million (EUR 109,278 million).
The consolidated non-audited turnover of AB ”Rokiškio sūris” group for September 2007 made LTL 64,241 million (EUR 18,606 million), i.e. more by 30,46 per cent compared to the same period of last year. The consolidated non-audited turnover for September 2006 made LTL 49,241 million (EUR 14,261 million).

34.24. Resolutions of the Extraordinary General meeting of Shareholders

Resolutions of the Extraordinary General meeting of Shareholders of JSC Rokiskio suris held on 19th October 2007:

1. Regarding nominal value of the company‘s shares and increase of number of shares.

Without changing the size of the Authorized Capital, it shall be changed the nominal value of ordinary registered shares of AB “Rokiškio sūris” from 10 (ten) litas par value to 1 (one) litas par value, proportionally increasing the quantity of shares. Every ordinary registered share of 10 (ten) litas par value will be changed into 10 (ten) ordinary registered shares of 1 (one) litas par value to all shareholders of the company.

2. Amendments to the Articles of Association.

To read point 3.1 of the Company's Articles of Association as follows:
„The Authorised capital of the Company is 42 716 530 Lt (forty two million seven hundred sixteen thousand five hundred thirty) litas. The Authorised capital is divided into 42 716 530 Lt (forty two million seven hundred sixteen thousand five hundred thirty) ordinary registered shares at par value of LTL 1 (one) litas “
The Chief Executive Officer Antanas Trumpa is authorized to sign the revised Articles of ssociation and provide them for incorporation in the Register of juridical entity.

34.25. The registered amendments of the Articles of Association of AB ”Rokiskio suris”

On 29th October 2007, the amendments to the Articles of Association of AB “Rokiskio suris” were registered in the Register of juridical persons; the amendments concern changing nominal value of ordinary registered shares of AB “Rokiskio suris” from former 10 (ten) litas par value to 1 (one) litas par value.
Point 3.1 of the Articles of Association of AB „Rokiskio suris“ will be read as follows:

„The Authorised capital of the Company is 42 716 530 Lt (forty two million seven hundred sixteen thousand five hundred thirty) litas. The Authorised capital is divided into 42 716 530 Lt (forty two million seven hundred sixteen thousand five hundred thirty) ordinary registered shares at par value of LTL 1 (one) litas “

34.26. Information about the interim report of AB „Rokiškio sūris“ for the nine month period 2007 and explanation on the increased operation results comparing to the budgeted

The consolidated sales of AB ”Rokiškio sūris” group for the nine month period 2007 made LTL 513,082 million (EUR 148,599 million), i.e. by 35,9 per cent more compared to the same period of last year. The consolidated sales for the nine month period 2006 made LTL 377,586 million (EUR 109,356 million).
The consolidated non-audited nine month profit for the year 2007 made LTL 30,042 million (EUR 8,701 million), i.e. 3 times as much compared to the same period of last year. The consolidated non-audited nine month profit for the year 2006 made LTL 10,053 million (EUR 2,912 million).

Net profit from the operations on the local market made LTL 4,366 million (EUR 1,264 million), domestic sales made LTL 132,871 million (EUR 38,482 million).
Profitability ratio - 3,3 per cent.
Net profit from exports made LTL 25,676 million (EUR 7,436 million) Export sales made LTL 380,211 million (EUR 110,117 million).
Profitability ratio from exports - 6,7 per cent.

The consolidated profitability ratio for three quarters 2007 made 5,8 per cent.
The budget profitability for 2007 was at the level of 4,2 per cent.

Increase of profit was caused by significantly improved export market situation.
Actual prices of exported products vs the company's budget as follows:

	Budgeted price (EUR/t)	Aver. 9 mont price (EUR/t)	I ncrease %
Skim milk powder	2200	3219	46
Cream	1100	1611	46
Whey protein concentrate	1730	2348	36

34.27. Turnover of AB ”Rokiškio sūris” group for ten month period 2007

The consolidated non-audited turnover of AB ”Rokiškio sūris” group for ten month period 2007 made LTL 571.226 million (EUR 165.438 million), i.e. more by 35,08 per cent compared to the same period of last year. The consolidated turnover for ten month period 2006 made LTL 422.872 million (EUR 122.472 million).
The consolidated non-audited turnover of AB ”Rokiškio sūris” group for October 2007 made LTL 58.144 million (EUR 16.840 million), i.e. more by 28.39 per cent compared to the same period of last year. The consolidated non-audited turnover for October 2006 made LTL 45.286 million (EUR 13.116 million).

34.28. AB ”Rokiškio sūris” acquired block of shares of Latvian company

AB ”Rokiškio sūris” acquired block of shares of Latvian company SIA Jekabpils piena kombinats amounting to 50,05 per cent. In 2006, this company bought up 15 thousand tons of natural milk in the territory of Latvia. In 2006, the company’s turnover made LVL 2.93 million or LTL 14.5 million

(EUR 4.20 million).
SIA Jekabpils piena kombinats specializes in the production of fermented cheese as well as sales of raw milk.

34.29. Sales of AB ”Rokiškio sūris” group for 11 months of the year 2007

The preliminary consolidated non-audited eleven month 2007 sales of AB ”Rokiškio sūris” group made LTL 623.238 million (EUR 180.502 million), i.e. more by 33,87 per cent compared to the same period of last year. The consolidated eleven month 2006 sales of the group made LTL 465.559 million (EUR 134.835 million).
The consolidated non-audited November 2007 sales made LTL 51.985 million (EUR 15.056 million), i.e. more by 22,01 per cent compared to the same period of last year. The consolidated November 2006 sales made LTL 42.608 million (EUR 12.340 million).

The company alternates its estimated operation results for the year 2007:
Estimated sales of the year 2007 make approx. LTL 660 million (approx. EUR 191 million), the company expects to reach around 6 per cent profitability ratio.
Better results compared to the estimated before can be expected because of more favourable export dairy market situation in 2007.

34.30. Turnover of AB ”Rokiškio sūris” group for 12 months of the year 2007

The preliminary consolidated non-audited sales of AB ”Rokiškio sūris” group for 12 months of the year 2007 made LTL 662.188 million (EUR 191.783 million), i.e. 27,79 per cent more than in the same period last year. In 2006, yearly consolidated audited sales made LTL 518.144 million (EUR 150.065 million).

All information on the company’s material events is presented following Article 28 of the Law on Securities of the Republic of Lithuania.

The company publishes its information through the base of Central Public Information, on the website of Vilnius Securities Exchange http://www.baltic.omxnordicexchange.com and the company’s website www.rokiskio.com

The announcement on convention of general meeting of shareholders is placed in daily newspaper „Lietuvos rytas“ and regional newspaper „Gimtasis Rokiškis“. Other public announcements to shareholders, creditors or other persons may be published in the daily newspaper „Lietuvos rytas“, or given personally upon signing or by registered mail.

