



Vilkyškių pieninė AB

Interim consolidated financial statements
for 6 months of 2008

Table of Contents

I.	GENERAL PROVISIONS.....	2
1.	ACCOUNTING PERIOD FOR WHICH THE STATEMENT HAS BEEN PREPARED.....	2
2.	MAIN DATA ABOUT THE ISSUER	2
3.	POSSIBILITY TO GET ACQUAINTED WITH STATEMENT AND DOCUMENTS.....	3
4.	PERSONS RESPONSIBLE FOR INFORMATION PRESENTED IN THIS FINANCIAL STATEMENT	3
II.	AUTHORIZED CAPITAL OF THE ISSUER, ISSUED SECURITIES AND MEMBERS OF THE MANAGEMENT BODIES.....	4
5.	AUTHORIZED CAPITAL OF THE ISSUER.....	4
6.	SHAREHOLDERS	4
7.	SECURITIES THAT DO NOT SIGNIFY THE PARTICIPATION IN THE AUTHORIZED CAPITAL.....	4
8.	SECONDARY TURNOVER OF SECURITIES OF THE ISSUER	4
9.	CONTRACTS WITH THE INTERMEDIARIES OF PUBLIC CIRCULATION OF SECURITIES	5
10.	MEMBERS OF THE MANAGEMENT BODIES.....	5
11.	NOTES TO FINANCIAL STATEMENTS.....	8
12.	INFORMATION ABOUT THE AUDIT	10
III.	MATERIAL EVENTS IN THE ACTIVITY OF THE ISSUER.....	11
13.	MATERIAL EVENTS IN THE ACTIVITY OF THE ISSUER	11
14.	PROCESSES OF LITIGATION AND ARBITRATION	11
IV.	INTERIM FINANCIAL ACCOUNTABILITY OF VILKYŠKIŲ PIENINĖ AB	12
15.	BALANCE SHEET.....	12
16.	PROFIT AND LOSS ACCOUNT	13
17.	CASH FLOW STATEMENT	14
18.	STATEMENT ON CHANGES IN EQUITY	15
19.	EXPLANATORY NOTES	16
20.	SIGNIFICANT ACCOUNTING POLICIES	18

I. GENERAL PROVISIONS

1. Accounting period for which the statement has been prepared

The statement has been prepared for the 1st half-year of 2008

2. Main data about the Issuer

Name of the Issue	Vilkyškių pieninė AB
Authorized capital	LTL 11 943 000
Registered office	Vilkyškiai, Pagėgiai municipality
Telephone number	8-441 55330
Fax number	8-441 55242
E-mail address	centras@cheese.lt
Legal – organizational form	public limited company
Date and place of registration	The 10 th of May 1993
Date and place of re-registration	The 30 th of December 2005, Tauragė Branch of Public Institution Center of Registers
Code in the Register of Enterprises	277160980
Internet address	http://www.cheese.lt

Vilkyškių Pieninė UAB was established on the 10th of May 1993. Vilkyškių pieninė UAB was reorganized from private limited company into public limited company of the 30th of December 2005.

Authorized capital of the Issuer is LTL 11 943 000. It is divided into 11 943 000 ordinary intangible registered shares, the nominal value of 1 share is LTL 1.00.

As of the 30th of June 2008, the Group of Vilkyškių pieninė AB was consisted of parent company and of the following daughter-enterprises:

Name of the company	Address	Type of activity	Share controlled by the company (%)	Authorized capital (in thousand LTL)
Modest UAB	Gaurės 23, Tauragė	Production of cheese, curd cheese and other dairy products	86.64	128
Kelmės pieninė AB	Raseinių 2, Kelmė	Milk procurement, resale, production of dairy products	99.09	2,495
Kelmės pieno centras UAB	Raseinių 2, Kelmė	Milk procurement, resale	99.09	10

3. Possibility to get acquainted with statement and documents

Acquaintance with statement and other documents, which have been used for the preparation of the statement, is possible at Vilkyškių pieninė AB, the address of which is Vilkyškiai, Pagėgių municipality, on weekdays from 8.00 to 16.30, and on the internet site of Vilkyškių pieninė AB, the address of which is: <http://www.cheese.lt/investuotojams>.

Mass communication: daily newspaper "Lietuvos Žinios" (*The News of Lithuania*).

4. Persons responsible for information presented in this financial statement

Director General of Vilkyškių Pieninė AB Gintaras Bertašius,
tel. (8 441) 55330, fax (8 441) 55242.

The Deputy Chief Accountant of Vilkyškių Pieninė AB Sigita Montvilaite,
tel. (8 441) 70423, fax (8 441) 55242.

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

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

II. AUTHORIZED CAPITAL OF THE ISSUER, ISSUED SECURITIES AND MEMBERS OF THE MANAGEMENT BODIES

5. Authorized capital of the Issuer

5.1. Authorized capital registered in the Register of Enterprises

Type of securities	Number of securities	Nominal value per share (in LTL)	Total nominal value (in LTL)	Proportion in the authorized capital, %
Ordinary registered shares	11 943 000	1.00	11 943 000	100 %

All the shares are fully paid.