35. Information on audit

The audit of AB “Rokiškio sūris” (The Group) consolidated balance sheet and associated profit/ loss report as at 31st December 2007, as well as cash flow and changes in equity statements were prepared by UAB “PricewaterhouseCoopers”. The auditor’s report was signed on 14 April 2008.

36. Performance strategy and evaluated changes in the nearest fiscal year

Mission
Joint stock company Rokiškio sūris is a strong, modern and reliable enterprise which is creating and

constantly increasing its value for company participants as well as taking care of the welfare of its staff.

Vision

Joint stock company Rokiškio sūris – the leader in milk processing in Lithuania and the leader in cheese making in the Baltic States.

***Essential values*:**

- Professional approach.
- Impeccable attention to the satisfaction of the needs of our clients and consumers.
- Respect for and trust in employees.
- Constant improvement.

Long-term Objectives

- Creation of a solid and profitable EU market for AB “Rokiškio sūris” products and services
- Consolidation, creation and safeguarding of a safe long-term market for the company’s cheese in the EU countries
- Development of cheese assortment with the help of new product creation and effective marketing activities, satisfaction of the EU and the world market needs
- Becoming and remaining the dairy production leader in the Baltic States
- Modernisation and rationalisation of agricultural product processing and marketing, improvement of their competitive ability and the surplus value increase.
- Ensuring of a stable and coordinated waste-free production programme.

The Group’s Main Objectives

- Sales and marketing area – preservation of the market share and penetration into new profitable markets, development of new products and services;
- Production area – preservation of the highest quality, production of new dairy products and assortment renewal, complete use of present production capacities and implementation of the newest technologies;
- Raw milk purchase – status preservation of the biggest and most reliable raw milk purchaser in Lithuania and milk acquisition in neighbouring countries;
- Finances – securing desirable profitability and liquidity, maximising shareholders’ property value;
- Management – improving the functional management system by implementing both management and new products.
- Human resource management: training of employees at all levels according to the prepared plan and enjoying structural funds. The programme of training should cover not less than 200 employees including managers and specialists. Specific attention is paid to learning of foreign languages. Also, attestation of all responsible employees should be carried out.

APPENDIX TO THE CONSOLIDATED ANNUAL REPOR FOR THE YEAR 2007

Rokiskio suris AB disclosure of compliance with the Governance Code of the companies whose securities are traded on a regulated market 2007

Rokiskio suris AB, following Article 21 paragraph 3 of the Law on Securities of the Republic of Lithuania and item 20.5 of the Trading Rules of the Vilnius Stock Exchange, discloses its compliance with the Governance Code, approved by the VSE for the companies listed on the regulated market, and its specific provisions. In the event of non-compliance with the Code or with certain provisions thereof, it must be specified which provisions are not complied with and the reasons of non-compliance.

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
Principle I: Basic Provisions **The overriding objective of a company should be to operate in common interests of all the shareholders by optimizing over time shareholder value.**		
1.1. A company should adopt and make public the company's development strategy and objectives by clearly declaring how the company intends to meet the interests of its shareholders and optimize shareholder value.	Yes	The Company announces its development strategy and objectives publicly in the annual and interim quarterly performance reports.
1.2. All management bodies of a company should act in furtherance of the declared strategic objectives in view of the need to optimize shareholder value.	Yes	The Company's managing bodies act in furtherance of the strategic plan according to which the mission is to form a strong, financially sound and technically modern enterprise creating and constantly increasing its value for shareholders.
1.3. A company's supervisory and management bodies should act in close co-operation in order to attain maximum benefit for the company and its shareholders.	Yes	The Company's CEO and the Board of Directors cooperate closely (the CEO participate at all meetings of the Board of Directors, submits reports on the company's performance and implementation of strategic plan and budgeting, provides recommendations for the Board's resolutions), which inure to both the Company and shareholders benefit.

1.4. A company's supervisory and management bodies should ensure that the rights and interests of persons other than the company's shareholders (e.g. employees, creditors, suppliers, clients, local community), participating in or connected with the company's operation, are duly respected.	Yes	The Company's Board of Directors and managing bodies ensure the rights and interests of shareholders, employees, raw material suppliers are duly respected. Employees can enjoy opportunities to improve their qualification at various seminars and courses in Lithuania and abroad, development of milk farms is supported, and organic farms are encouraged. The great part of employees and milk producers are shareholders of the Company.
Principle II: The corporate governance framework **The corporate governance framework should ensure the strategic guidance of the company, the effective oversight of the company's management bodies, an appropriate balance and distribution of functions between the company's bodies, protection of the shareholders' interests.**		
2.1. Besides obligatory bodies provided for in the Law on Companies of the Republic of Lithuania – a general shareholders' meeting and the chief executive officer, it is recommended that a company should set up both a collegial supervisory body and a collegial management body. The setting up of collegial bodies for supervision and management facilitates clear separation of management and supervisory functions in the company, accountability and control on the part of the chief executive officer, which, in its turn, facilitate a more efficient and transparent management process.	No	The Company's managing bodies are a general shareholders' meeting, the Board of Directors and the Chief Executive Officer. The Company does not have a collegial supervisory body, and its functions are overtaken by the Board of Directors. The Company's CEO is accountable to the Board of Directors. The CEO is not a member of the Board of Directors.
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	Functions of the collegial management body are carried out by the Board of Directors.
2.3. Where a company chooses to form only one collegial body, it is recommended that it should be a supervisory body, i.e. the supervisory board. In such a case, the supervisory board is responsible for the effective monitoring of the functions performed by the company's chief executive officer.	No	The Company has only one collegial management body and it is the Board of Directors who carry out the functions of the supervisory board.
2.4. The collegial supervisory body to be elected by the general shareholders' meeting should be set up and should act in the manner defined in Principles III and IV. Where a company should decide not to set up a collegial supervisory body but rather a collegial management body, i.e. the board, Principles III and IV should apply to the board as long as that does not contradict the essence and purpose of this body.	Yes	The Company has a collegial management body – the Board of Directors. Principles III and IV of the Code are applied to the Board of Directors.
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.	No	According to the Articles of Association the Board of Directors consists of 5 members. The Company believes that 5 members is sufficient to have productive work of the Board of Directors enabling to accept rational resolutions and execute decisions of general shareholders' meetings.