5.2. Information about the foreseen increase in authorized capital converting or changing issued securities of debts or derivative securities into shares:

The company has issued neither securities of debts nor derivative securities, therefore the increase of capital converting or changing these securities into shares is not foreseen.

6. Shareholders

Total number of shareholders was 385 on the 30th of June 2008. The following were the major shareholders who had an ownership or held more than 5 percent of Company's share capital:

Shareholders	Number of owned ordinary registered shares, pieces	Proportion of owned votes, %
Gintaras Bertašius	6,016,506	50.40
Linas Strėlis	1,015,155	8.50
SEB clients	965,538	8.10
Finasta investicijų valdymas	946,000	7.90
Hansabank clients	749,869	6.30
Other small shareholders	2,249,932	18.80
In total	11,943,000	100.00

7. Securities that do not signify the participation in the authorized capital

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

8. Secondary turnover of securities of the Issuer

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

Title of securities: Ordinary Registered Shares of Vilkyškių pieninė AB. Number of securities: 11 943 000 pieces. Nominal value of one share is LTL 1.00.

Period		Price in LTL			Turnover, in thousand LTL			Total turnover		Capitalization, in LTL
From	Till	Highest	Lowest	Last	Biggest	Smalles	Last	Pieces	LTL	
01/07/2007	30/09/2007	6.50	4.80	5.90	3 621	0	25	1 647 863	9 163 709	55 182 700
01/10/2007	31/12/2007	6.70	5.75	6.15	637	0	2	455 408	2 762 468	57 520 950
01/01/2008	31/03/2008	6.50	5.00	5.20	1 507	0	12	691 603	3 835 752	48 635 600
01/03/2008	30/06/2008	5.52	4.51	4.69	237	0	16	244 910	1 209 573	56 012 670

9. Contracts with the intermediaries of public circulation of securities

Vilkyškių pieninė AB has entered into the contract of service with Financial Broker Company Orion Securities UAB (address: A. Tumėno g. 4B, Vilnius) on the record of shareholders of Vilkyškių pieninė AB.

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

10. Members of the Management Bodies

10.1. Members of the Management Board and Administration

Management Board

Name, surname	Education, specialty	Position held in the Issuer	Start of cadence	End of cadence
Gintaras Bertašius	Higher education, engineer - mechanic	Chairman of the Management Board, Director General	30/01/2006	30/01/2010
Sigitas Trijonis	Higher education, engineer - mechanic	Member of the Management Board, Technical Director	30/01/2006	30/01/2010
Rimantas Jancevičius	College education, zoo-technician	Member of the Management Board, Stock Director	30/01/2006	30/01/2010
Ramūnas Šniepis	Higher education, engineer	Member of the Management Board	20/04/2007	30/01/2010
Andrej Cyba	Higher education	Member of the Management Board	18/04/2008	30/01/2010
Linas Strėlis	Higher education	Member of the Management Board	18/04/2008	30/01/2010

Employees of the Administration

Name, surname	Education, specialty	Position held in the Issuer	Start of work
Gintaras Bertašius	Higher education, engineer - mechanic	Director General, Chairman of the Management Board	01/01/2006
Birutė Bazilienė	Higher education, economist of accounting	Chief Accountant	27/06/1994
Rimantas Jancevičius	College education, zoo-technician	Stock Director	02/01/1996
Sigitas Trijonis	Higher education, engineer - mechanic	Technical Director, member of the Management Board	11/09/1993
Arvydas Zaranka	College education, technology of dairy products	Production Director	30/07/1995
Arminas Lunia	Higher education, chemistry	Sales Director	20/08/2007
Vilija Milaševičiūtė	Higher education, economist	Economist - Analyst	01/05/2000
Rita Juodikienė	Higher education, engineer of informatics management	Manager of IT Department	23/09/2002
Vaida Bendikienė	Higher education, pedagogics	Manageress of Personnel	25/10/2007
Ina Baltrušienė	Higher education, law	Jurist	08/10/2007

10.2. Information on participation in the activity of other companies and organizations

Name	Surname	Status of a person	Other information - shares, participation in the activity of other companies	Number of shares owned in Vilkyškių pieninė AB
Gintaras	Bertašius	Director General, Chairman of the Management Board	Shareholder of Šilgaliai ŪKB (1 share), Chairman of the Management Board of Modest UAB	6,016,506
Sigitas	Trijonis	Technical Director, member of the Management Board	Has no other shares, does not participate in the activity of other companies	425,538
Rimantas	Jancevičius	Stock Director, member of the Management Board	Has no other shares, does not participate in the activity of other companies	2,054
Ramūnas	Šniepis	Bank "Snoras" Director of Tauragė Department, member of the Management Board	Has no other shares, does not participate in the activity of other companies	-
Arvydas	Zaranka	Production Director	Member of the Management Board of Modest UAB, has no other shares	1,923
Birutė	Bazilienė	Chief Accountant	Has no other shares, does not participate in the activity of other companies	12
Arminas	Lunia	Sales Director	Has no other shares, does not participate in the activity of other companies	-
Andėj	Cyba	Member of the Management Board	„Finasta investicijų valdymas“ UAB member of the Management Board	-
Linas	Strėlis	Member of the Management Board		1,015,155

11. Notes to financial statements

11.1. Reports of segments

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

When presenting information on the basis of geographical segments, income from segments is recognized according to the geographical location of clients. Assets of segments are distributed as per geographical location of assets.