2.6. Non-executive directors or members of the supervisory board should be appointed for specified terms subject to individual re-election, at maximum intervals provided for in the Lithuanian legislation with a view to ensuring necessary development of professional experience and sufficiently frequent reconfirmation of their status. A possibility to remove them should also be stipulated however this procedure should not be easier than the removal procedure for an executive director or a member of the management board.	Yes	According to the Articles of the Association the Board of Directors is elected for the 4 year period. Cadency number is not limited. A possibility to resign or remove a member of the Board of Directors is regulated by the Lithuanian legislation – a Board member may resign before his/her cadency is ended if the company is informed about it in written not later than 14 days in advance.
2.7. Chairman of the collegial body elected by the general shareholders' meeting may be a person whose current or past office constitutes no obstacle to conduct independent and impartial supervision. Where a company should decide not to set up a supervisory board but rather the board, it is recommended that the chairman of the board and chief executive officer of the company should be a different person. Former company's chief executive officer should not be immediately nominated as the chairman of the collegial body elected by the general shareholders' meeting. When a company chooses to departure from these recommendations, it should furnish information on the measures it has taken to ensure impartiality of the supervision.	Yes	The Company's Board Chairman is not the Chief Executive Officer.
Principle III: The order of the formation of a collegial body to be elected by a general shareholders' meeting **The order of the formation a collegial body to be elected by a general shareholders' meeting should ensure representation of minority shareholders, accountability of this body to the shareholders and objective monitoring of the company's operation and its management bodies.**		
3.1. The mechanism of the formation of a collegial body to be elected by a general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure objective and fair monitoring of the company's management bodies as well as representation of minority shareholders.	Yes	Only 2 Members of the Board of Directors of total 5 are shareholders of the Company. One member of the board is a representative of farmers – he is not a shareholder nor the agricultural company managed by him has shares of the company. Pursuing the resolution of general meeting of shareholders according to the Law on Joint Stock Companies the Board members are provided remuneration in the form of tantiemes. Minor shareholders are not limited in their right to represent their interests and have their representative on the Board of Directors. Each candidate to the members of the Board provide information to shareholders as on their previous and current positions, as well connections with the Company and the third related parties.

3.2. Names and surnames of the candidates to become members of a collegial body, information about their education, qualification, professional background, positions taken and potential conflicts of interest should be disclosed early enough before the general shareholders' meeting so that the shareholders would have sufficient time to make an informed voting decision. All factors affecting the candidate's independence, the sample list of which is set out in Recommendation 3.7, should be also disclosed. The collegial body should also be informed on any subsequent changes in the provided information. The collegial body should, on yearly basis, collect data provided in this item on its members and disclose this in the company's annual report.	Yes	Information about the members of the Board of Directos (names, education, qualifications, professional experience, participation in the activities of other companies, other important professional obligations) is provided in the periodical reports.
3.3. Should a person be nominated for members of a collegial body, such nomination should be followed by the disclosure of information on candidate's particular competences relevant to his/her service on the collegial body. In order shareholders and investors are able to ascertain whether member's competence is further relevant, the collegial body should, in its annual report, disclose the information on its composition and particular competences of individual members which are relevant to their service on the collegial body.	Yes	A candidate to the members of the Board inform general meeting of shareholders about his/ her education, professional performance, position and participation in the activities of other companies. Members of the Board provide information on the participation in qualification programmes related with activities on the Board.
3.4. In order to maintain a proper balance in terms of the current qualifications possessed by its members, the collegial body should determine its desired composition with regard to the company's structure and activities, and have this periodically evaluated. The collegial body should ensure that it is composed of members who, as a whole, have the required diversity of knowledge, judgment and experience to complete their tasks properly. The members of the audit committee, collectively, should have a recent knowledge and relevant experience in the fields of finance, accounting and/or audit for the stock exchange listed companies.	Yes	There is a Development and Auditing Committee in the Company which consists of 2 members. The Auditing Committee carries out independent and objective activities analyzing, evaluating and consulting the Company in order to improve the Company's performance and increase its added value.
3.5. All new members of the collegial body should be offered a tailored program focused on introducing a member with his/her duties, corporate organization and activities. The collegial body should conduct an annual review to identify fields where its members need to update their skills and knowledge.	No	All new Board members are informed on the Company's performance, organization and changes in the meetings of the Board of Directors.
3.6. In order to ensure that all material conflicts of interest related with a member of the collegial body are resolved properly, the collegial body should comprise a sufficient number of independent members.	No	At present there is one member of the board who is an independent member. The issue to have more independent members on the board will be discussed.

3.7. A member of the collegial body should be considered to be independent only if he is free of any business, family or other relationship with the company, its controlling shareholder or the management of either, that creates a conflict of interest such as to impair his judgment. Since all cases when member of the collegial body is likely to become dependant are impossible to list, moreover, relationships and circumstances associated with the determination of independence may vary amongst companies and the best practices of solving this problem are yet to evolve in the course of time, assessment of independence of a member of the collegial body should be based on the contents of the relationship and circumstances rather than their form. The key criteria for identifying whether a member of the collegial body can be considered to be independent are the following: 1) He/she is not an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) of the company or any associated company and has not been such during the last five years; 2) He/she is not an employee of the company or some any company and has not been such during the last three years, except for cases when a member of the collegial body does not belong to the senior management and was elected to the collegial body as a representative of the employees; 3) He/she is not receiving or has been not receiving significant additional remuneration from the company or associated company other than remuneration for the office in the collegial body. Such additional remuneration includes participation in share options or some other performance based pay systems; it does not include compensation payments for the previous office in the company (provided that such payment is no way related with later position) as per pension plans (inclusive of deferred compensations); 4) He/she is not a controlling shareholder or representative of such shareholder (control as defined in the Council Directive 83/349/EEC Article 1 Part 1); 5) He/she does not have and did not have any material business relations with the company or associated company within the past year directly or as a partner, shareholder, director or superior employee of the subject having such relationship. A subject is considered to have	No	As from 1995 until 2006, the greatest part of the Board of the Company was made of independent members. When the structure of shareholders changed, and the Board of Directors resigned, the new members were elected, and they do not comply with the Code's independency criteria.

business relations when it is a major supplier or service provider (inclusive of financial, legal, counseling and consulting services), major client or organization receiving significant payments from the company or its group; 6) He/she is not and has not been, during the last three years, partner or employee of the current or former external audit company of the company or associated company; 7) He/she is not an executive director or member of the board in some other company where executive director of the company or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) is non-executive director or member of the supervisory board, he/she may not also have any other material relationships with executive directors of the company that arise from their participation in activities of other companies or bodies; 8) He/she has not been in the position of a member of the collegial body for over than 12 years; 9) He/she is not a close relative to an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) or to any person listed in above items 1 to 8. Close relative is considered to be a spouse (common-law spouse), children and parents. 3.8. The determination of what constitutes independence is fundamentally an issue for the collegial body itself to determine. The collegial body may decide that, despite a particular member meets all the criteria of independence laid down in this Code, he cannot be considered independent due to special personal or company-related circumstances.		
3.9. Necessary information on conclusions the collegial body has come to in its determination of whether a particular member of the body should be considered to be independent should be disclosed. When a person is nominated to become a member of the collegial body, the company should disclose whether it considers the person to be independent. When a particular member of the collegial body does not meet one or more criteria of independence set out in this Code, the company should disclose its reasons for nevertheless considering the member to be independent. In addition, the company should annually disclose which members of the collegial body it considers to be independent.	No	By 2006, the Board of Directors consisted of 3 independent members of 5. Upon the shareholder structure change, the consistence of the Board changed also. At present, there is only one member who complies with the independency criteria.

3.10. When one or more criteria of independence set out in this Code has not been met throughout the year, the company should disclose its reasons for considering a particular member of the collegial body to be independent. To ensure accuracy of the information disclosed in relation with the independence of the members of the collegial body, the company should require independent members to have their independence periodically re-confirmed.	No	As the Code was approved in August 2006, the Company has not had a possibility to implement the independency criteria. In addition, until April 2006, the Company's Board consisted of 2/3 of independent members.
3.11. In order to remunerate members of a collegial body for their work and participation in the meetings of the collegial body, they may be remunerated from the company's funds. The general shareholders' meeting should approve the amount of such remuneration.	Yes	According to the resolution of general shareholders' meeting the Board members are remunerated from the Company's profit in the manner of tantiemes.
Principle IV: The duties and liabilities of a collegial body elected by the general shareholders' meeting **The corporate governance framework should ensure proper and effective functioning of the collegial body elected by the general shareholders' meeting, and the powers granted to the collegial body should ensure effective monitoring of the company's management bodies and protection of interests of all the company's shareholders.**		
4.1. The collegial body elected by the general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure integrity and transparency of the company's financial statements and the control system. The collegial body should issue recommendations to the company's management bodies and monitor and control the company's management performance.	Yes	The Board of Directors approves and submits reciprocations and recommendations to a general meeting of shareholders regarding annual accountability of the Company, distribution of the profit, annual report of the Company, as well as carries out other functions.
4.2. Members of the collegial body should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders with due regard to the interests of employees and public welfare. Independent members of the collegial body should (a) under all circumstances maintain independence of their analysis, decision-making and actions (b) do not seek and accept any unjustified privileges that might compromise their independence, and (c) clearly express their objections should a member consider that decision of the collegial body is against the interests of the company. Should a collegial body have passed decisions independent member has serious doubts about, the member should make adequate conclusions. Should an independent member resign from his office, he should explain the reasons in a letter addressed to the collegial body or audit committee and, if necessary, respective company-not-pertaining body (institution).	Yes	By the Company's information, all Board members act in good will *vis-a-vis* the Company. They are guided by the Company's interests but not their own or any third parties seeking to maintain their independency when accepting decisions.

4.3. Each member should devote sufficient time and attention to perform his duties as a member of the collegial body. Each member of the collegial body should limit other professional obligations of his (in particular any directorships held in other companies) in such a manner they do not interfere with proper performance of duties of a member of the collegial body. In the event a member of the collegial body should be present in less than a half of the meetings of the collegial body throughout the financial year of the company, shareholders of the company should be notified.	Yes	Each member of the collegial body fulfills his/ her functions properly: actively participates at the meetings of collegial body, and devotes sufficient time to perform his/ her duties as a member of the collegial body. The quorum of each meeting was regulated so the Board of Directors would be enabled to accept decisions constructively.
4.4. Where decisions of a collegial body may have a different effect on the company's shareholders, the collegial body should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed on the company's affairs, strate-gies, risk management and resolution of conflicts of interest. The company should have a clearly estab-lished role of members of the collegial body when communicating with and committing to shareholders.	Yes	The Company acts honestly and without bias with its shareholders. The shareholders are informed on the Company's activities in accordance with the Lithuanian legislation by announcing the information in annual reports, through the Central information base and the company's website.
4.5. It is recommended that transactions (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions), concluded between the company and its shareholders, members of the supervisory or managing bodies or other natural or legal persons that exert or may exert influence on the company's management should be subject to approval of the collegial body. The decision concerning approval of such transactions should be deemed adopted only provided the majority of the independent members of the collegial body voted for such a decision.	Yes	The Company's collegial body conclude transactions according to the Articles of Association of the Company and Work regulations of the collegial body. The Internal Audit and Development Director confirms the transactions when a total yearly value of transactions with a single customer exceeds LTL 100.000, the same rule is applied when any assets exceeding LTL 1 million are bought or sold within a year to/ from a single customer.
4.6. The collegial body should be independent in passing decisions that are significant for the company's operations and strategy. Taken separately, the collegial body should be independent of the company's management bodies. Members of the collegial body should act and pass decisions without an outside influence from the persons who have elected it. Companies should ensure that the collegial body and its committees are provided with sufficient administrative and financial resources to discharge their duties, including the right to obtain, in particular from employees of the company, all the necessary information or to seek independent legal, accounting or any other advice on issues pertaining to the competence of the collegial body and its committees.	No	The Company's Board members are not independent from the Executive management of the Company, except one member. Three of five board members are the company's employees. The Board of Directors pursue the Work Regulations of the Board in order to pass decisions. They work for benefit of the Company, and ensure continuous rise of shareholder value.

4.7. Activities of the collegial body should be organized in a manner that independent members of the collegial body could have major influence in relevant areas where chances of occurrence of conflicts of interest are very high. Such areas to be considered as highly relevant are issues of nomination of company's directors, determination of directors' remuneration and control and assessment of company's audit. Therefore when the mentioned issues are attributable to the competence of the collegial body, it is recommended that the collegial body should establish nomination, remuneration, and audit committees. Companies should ensure that the functions attributable to the nomination, remuneration, and audit committees are carried out. However they may decide to merge these functions and set up less than three committees. In such case a company should explain in detail reasons behind the selection of alternative approach and how the selected approach complies with the objectives set forth for the three different committees. Should the collegial body of the company comprise small number of members, the functions assigned to the three committees may be performed by the collegial body itself, provided that it meets composition requirements advocated for the committees and that adequate information is provided in this respect. In such case provisions of this Code relating to the committees of the collegial body (in particular with respect to their role, operation, and transparency) should apply, where relevant, to the collegial body as a whole.	Yes	There is a Development and Auditing Committee in the Company. It is made of 2 members. The Internal Auditing and Development Director is a Board member with the highest economical education, and he is a specialist of internal auditing. Development and Auditing Committee is an independent, and objective committee carrying out the functions of supervision, analyzing, evaluation and consultation in order to improve general organization and create value added. The main function of the Committee is systematic and versatile evaluation, as well as encouragement of better risk management, and sufficient control and maintenance procedures resulting in submission of recommendations. Regulations of Development and Auditing Committee are prepared in accordance with the International Audit Standards. Nomination and Remuneration Committees are not appointed because this function is carried out by the Development and Auditing Committee.
4.8. The key objective of the committees is to increase efficiency of the activities of the collegial body by ensuring that decisions are based on due consideration, and to help organize its work with a view to ensuring that the decisions it takes are free of material conflicts of interest. Committees should present the collegial body with recommendations concerning the decisions of the collegial body. Nevertheless the final decision shall be adopted by the collegial body. The recommendation on creation of committees is not intended, in principle, to constrict the competence of the collegial body or to remove the matters considered from the purview of the collegial body itself, which remains fully responsible for the decisions taken in its field of competence.	Yes	Following its regulations, Development and Auditing Committee submits recommendations to the collegial body in relation with resolutions made by the collegial body. The collegial body remains fully responsible for the decisions made within its competence and accepts final decisions.
4.9. Committees established by the collegial body should normally be composed of at least three members. In companies with small number of members of the collegial body, they could exceptionally be composed of two members. Majority of the members of each committee should be constituted from independent members of the collegial body. In cases when the company chooses not to set up a supervisory board, remuneration and audit committees should be entirely comprised of non-executive directors. Chairmanship and membership of the	No	Development and Auditing Committee is made of two members, one of which is the Internal Auditing and Development Director who is also the Board member. The other member is an employee of the Company.