Results of segments for the 1st half-year of 2008 according to geographical segments are as follows:

In thousand LTL	Countries of the European Union	Lithuania	Russia	Other countries	Total
Income	29 329	26 744	10 742	46	66 861
Result of the segment	-2 715	1 051	498	3	-1 163
Undistributed expenditures					-4503
Result from operating activities					-5 666
Financial items, net value					-1 316
Result before tax					- 6 982
Expenditures of profits tax					-48
Net result of the year					-7 030
Segment receivables	3 582	16 263	2 042	0	21 887
Other assets of segments					116 044
Total assets					137 931
Undistributed liabilities					100 712
Undistributed cash flows from ordinary activities					-5 003
Undistributed cash flows from investing activities					-31 185
Undistributed cash flows from financial activities					35 483
Net cash flows					-705
Undistributed acquisitions of long-term assets					-5 691

Results of segments for the 1st half-year of 2007 according to geographical segments are as follows:

In thousand LTL	Countries of the European Union	Lithuania	Russia	Other countries	Total
Income	23 359	26 924	5 978	34	56 295
Result of the segment	2 931	2 622	105	3	5 661
Undistributed expenditures					-3 695
Result from operating activities					1 966
Financial items, net value					-676
Result before tax					1 290
Expenditures of profits tax					-315
Net result of the year					975
Segment receivables	1 566	8 382	1 079		11 027
Other assets of segments					52 774
Total assets					63 801
Undistributed liabilities					40 792
Undistributed cash flows from ordinary activities					5 012
Undistributed cash flows from investing activities					-4 322
Undistributed cash flows from financial activities					-1 171
Net cash flows					-491
Undistributed acquisitions of long-term assets					-4 334

11.2. Loans and other borrowings

The structure of loans and borrowings of the Company's Group as of 30/06/2008 is as follows (in thousand LTL):

Credit institution	Loan amount	Interest rate	Balance on 30/06/2008	Balance on 31/12/2007
AB SEB bank	14 643	6 months LIBOR+1.3%	14 336	9 368
AB Snoro bank	2 072	6 months LIBOR+1.55%	1 039	1 246
AB Snoro bank	6 832	6 months LIBOR+1.55%	6 832	2 175
AB SEB bank	7 078	6 months LIBOR+1.3%	4 536	4 536
Credit line of AB SEB bank	7 506	6 months LIBOR+1.3%	7 506	4 506
AB SEB bank	10 704	6 months LIBOR+1.3%	2 747	0
Factoring of AB SEB bank	-	6 months LIBOR+1.3%	177	0
AB bank Hansabankas	6 300	6 months LIBOR+1.3%	6 300	0
Credit line of AB bank SNORAS	-		370	0
AB bank SNORAS	-		4 651	2 666
AB bank Hansabankas	8 301	6.63%	2 900	0
AB bank Hansabankas	9 000	6.408%	9 000	0
AB bank Hansabankas	2 000	6.92%	1 940	0
AB bank Hansabankas	3 000	6.408%	3 000	0
Finance lease liabilities			2 844	2 843
Total liabilities			68 178	27 340
Less: short-term part			-24 287	-9 163
Total loans and borrowings repayable after the period of one year			43 891	18 177

11.3. Events after the date of balance sheet formation

No material events have been present after the date of balance sheet formation.

12. Information about the audit

Audit of accounting and financial accountability for the 1st half-year of 2008 has not been carried out.

III. MATERIAL EVENTS IN THE ACTIVITY OF THE ISSUER

13. Material events in the activity of the Issuer

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

Kelmės pieninė AB was established on the 27th of June 1995, registration No. 011016. The company implements its activity in the sphere of production of dairy products. The company has one daughter-enterprise, which is Kelmės pieno centras UAB. Authorized capital of daughter-enterprise is 10,000 ordinary registered shares, the nominal value of one share is LTL 1.00. Kelmės pieninė AB is the founder of the daughter-enterprise and it has 100% control of that company. The main activity of the daughter-enterprise is milk procurement from milk producers.

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

The Extraordinary General Meeting of Shareholders, which was held on the 29th of April 2008, decided to allot LTL 2,030,310 LTL from undistributed profit to pay the dividends by LTL 0.17 per one ordinary registered share, the nominal value of which is LTL 1.00.

The consolidated sales of the company for April 2008 amounted to 8.22 million LTL (2.38 million EUR) - 31.5% increase comparing to April 2007. The sales of the company for last 12 months (May 2007 - April 2008) amounted to 135 million LTL (39.1 million EUR) - 5.6% decrease comparing to the same period last year (May 2006 - April 2007). The sales of the company for period January - April 2008 amounted to 33.2 million LTL (9.6 million EUR) - 1.7% decrease comparing to the same period last year.

The sales of the Group of Vilkyškių pieninė AB in May 2008 reached LTL 13.8 million (EUR 4. million) or it were by 27.1% higher than in May 2007. The sales of the Company during the period of 12 current months (from June 2007 till May 2008) amounted to LTL 139.1 million (EUR 40.3 million) or it were by 10.5% higher than during the comparable period a year ago (from June 2006 till May 2007). The sales of the Company from January 2008 till May 2008 amounted to LTL 47 million (EUR 13.6 million) or it were by 5.3% higher than during the same period in 2007.

Consolidated sales of the Company in June 2008 amounted to LTL 19.86 million (EUR 5.76 million) or it were by 57.5% higher than in June 2007. The sales of the Company during the period of 12 current months (from July 2007 till June 2008) amounted to LTL 145.62 million (EUR 42.17 million) or it were by 13.6% higher than during the comparable period a year ago (from July 2006 till June 2007). The sales of the Company from January 2008 till June 2008 amounted to LTL 66.86 million (EUR 19.38 million) or it were by 16% higher than during the same period in 2007.

14. Processes of litigation and arbitration

The processes of litigation and arbitration, which may have or have had an impact of financial situation of the Issuer, have not been proceeded during this accounting period.

IV. INTERIM FINANCIAL ACCOUNTABILITY OF VILKYŠKIŲ PIENINĖ AB

Consolidated financial statements are prepared following International Standards of Financial Accountability. Activity overview, significant accounting policies and notes to financial statements are presented in the 19th section “Explanatory Notes”.

15. Balance sheet

Thousand LTL

	30/06/2008	31/12/2007
Assets		
Long term tangible assets	70 652	46 252
Goodwill	23 568	1 033
Intangible assets	253	41
Deferred tax assets	57	27
Long-term amounts receivable	1 036	950
Total long-term assets	95 566	48 303
Resources	20 212	16 452
Trading and other amounts receivable	21 887	13 675
Cash and cash equivalents	350	1 055
Total short-term assets	42 449	31 182
Total assets	138 015	79 485
Equity		
Share capital	11 943	9 353
Supplements of shares	11 396	-
Reserves	9 174	9 355
Undistributed assets	4 723	13 442
Total equity attributed to shareholders of the Company	37 236	32 150
Minority interest	67	42
Total equity	37 303	32 192
Liabilities		
Loans and financial leasing liabilities	43 891	18 177
Capital subsidies	7 798	4 607
Deferred profits tax liabilities	2 646	2 626
Total long-term liabilities	47 647	25 410
Loans and financial leasing liabilities	24 287	9 163
Profits tax payable	757	1 175
Trade and other amounts payable	21 333	11 545
Total short-term liabilities	53 065	21 883
Total liabilities	100 712	47 293
Total equity and liabilities	138 015	79 485

16. Profit and loss account

Thousand LTL

	2008	2007
	January-June	January-June
Sales revenue	66 861	56 295
Cost price of sales	-68 024	-50 634
Gross profit (loss)	-1 163	5 661
Other operating income, net	364	36
Expenditure of distribution	-1 887	-1 075
Administrative expenditure	-2 980	-2 656
Operating profit (loss)	-5 666	1 966
Income from financial activity	132	18
Expenditure from financial activity	-1 364	-694
Net financing costs	-1 232	-676
Profit (loss) before taxes	-6 898	1 290
Profit tax expenditure	-48	-315
Net profit (loss)	-6 946	975
Attributable to:		
Shareholders of the company	-6 901	986
Minority interest	-45	-11
Net profit (loss)	-6 946	975
Profit (loss) per share (LTL)	-0.65	0.104
Reduced profit (loss) per share (LTL)	-	-

17. Cash flow statement

Thousand LTL

	2008 January-June	2007 January-June
Cash flows from operating activities		
Net profit (loss)	-6 946	975
Adjustments:		
Depreciation of long-term tangible assets	2 678	1 616
Amortization of intangible assets	19	22
Capital subsidies recognized as income	-164	-41
Result of transfer of long-term tangible assets	-34	-
Interest expenditure, in net value	1,293	711
Income tax expenditure	-	315
Cash flows from ordinary activities before changes in the working capital	-3 154	3 598
Change in resources	-614	5 816
Change in amounts receivable	-3 496	94
Change in trading and other amounts payable	4 057	-3 470
	-3 291	6 038
Paid / received income, net value	-1 293	-711
Income tax paid	-419	-315
Cash flows from operating activities	-4 919	5 012
Cash flows form investing activities		
Acquisition of long-term tangible assets	-5 525	-4 327
Acquisition of long-term intangible assets	-166	-7
Income from sale of long-term tangible assets	260	2
Transfer of short-term investments	4 294	-
Investment into daughter-enterprise, minus acquired money	-30 132	-
Net cash flows from investing activities	-31 269	-4 322
Cash flows from financing activities		
Loans received	24 272	7 435
Repayment of borrowings	-512	-5 256
Payment of financial lease liabilities	-233	-990
Issue of shares	13 986	-
Dividends paid	-2 030	-2 758
Capital subsidies received	-	398
Net cash flows from financing activities	35 483	-1 171
Change in cash and cash equivalents	-705	-491
Net cash and cash equivalents as on the 1 st of January	1 055	891
Net cash and cash equivalents as on the 30th of June	350	400