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.		
4.10. Authority of each of the committees should be determined by the collegial body. Committees should perform their duties in line with authority delegated to them and inform the collegial body on their activities and performance on regular basis. Authority of every committee stipulating the role and rights and duties of the committee should be made public at least once a year (as part of the information disclosed by the company annually on its corporate governance structures and practices). Companies should also make public annually a statement by existing committees on their composition, number of meetings and attendance over the year, and their main activities. Audit committee should confirm that it is satisfied with the independence of the audit process and describe briefly the actions it has taken to reach this conclusion.	Yes	The Board of Directors approve the Work Regulations of the Development and Auditing Committee. The Committee is accountable to the Board of Directors.
4.11. In order to ensure independence and impartiality of the committees, members of the collegial body that are not members of the committee should commonly have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or demand participation in the meeting of particular officers or experts. Chairman of each of the committees should have a possibility to maintain direct communication with the shareholders. Events when such are to be performed should be specified in the regulations for committee activities.	Yes	The CEO of the Company participates at the meetings of the Committee as well as other employees related with the discussed issues.

4.12. Nomination Committee. 4.12.1. Key functions of the nomination committee should be the following: • Identify and recommend, for the approval of the collegial body, candidates to fill board vacancies. The nomination committee should evaluate the balance of skills, knowledge and experience on the management body, prepare a description of the roles and capabilities required to assume a particular office, and assess the time commitment expected. Nomination committee can also consider candidates to members of the collegial body delegated by the shareholders of the company; • Assess on regular basis the structure, size, composition and performance of the supervisory and management bodies, and make recommendations to the collegial body regarding the means of achieving necessary changes; • Assess on regular basis the skills, knowledge and experience of individual directors and report on this to the collegial body; • Properly consider issues related to succession planning; • Review the policy of the management bodies for selection and appointment of senior management. 4.12.2. Nomination committee should consider proposals by other parties, including management and shareholders. When dealing with issues related to executive directors or members of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) and senior management, chief executive officer of the company should be consulted by, and entitled to submit proposals to the nomination committee.	No	There is not a Nomination Committee in the Company. In general its functions are carried out by the Development and Auditing Committee.
4.13. Remuneration Committee. 4.13.1. Key functions of the remuneration committee should be the following: • Make proposals, for the approval of the collegial body, on the remuneration policy for members of management bodies and executive directors. Such policy should address all forms of compensation, including the fixed remuneration, performance-based remuneration schemes, pension arrangements, and termination payments. Proposals considering performance-based remuneration schemes should be accompanied with recommendations on the related objectives and evaluation criteria, with a view to properly aligning the pay of executive director and members of the management bodies with the long-term interests of the shareholders and the objectives set by the collegial body; • Make proposals to the collegial body on the individual remuneration for executive directors and member of management bodies in order their remunerations are consistent with company's remuneration policy and the evaluation of the performance of these persons concerned. In doing so, the committee should be properly informed on the total compensation obtained by executive directors and members of the management bodies from the affiliated companies; • Make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies;	No	There is not a Remuneration Committee in the Company. An issue of forming such a committee or passing this Committee functions to another committee will be discussed.

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

4.14. Audit Committee. 4.14.1. Key functions of the audit committee should be the following: • Observe the integrity of the financial information provided by the company, in particular by reviewing the relevance and consistency of the accounting methods used by the company and its group (including the criteria for the consolidation of the accounts of companies in the group); • At least once a year review the systems of internal control and risk management to ensure that the key risks (inclusive of the risks in relation with compliance with existing laws and regulations) are properly identified, managed and reflected in the information provided; • Ensure the efficiency of the internal audit function, among other things, by making recommendations on the selection, appointment, reappointment and removal of the head of the internal audit department and on the budget of the department, and by monitoring the responsiveness of the management to its findings and recommendations. Should there be no internal audit authority in the company, the need for one should be reviewed at least annually; • Make recommendations to the collegial body related with selection, appointment, reappointment and removal of the external auditor (to be done by the general shareholders' meeting) and with the terms and conditions of his engagement. The committee should investigate situations that lead to a resignation of the audit company or auditor and make recommendations on required actions in such situations; • Monitor independence and impartiality of the external auditor, in particular by reviewing the audit company's compliance with applicable guidance relating to the rotation of audit partners, the level of fees paid by the company, and similar issues. In order to prevent occurrence of material conflicts of interest, the committee, based on the auditor's disclosed inter alia data on all remunerations paid by the company to the auditor and network, should at all times monitor nature and extent of the non-audit services. Having regard to the principals and guidelines established in the 16 May 2002 Commission Recommendation 2002/590/EC, the committee should determine and apply a formal policy establishing types of non-audit services that are (a) excluded, (b) permissible only after review by the committee, and (c) permissible without referral to the committee; • Review efficiency of the external audit process and responsiveness of management to recommendations made in the external auditor's management letter. 4.14.2. All members of the committee should be furnished with complete information on particulars of accounting, financial and other operations of the company. Company's management should inform the audit committee of the methods used to account for significant and unusual transactions where the accounting treatment may be open to different approaches. In such case a special consideration should be given to	Yes	Development and Auditing Committee is an independent, and objective committee carrying out the functions of supervision, analyzing, evaluation and consultation in order to improve general organization and create value added. The main function of the Committee is systematic and versatile evaluation, as well as encouragement of better risk management, and sufficient control and maintenance procedures resulting in submission of recommendations to the Board of Directors and executive management in order to implement set objectives. Regulations of Development and Auditing Committee are prepared in accordance with the International Audit Standards.