18. Statement on changes in equity

Thousand LTL	Equity attributable to the Group						Minority interest	Total equity
	Share capital	Supplements of shares	Revaluation reserve	Compulsory reserve	Undistributed result	In total		
On the 1 st of January 2007	9 353	-	8 764	919	4 967	24 003	51	24 054
Net profit					986	986		986
Increase of value of long-term tangible assets*			-219			-219		-219
Transferred to reserves				16	-16	0		0
Dividends					-2 058	-2 058		-2 058
Other			38			38		38
Loss not included in loss and profit account					219	219		219
On the 30th of June 2007	9 353	-	8 583	935	4 098	22 969	51	23 020
On the 1 st of January 2008	9 353	-	8 420	935	13 442	32 150	42	32 192
Net loss					-6 901	-6 901	-45	-6 946
Transfers from reserves			-212		212	0		0
Transfers to reserves			31			31		31
Dividends					-2 030	-2 030		-2 030
Issue of Company's shares	2 590	11 396				13 986		13 986
Changes of the Group							70	70
On the 30th of June 2008	11 943	11 396	8 239	935	4 723	37 236	67	37 303

19. Explanatory notes

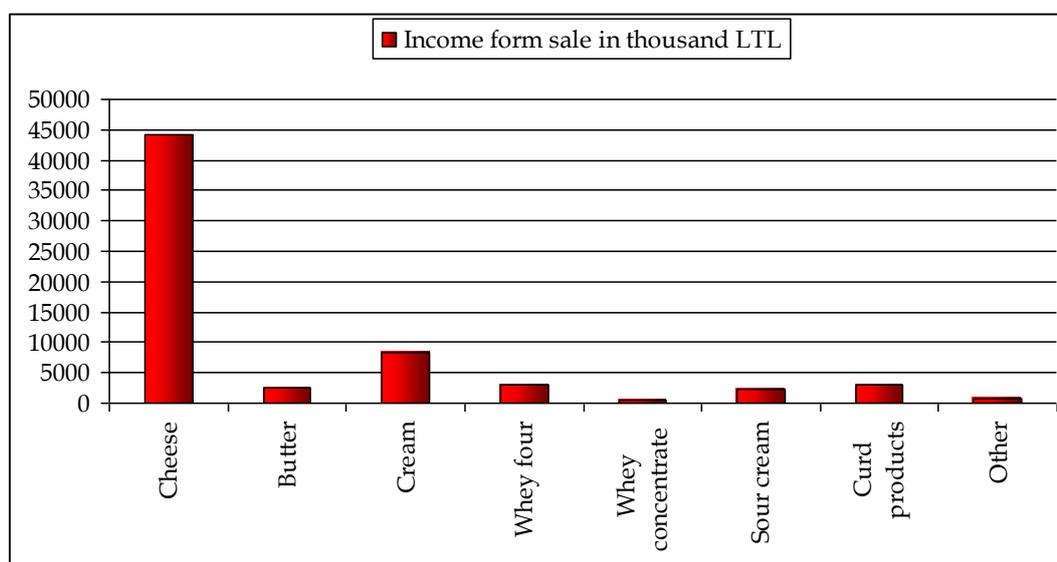
Overview of activity

Income of Vilkyškių pieninė AB of the 1st half-year of 2008 reached LTL 66,861 thousand and it was by 16% higher than of the 1st half-year of 2007. The increase in income was determined by the connection of Kelmės pieninė AB to the Group of Companies of Vilkyškių pieninė AB.

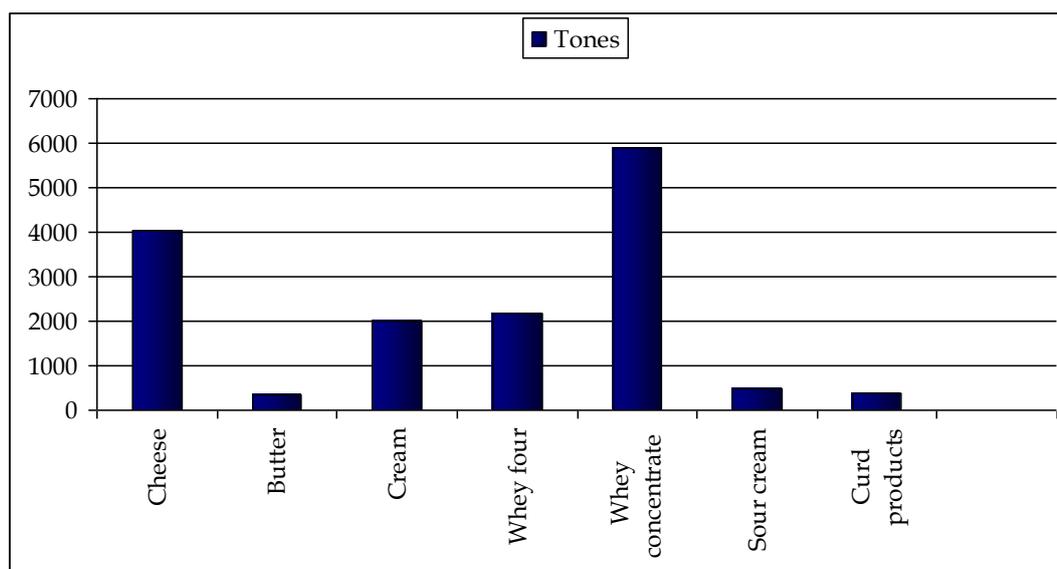
During six months of 2008 Vilkyškių pieninė AB sold 4026 tones of fermented cheese (which is by 2.5% more than during the 1st half-year of 2007).

Moreover, during the 1st half-year the Company sold 332 tones of butter (which is by 18.5% more than during the 1st half-year of 2007).

Tables below present the overviews of key indicators of consolidated trade volumes of the Group of Vilkyškių pieninė AB:



Income form sale in thousand LTL	1 st half-year of 2008
Cheese	44 201
Butter	2 512
Cream	8 455
Whey four	3 133
Whey concentrate	457
Sour cream	2 217
Curd products	2 928
Other	2 958



Sold production in tones	1 st half-year of 2008
Cheese	4 026
Butter	332
Cream	2 009
Whey four	2 175
Whey concentrate	5 894
Sour cream	492
Curd products	381

As Kelmės pieninė AB was connected to the Group of Companies of Vilkyškių pieninė AB, the Company has entered the market of fresh products. The Group of Companies, using the assortment of fresh products of Kelmės pieninė AB, is actively entering the markets of Latvia, Estonia and of other countries. The development of these markets will provide the Company with the possibility to use its available production capacities.

Same as expected, the connection of Kelmės pieninė AB allows using common logistics effectively. Created common branches of trade and branches of raw material procurement already now give the effectiveness.

The cause of loss suffered by the Group of Main Companies was high winter and spring prices of raw materials, cheeses made of which after the ripening were sold at the beginning of summer when the prices of sale dropped in the markets of the Europe.

The other reason was low prices of dairy products caused by dairy production excess in the Europe, moreover, the possibility to export production into the third countries was slowed down due to low interest rate of US dollar.

20. Significant accounting policies

20.1.1. Statement of compliance with the standards

This financial statement has been prepared in accordance with the International Financial Reporting Standards which involves standards and explanations approved by the Board of the International Accounting Standards as well as clarifications adopted by IFRIC, valid since the 31st of December 2006 and adopted in the European Union

20.1.2. Basis of preparation

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

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

The consolidated financial statements have been prepared on the going concern basis. The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors, which are in compliance with existing conditions and on the basis of which conclusion regarding balance values assets and liabilities that are not readily apparent from other sources is made. Factual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revised results affect only that period, if the revised results affect both current and future periods, results are recognized during the period of revision and during future periods.

20.1.3. Basis of consolidation

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of the subsidiary so as to obtain benefits from its activities. In assessing the existence of control, owned voting rights and potential voting rights (due to potentially convertible instruments into shares) are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Intra-group liabilities and unrealized profit and loss arising from intra-group transactions are eliminated preparing consolidated financial statement. Unrealized profit arising from transactions with companies, which are accounted basing on ownership method, is eliminated to the extent of the Group's interest in the company in which the Group invests. Unrealized loss is eliminated same as unrealized profit but only to the extent until these is no signs of value reduction.

Subsidiary Modest UAB was acquired in 2006, Kelmės pieninė AB and Kelmės pieno centras UAB – 28th April 2008. Only parent company's financial information is included in comparative information.

20.1.4. Functional and statement presentation currency

This financial statement is presented in national currency of the Republic of Lithuania, in Litas (LTL), which is the Group's functional currency. Except the cases indicated otherwise, the financial information presented in Litas has been rounded to thousands.

20.1.5. Changes in accounting policies

The accounting policies set out below have been applied by the Company consistently to all periods presented in the financial statement, except for buildings which are accounted at their true value in financial statements of 2006 and which in the previous periods were accounted at historical cost less depreciation and losses of value reduction. The impact of the change of this accounting policy on financial statements of 2006 is presented in note 6.

20.2. Financial instruments

Loans and receivables of the Company are initially recognized in the accounting at true value plus transaction costs directly related to the acquisition of the financial assets. After the initial recognition loans and receivables are valued at amortized cost applying an effective interest rate method less loss of value reduction, if any. Short-term amounts receivable are not discounted.

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

20.2.1. Operations in foreign currency

Transactions in foreign currencies are evaluated in Litas according to foreign exchange rate present at the date of the transaction. Monetary assets and liabilities denominated in foreign currency are evaluated in Litas according to foreign exchange rate present on the balance sheet date. Profit and loss arising due to the changes of currency exchange rate is accounted in profit and loss account.

20.2.2. Long-term tangible assets

Recognition and evaluation

Assets and equipment are evaluated at cost price less accumulated depreciation and loss of value reduction. Cost price includes expenditure directly related to acquisition of assets.

When parts of assets and equipment have different useful lifetimes, they are accounted as separate items of assets or equipment (the main component parts).

Buildings are accounted at revaluated value which is their true value at the date of revaluation less any subsequently accumulated depreciation and value reduction. Revaluations are made periodically so that the accounting values of buildings do not differ significantly from their true value determined on the balance sheet date. True values of buildings are determined by certified independent appraisers. Depreciation of buildings is calculated on a straight-line basis over the estimated useful economic lives of assets. The reserve for the revaluation of buildings is reduced pro rata to the depreciation of revaluated buildings.