company's operations in offshore centers and/or activities carried out through special purpose vehicles (organizations) and justification of such operations. 4.14.3. The audit committee should decide whether participation of the chairman of the collegial body, chief executive officer of the company, chief financial officer (or superior employees in charge of finances, treasury and accounting), or internal and external auditors in the meetings of the committee is required (if required, when). The committee should be entitled, when needed, to meet with any relevant person without executive directors and members of the management bodies present. 4.14.4. Internal and external auditors should be secured with not only effective working relationship with management, but also with free access to the collegial body. For this purpose the audit committee should act as the principal contact person for the internal and external auditors. 4.14.5. The audit committee should be informed of the internal auditor's work program, and should be furnished with internal audit's reports or periodic summaries. The audit committee should also be informed of the work program of the external auditor and should be furnished with report disclosing all relationships between the independent auditor and the company and its group. The committee should be timely furnished information on all issues arising from the audit. 4.14.6. The audit committee should examine whether the company is following applicable provisions regarding the possibility for employees to report alleged significant irregularities in the company, by way of complaints or through anonymous submissions (normally to an independent member of the collegial body), and should ensure that there is a procedure established for proportionate and independent investigation of these issues and for appropriate follow-up action. 4.14.7. The audit committee should report on its activities to the collegial body at least once in every six months, at the time the yearly and half-yearly statements are approved.		
4.15. Every year the collegial body should conduct the assessment of its activities. The assessment should include evaluation of collegial body's structure, work organization and ability to act as a group, evaluation of each of the collegial body member's and committee's competence and work efficiency and assessment whether the collegial body has achieved its objectives. The collegial body should, at least once a year, make public (as part of the information the company annually discloses on its management structures and practices) respective information on its internal organization and working procedures, and specify what material changes were made as a result of the assessment of the collegial	No	There is no practice of collegial body assessment.

body of its own activities.		
Principle V: The working procedure of the company's collegial bodies **The working procedure of supervisory and management bodies established in the company should ensure efficient operation of these bodies and decision-making and encourage active co-operation between the company's bodies.**		
5.1. The company's supervisory and management bodies (hereinafter in this Principle the concept 'collegial bodies' covers both the collegial bodies of supervision and the collegial bodies of management) should be chaired by chairpersons of these bodies. The chairperson of a collegial body is responsible for proper convocation of the collegial body meetings. The chairperson should ensure that information about the meeting being convened and its agenda are communicated to all members of the body. The chairperson of a collegial body should ensure appropriate conducting of the meetings of the collegial body. The chairperson should ensure order and working atmosphere during the meeting.	Yes	The Company's Board of Directors is chaired by the Board Chairman acting in accordance with the approved Work Regulations. The Board Chairman is responsible for sufficient information about the meeting being convened and its agenda communication to all members of the body. He/ she also ensures order and working atmosphere during the meeting.
5.2. It is recommended that meetings of the company's collegial bodies should be carried out according to the schedule approved in advance at certain intervals of time. Each company is free to decide how often to convene meetings of the collegial bodies, but it is recommended that these meetings should be convened at such intervals, which would guarantee an interrupted resolution of the essential corporate governance issues. Meetings of the company's supervisory board should be convened at least once in a quarter, and the company's board should meet at least once a month.	Yes	The company's collegial bodies should be carried out according to the schedule approved in advance at certain intervals of time, i.e. not less than once per three month period. 5 (five) days prior a meeting each Board member is provided with the announcement of the meeting to be convened and its agenda. Planned Board meetings are convened by the Board Chairman, in his absence – the Deputy Board Chairman.

5.3. Members of a collegial body should be notified about the meeting being convened in advance in order to allow sufficient time for proper preparation for the issues on the agenda of the meeting and to ensure fruitful discussion and adoption of appropriate decisions. Alongside with the notice about the meeting being convened, all the documents relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body are present or certain issues of great importance to the company require immediate resolution.	Yes	5 (five) days prior a meeting each Board member is provided with the announcement of the meeting to be convened and its agenda. Planned Board meetings are convened by the Board Chairman, in his absence – the Deputy Board Chairman. The agenda might be supplemented only if all members of the Board of Directors present at he meeting, and they all agree that the item is important enough to be put on the agenda.
5.4. In order to co-ordinate operation of the company's collegial bodies and ensure effective decision-making process, chairpersons of the company's collegial bodies of supervision and management should closely co-operate by co-coordinating dates of the meetings, their agendas and resolving other issues of corporate governance. Members of the company's board should be free to attend meetings of the company's supervisory board, especially where issues concerning removal of the board members, their liability or remuneration are discussed.	No	The Company does not have a Supervisory Board and this statement is not applied.
Principle VI: The equitable treatment of shareholders and shareholder rights **The corporate governance framework should ensure the equitable treatment of all shareholders, including minority and foreign shareholders. The corporate governance framework should protect the rights of the shareholders.**		
6.1. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all their holders.	Yes	The Company's Authorized capital is made of 42 716 530 ordinary registered shares. Share par value is LTL 1 litas. All company's owners have the same property and non-property rights, except treasury shares are not entitled to enjoy these rights. The company has 1 457 560 own shares which makes 3,41 % of the company's authorized capital.
6.2. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.	Yes	Investors have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance.
6.3. Transactions that are important to the company and its shareholders, such as transfer, investment, and pledge of the company's assets or any other type of encumbrance should be subject to approval of the general shareholders' meeting. All shareholders should be furnished with equal opportunity to familiarize with and participate in the decision-making process when significant corporate issues, including approval of transactions referred to above, are discussed.	Yes	An approval by general meeting of shareholders is received foe important transactions, pursuing the Law on the Joint Stock Companies and the Articles of Association. Such proposed resolutions are announced to the shareholders in advance.

6.4. Procedures of convening and conducting a general shareholders' meeting should ensure equal opportunities for the shareholders to effectively participate at the meetings and should not prejudice the rights and interests of the shareholders. The venue, date, and time of the shareholders' meeting should not hinder wide attendance of the shareholders. Prior to the shareholders' meeting, the company's supervisory and management bodies should enable the shareholders to lodge questions on issues on the agenda of the general shareholders' meeting and receive answers to them.	Yes	General meeting of shareholders is convened according to the Law on Joint Stock Companies. General meetings of shareholders are held in the head office in Rokiškis. All shareholders have the right to receive related information prior the meeting as it is regulated by the Law on Joint Stock Companies, not later than 10 days prior the meeting. A number of responsible person is announced publicly so the information on the meeting and items on agenda could be provided.
6.5. It is recommended that documents on the course of the general shareholders' meeting, including draft resolutions of the meeting, should be placed on the publicly accessible website of the company in advance. It is recommended that the minutes of the general shareholders' meeting after signing them and/or adopted resolutions should be also placed on the publicly accessible website of the company. Seeking to ensure the right of foreigners to familiarize with the information, whenever feasible, documents referred to in this recommendation should be published in English and/or other foreign languages. Documents referred to in this recommendation may be published on the publicly accessible website of the company to the extent that publishing of these documents is not detrimental to the company or the company's commercial secrets are not revealed.	Yes	Pursuing the Law on Joint Stock Companies all documents prepared for the general meeting of shareholders, including draft resolutions, are published in both Lithuanian and English in OMX webpage not later than 10 days prior the meeting. The information is placed on the company's website as well. The approved by general shareholders' meeting resolutions, including financial results, audit report, the company's annual report, changes of Articles of Association etc are published in Lithuanian and English through the OMX central regulated information base and the company's website.
6.6. Shareholders should be furnished with the opportunity to vote in the general shareholders' meeting in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.	Yes	Shareholders of the company have the right to participate at general meeting of shareholders personally or appoint a representative if there is a proper Power of Attorney or Agreement to pass votes according to the applicable legislation. Also, the Company provides its shareholders with the right to fill in a common voting bulletin as it is required by the Law on Joint Stock Companies.
6.7. With a view to increasing the shareholders' opportunities to participate effectively at shareholders' meetings, the companies are recommended to expand use of modern technologies in voting processes by allowing the shareholders to vote in general meetings via terminal equipment of telecommunications. In such cases security of telecommunication equipment, text protection and a possibility to identify the signature of the voting person should be guaranteed. Moreover, companies could furnish its shareholders, especially foreigners, with the opportunity to watch shareholder meetings by means of modern technologies.	No	This statement is not followed because there is no possibility to identify a signature of shareholder and text security is not secured.
Principle VII: The avoidance of conflicts of interest and their disclosure **The corporate governance framework should encourage members of the corporate bodies to avoid conflicts of interest and**		