In the case of revaluation, when the estimated true value of an asset is lower than its residual value, the residual value of this asset is immediately reduced to the amount of its true value and such reduction is recognized as expenditure. However, such value reduction is deducted from the amount of increase of the previous revaluation of this asset, accounted in the revaluation reserve to the extent it does not exceed the amount of such increase.

In case of revaluation, when the estimated true value of an asset is higher than its residual value, the residual value of this asset is increased to the amount of true value and such increase is included in the revaluation reserve of long-term tangible assets attributed to equity capital. However such

increase of revaluation value is recognized as income to the extent it does not exceed the decrease of previous revaluation attributed to capital.

Subsequent expenditures

The expenditure of replacing part of asset or equipment is included into the residual value if it is probable that in the future the Company will receive economic benefit related with that part of asset or equipment, and if such expenditure may be reliably evaluated.

The expenditures of day-to-day service of asset and equipment are accounted in profit and loss account, if such expenditures are experienced.

Depreciation

Depreciation is recognized in profit and loss account on a straight-line basis over the estimated useful lives of each part of asset and equipment. Depreciation of leased assets is accounted according to shorter period of lease or useful lives. Land is not depreciated.

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

Land and buildings	10-40 years
Machinery and equipment	5-15 years
Other long-term assets	3-7 years

Depreciation methods, useful lives and residual values are revaluated on each balance sheet date.

20.2.3. Intangible assets

Intangible assets acquired by the Company are accounted at their cost price less accumulated amortization and losses of depreciation. Amortization is evaluated on straight-line basis in the profit and loss account over the period of 3 years of useful lives.

Goodwill is accounted at cost price less losses of value reduction.

20.2.4. Trading and other amounts receivable

Trading and other amounts receivable are accounted at amortized cost price less losses of depreciation.

20.2.5. Resources

Resources are accounted at the lower value of two values: cost price value and net realization value. Net realization value is estimated at sale price less foreseen expenditures of completion and sale.

Cost price of reserves is calculated applying first-in first-out method. Cost price is composed of expenditure related with the acquisition and delivery of resources to location and preparation for use. When the reserves are manufactured by the company itself and in case of unfinished production, only appropriate part of indirect production expenses, which are distributed according to norms, calculated in respect of the use of usual production capacity, is included into the cost price.

20.2.6. Cash and cash equivalents

Cash and cash equivalents are composed of cash balances and deposits on demand.

20.2.7. Reduction of value

The value of financial asset is considered to be reduced if objective evidence indicates that one or more events have had a negative impact on the estimated future cash flows related with that asset.

Loss due to value reduction of financial asset accounted at amortized cost is calculated as the difference between residual value of future cash flows and present value, discounted at the initial effective interest rate. Reduction of value of available-for-sale financial asset is calculated basing on its current true value.

Individually significant financial assets are tested for value reduction on an individual basis. Other financial assets are evaluated collectively according to groups that share similar credit risk characteristics. All losses due to value reduction are accounted in profit and loss account. Any cumulated loss, which is related to available-for-sale financial asset, accounted previously in equity, is transferred to the profit and loss account.

A loss due to value reduction is restored if it can be objectively related with the event occurred after the recognition of value reduction loss. Value reduction loss, which is related with amortized cost price accounted as financial asset, is recognized in the profit and loss account.

Residual values of Company's assets, except for resources and deferred tax assets, are reviewed on each balance sheet date in order to ascertain whether there are any indications of depreciation. If any such indications exist, then the recoverable value of the asset is estimated. Losses due to depreciation are recognized if the residual value of the asset exceeds its recoverable value. The recoverable amount of an asset is the greater one out of two values: value of exploitation and true value less sale expenditures. Exploitation value of an asset is calculated discounting future cash flows from the exploitation of the assets up to their present value using a pre-tax discount rate that reflects real market assumption due to value of money in time and the risks related with that asset.

Losses of value reduction recognized in previous periods are assessed on each balance sheet day in order to ascertain whether the mentioned loss decreased or no longer exists. Loss of value reduction is restored if there has been a change in the estimates used to determine the recoverable amount. Loss of value reduction is restored only to the extent that the residual value of the asset does not exceed that residual value which would have been calculated after the deduction of depreciation or amortization expenditures if the reduction of value would has not been accounted.

20.2.8. Dividends

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

20.2.9. Deferred amounts

Deferred amounts for liabilities are accounted in the balance sheet when there is a probability that additional finances will be needed in order to carry out the liabilities taken due to events in the past. If the impact is significant, deferred amounts are assessed by discounting the expected future cash flows at a pre-tax rate of discount that reflects current market's assessments of money value and, where appropriate, the risks related with these liabilities.

20.2.10. Loans and other borrowings

Loans and other borrowings are initially valued at their true value added direct expenditures of transaction, and then they are evaluated at amortized cost price on an effective interest rate basis.

20.2.11. Trading and other payables

Trading and other payables are accounted at amortized cost price.

20.2.12. Lease

Leases which are transferred together with all risks and benefits related with the ownership are classified as finance leases. Upon initial recognition the leased asset is evaluated at the amount equal to the lower of its true value and the present value of the minimal lease payments. Subsequent to initial recognition, the asset is accounted in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and, except for investment assets, the leased assets are not recognized on the balance sheet of the Company.