assure transparent and effective mechanism of disclosure of conflicts of interest regarding members of the corporate bodies.		
7.1. Any member of the company's supervisory and management body should avoid a situation, in which his/her personal interests are in conflict or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory and management body should, within reasonable time, inform other members of the same collegial body or the company's body that has elected him/her, or to the company's shareholders about a situation of a conflict of interest, indicate the nature of the conflict and value, where possible.	Yes	The company follows these recommendations.
7.2. Any member of the company's supervisory and management body may not mix the company's assets, the use of which has not been mutually agreed upon, with his/her personal assets or use them or the information which he/she learns by virtue of his/her position as a member of a corporate body for his/her personal benefit or for the benefit of any third person without a prior agreement of the general shareholders' meeting or any other corporate body authorized by the meeting.	Yes	
7.3. Any member of the company's supervisory and management body may conclude a transaction with the company, a member of a corporate body of which he/she is. Such a transaction (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions) must be immediately reported in writing or orally, by recording this in the minutes of the meeting, to other members of the same corporate body or to the corporate body that has elected him/her or to the company's shareholders. Transactions specified in this recommendation are also subject to recommendation 4.5.	Yes	
7.4. Any member of the company's supervisory and management body should abstain from voting when decisions concerning transactions or other issues of personal or business interest are voted on.	Yes	The company follows the recommendation. A Board member abstains from voting, when discussing the transactions or other issues in which he/ she has certain interests.
Principle VIII: Company's remuneration policy **Remuneration policy and procedure for approval, revision and disclosure of directors' remuneration established in the company should prevent potential conflicts of interest and abuse in determining remuneration of directors, in addition it should ensure publicity and transparency both of company's remuneration policy and remuneration of directors.**		
8.1. A company should make a public statement of the company's remuneration policy (hereinafter the remuneration statement). This statement should be part of the company's annual accounts. Remuneration statement should also be posted on the company's website.	No	The company announces just the general information on the management's compensation levels and average salary of specialists and workers. This information is announced publicly in the annual report – prospect. Other information is not announced publicly.

8.2. Remuneration statement should mainly focus on directors' remuneration policy for the following year and, if appropriate, the subsequent years. The statement should contain a summary of the implementation of the remuneration policy in the previous financial year. Special attention should be given to any significant changes in company's remuneration policy as compared to the previous financial year.	No	The information announced as in point 8.1.
8.3. Remuneration statement should leastwise include the following information: • Explanation of the relative importance of the variable and non-variable components of directors' remuneration; • Sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration; • Sufficient information on the linkage between the remuneration and performance; • The main parameters and rationale for any annual bonus scheme and any other non-cash benefits; • A description of the main characteristics of supplementary pension or early retirement schemes for directors.	Yes	As from 2004, a system of remuneration is applied which ensures all statements of this point are respected. The system is approved by the CEO.
8.4. Remuneration statement should also summarize and explain company's policy regarding the terms of the contracts executed with executive directors and members of the management bodies. It should include, inter alia, information on the duration of contracts with executive directors and members of the management bodies, the applicable notice periods and details of provisions for termination payments linked to early termination under contracts for executive directors and members of the management bodies.	No	As there is not a Remuneration Committee, it is respected only the statements of point 8.3. The information on payments and loans for Board members is publicized in the annual prospect – report. The Company plans to consider these statements.
8.5. The information on preparatory and decision-making processes, during which a policy of remuneration of directors is being established, should also be disclosed. Information should include data, if applicable, on authorities and composition of the remuneration committee, names and surnames of external consultants whose services have been used in determination of the remuneration policy as well as the role of shareholders' annual general meeting.	No	
8.6. Without prejudice to the role and organization of the relevant bodies responsible for setting directors' remunerations, the remuneration policy or any other significant change in remuneration policy should be included into the agenda of the shareholders' annual general meeting. Remuneration statement should be put for voting in shareholders' annual general meeting. The vote may be either mandatory or advisory.	No	The company does not announce publicly its remuneration system, because it is considered as confidential information. The company provides the information as it is required by the Law on Joint Stock Companies.

8.7. Remuneration statement should also contain detailed information on the entire amount of remuneration, inclusive of other benefits, that was paid to individual directors over the relevant financial year. This document should list at least the information set out in items 8.7.1 to 8.7.4 for each person who has served as a director of the company at any time during the relevant financial year. 8.7.1. The following remuneration and/or emoluments-related information should be disclosed: • The total amount of remuneration paid or due to the director for services performed during the relevant financial year, inclusive of, where relevant, attendance fees fixed by the annual general shareholders meeting; • The remuneration and advantages received from any undertaking belonging to the same group; • The remuneration paid in the form of profit sharing and/or bonus payments and the reasons why such bonus payments and/or profit sharing were granted; • If permissible by the law, any significant additional remuneration paid to directors for special services outside the scope of the usual functions of a director; • Compensation receivable or paid to each former executive director or member of the management body as a result of his resignation from the office during the previous financial year; • Total estimated value of non-cash benefits considered as remuneration, other than the items covered in the above points. 8.7.2. As regards shares and/or rights to acquire share options and/or all other share-incentive schemes, the following information should be disclosed: • The number of share options offered or shares granted by the company during the relevant financial year and their conditions of application; • The number of shares options exercised during the relevant financial year and, for each of them, the number of shares involved and the exercise price or the value of the interest in the share incentive scheme at the end of the financial year; • The number of share options unexercised at the end of the financial year; their exercise price, the exercise date and the main conditions for the exercise of the rights; • All changes in the terms and conditions of existing share options occurring during the financial year. 8.7.3. The following supplementary pension schemes-related information should be disclosed: • When the pension scheme is a defined-benefit scheme, changes in the directors' accrued benefits under that scheme during the relevant financial year; • When the pension scheme is defined-contribution scheme, detailed information on contributions paid or payable by the company in respect of that director during the relevant financial year. 8.7.4. The statement should also state amounts that the company or any subsidiary company or entity included in the consolidated annual financial statements of the company has paid to each person who has served as a director in the company at any time during the relevant financial year in the form of loans, advance payments or guarantees, including the amount outstanding and the	No	In the annual report the company discloses information such as yearly paid salaries and average wages, as well as tantiemes and other payments falling on a Board member and a member of Administration. The information is provided individually per category, i.e. administration and board. Also, there is information on loans, and guarantees and warrants. The Company's annual report is announced in the company's website and through the central regulated information system.

interest rate.		
8.8. Schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements should be subject to the prior approval of shareholders' annual general meeting by way of a resolution prior to their adoption. The approval of scheme should be related with the scheme itself and not to the grant of such share-based benefits under that scheme to individual directors. All significant changes in scheme provisions should also be subject to shareholders' approval prior to their adoption; the approval decision should be made in shareholders' annual general meeting. In such case shareholders should be notified on all terms of suggested changes and get an explanation on the impact of the suggested changes.	No	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 are not applied.
8.9. The following issues should be subject to approval by the shareholders' annual general meeting: • Grant of share-based schemes, including share options, to directors; • Determination of maximum number of shares and main conditions of share granting; • The term within which options can be exercised; • The conditions for any subsequent change in the exercise of the options, if permissible by law; • All other long-term incentive schemes for which directors are eligible and which are not available to other employees of the company under similar terms. Annual general meeting should also set the deadline within which the body responsible for remuneration of directors may award compensations listed in this article to individual directors.		

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

9.2. The corporate governance framework should create conditions for the stakeholders to participate in corporate governance in the manner prescribed by law. Examples of mechanisms of stakeholder participation in corporate governance include: employee participation in adoption of certain key decisions for the company; consulting the employees on corporate governance and other important issues; employee participation in the company’s share capital; creditor involvement in governance in the context of the company’s insolvency, etc.		participate in governance. For example, participation of the company’s employees and raw milk suppliers in the company governance. The greatest part of shareholders are the company’s employees and raw milk suppliers. In 1994, raw milk suppliers enjoyed acquisition of shares depending on milk supplied. The interest holders have the right to receive information required.
9.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.		
Principle X: Information disclosure and transparency **The corporate governance framework should ensure that timely and accurate disclosure is made on all material information regarding the company, including the financial situation, performance and governance of the company.**		

10.1. The company should disclose information on: • The financial and operating results of the company; • Company objectives; • Persons holding by the right of ownership or in control of a block of shares in the company; • Members of the company's supervisory and management bodies, chief executive officer of the company and their remuneration; • Material foreseeable risk factors; • Transactions between the company and connected persons, as well as transactions concluded outside the course of the company's regular operations; • Material issues regarding employees and other stakeholders; • Governance structures and strategy. This list should be deemed as a minimum recommendation, while the companies are encouraged not to limit themselves to disclosure of the information specified in this list. 10.2. It is recommended that consolidated results of the whole group to which the company belongs should be disclosed when information specified in item 1 of Recommendation 10.1 is under disclosure. 10.3. It is recommended that information on the professional background, qualifications of the members of supervisory and management bodies, chief executive officer of the company should be disclosed as well as potential conflicts of interest that may have an effect on their decisions when information specified in item 4 of Recommendation 10.1 about the members of the company's supervisory and management bodies is under disclosure. It is also recommended that information about the amount of remuneration received from the company and other income should be disclosed with regard to members of the company's supervisory and management bodies and chief executive officer as per Principle VIII. 10.4. It is recommended that information about the links between the company and its stakeholders, including employees, creditors, suppliers, local community, as well as the company's policy with regard to human resources, employee participation schemes in the company's share capital, etc. should be disclosed when information specified in item 7 of Recommendation 10.1 is under disclosure.	Yes	Information concerning the company and related subsidiaries is disclosed in both Lithuanian and English languages in the annual and interim reports, by notices on stock events, financial accountability, prepared in accordance with the International Accounting Standards. This information is announced via central information disclosing system of national stock exchange. Also the company provides information concerning yearly paid salaries and average wages falling on a Board member and a member of Administration. Also, there is information on loans, and guarantees and warrants, and levels of tantiemes paid for collegial body.

10.5. Information should be disclosed in such a way that neither shareholders nor investors are discriminated with regard to the manner or scope of access to information. Information should be disclosed to all simultaneously. It is recommended that notices about material events should be announced before or after a trading session on the Vilnius Stock Exchange, so that all the company's shareholders and investors should have equal access to the information and make informed investing decisions.	Yes	The company announces the information immediately via the information disclosure system of Vilnius Stock Exchange in both the Lithuanian and English languages. The Stock Exchange places the information in its data base so the information would be accessible to each shareholder simultaneously. In addition, the company when possible provides information before or after trading sessions and to all markets where the company's shares are traded. The company does not disclose any information possibly influencing share price prior it is announced publicly via the stock exchange data base.
10.6. Channels for disseminating information should provide for fair, timely and cost-efficient access to relevant information by users. It is recommended that information technologies should be employed for wider dissemination of information, for instance, by placing the information on the company's website. It is recommended that information should be published and placed on the company's website not only in Lithuanian, but also in English, and, whenever possible and necessary, in other languages as well.	Yes	In the company's website, the company publishes all its reports which are placed in the central information base in Lithuanian and English.
10.7. It is recommended that the company's annual reports and other periodical accounts prepared by the company should be placed on the company's website. It is recommended that the company should announce information about material events and changes in the price of the company's shares on the Stock Exchange on the company's website too.	Yes	In the company's website, the company publishes all its reports which are placed in the central information base in Lithuanian and English. .
Principle XI: The selection of the company's auditor **The mechanism of the selection of the company's auditor should ensure independence of the firm of auditor's conclusion and opinion.**		
11.1. An annual audit of the company's financial statements and report should be conducted by an independent firm of auditors in order to provide an external and objective opinion on the company's financial statements.	Yes	An independent audit firm prepares the Company's annual financial accounts and verifies annual reports.
11.2. It is recommended that the company's supervisory board and, where it is not set up, the company's board should propose a candidate firm of auditors to the general shareholders' meeting.	Yes	The Board of Directors proposes an auditing firm to the general meeting of shareholders, the candidacies are agreed with the Securities Commission.
11.3. It is recommended that the company should disclose to its shareholders the level of fees paid to the firm of auditors for non-audit services rendered to the company. This information should be also known to the company's supervisory board and, where it is not formed, the company's board upon their consideration which firm of auditors to propose for the general shareholders' meeting.	No	The information concerning services provided by the audit firm other than auditing is submitted to Securities Commission when agreeing candidature of auditing firm. Such and information is not provided to the general meeting of shareholders.