The Company preparing its financial statements of 2005 has adopted IFRIC 4 *Determining Whether an Arrangement Contains a Lease*, which is mandatory for accounting periods beginning on the 1st of January 2006 and for the subsequent accounting periods.

20.2.13. Income from sale

Income from the sales of goods is evaluated as received or receivable amounts at their true value less the value of returned goods, related expenditures, allowances and trade discounts. Income is accounted in profit and loss account when the significant risks and benefit related with ownership have been transferred to the buyer, when the recovery of benefit is probable, when related expenditures and possible return of goods can be estimated reliably, and when management no longer controls the goods. Transfer of risk and benefit differs depending on terms and conditions of each contract of sale.

20.2.14. Expenditures of sale and administration

Expenditures of sale and administration are composed of expenditures that are related with transportation expenditures, expenditures of personnel of administration and management, office expenditures, etc., including depreciation and amortization.

20.2.15. Other operating income and expenditures

Other operating income and expenditures are composed of income and losses from the sale of long-term assets and other income and expenditures that are not related directly with the activity of the Company.

20.2.16. Income and expenditures from financial activity

Income and expenditures from financial activity are related with debts and liabilities in foreign currencies and they include receivable and payable interest, realized and unrealized exchange rate profit and loss from the change in currency exchange rate.

Income from interest is recognized in profit and loss account when earned. Expenditures of financial lease interest are recognized in profit and loss account applying effective interest rate method.

20.2.17. Income tax

Income tax is calculated from the profit of the year including deferred taxes. Calculation of income tax is based on the requirements indicated in tax legislation of the Republic of Lithuania.

In 2005 and 2004 the valid income tax rate was 15%. On the 1st of January 2006 the Provisional Social Tax Law came into effect in the Republic of Lithuania, which stipulates that along with the corporate income tax, for one financial year beginning on the 1st January 2006 companies will have to pay an additional 4% tax from the base calculated following income tax principles, since the 1st January 2007 – 3% tax. After the year 2007 the income tax applied to the companies in the Republic of Lithuania will be standard, i.e. 15%.

Tax losses can be carried forward for 5 subsequent years in order to reduce the taxable profit of subsequent periods, except for the losses incurred as a result of disposal of securities and/or derivative financial instruments that can be carried forward for 3 subsequent years. The losses from disposal of securities and/or derivative financial instruments can be only used to reduce taxable income earned from the transactions of the same nature.

Deferred taxes are accounted applying method of liabilities. Deferred profit tax reflects temporary taxing differences between Company's assets and liabilities, which are indicated in financial statement, and assets and liabilities, which are indicated in taxing accountability. The assets (liabilities) of deferred tax are evaluated applying profit tax norm which shall be valid when the mentioned temporal taxation differences are realized following law legislation that are enacted or substantively enacted on the balance sheet date

Assets of deferred tax assets are accounted in the balance sheet to the extent the management believes it will be realized in the foreseeable future, based on taxable profit forecasts. If it is believed that part of the deferred tax asset is not going to be realized, this part of the deferred tax asset is not recognized in the financial statements.

20.2.18. Profit per share

Profit per share is calculated by dividing net profit of the year attributable to shareholders dividing from the weighted annual average of ordinary shares.

Reduced profit per share is calculated by dividing net profit attributable to shareholders dividing from the weighted annual average of ordinary shares and adding weighted average of all potential ordinary shares that could be issued converting them to ordinary shares.

20.2.19. Reports of segments

A segment is a distinguishable component of the Company that is engaged either in production of products or supply of services (business segment), or in production of products or supply of services within a particular economic environment (geographical segment), risks and benefits of which are different from those of other segments.

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

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

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
<p>Principle I: Basic Provisions</p> <p>The overriding objective of a company should be to operate in common interests of all the shareholders by optimizing over time shareholder value.</p>		
1.1. A company should adopt and make public the company's development strategy and objectives by clearly declaring how the company intends to meet the interests of its shareholders and optimize shareholder value.	Yes	The Company constantly presents information related with the development strategy and with the optimization of shareholder value via the information system of the Stock Exchange, on its website (www.suris.lt/investuotojams/), and via agency BNS.
1.2. All management bodies of a company should act in furtherance of the declared strategic objectives in view of the need to optimize shareholder value.	Yes	All management bodies of the company act in furtherance of the declared strategic objectives.
1.3. A company's supervisory and management bodies should act in close co-operation in order to attain maximum benefit for the company and its shareholders.	Yes	The company has set up the Management Board which acts for the interests of the company's shareholders, is responsible for the strategic management of the company, supervises the activity of the chief executive officer of the company, organizes meetings of the Management Board and cooperates with the management bodies of the company.
1.4. A company's supervisory and management bodies should ensure that the rights and interests of persons other than the company's shareholders (e.g. employees, creditors, suppliers, clients, local community), participating in or connected with the company's operation, are duly respected.	Yes	The company acts in compliance with the provisions that are set in this clause.
<p>Principle II: The corporate governance framework</p> <p>The corporate governance framework should ensure the strategic guidance of the company, the effective oversight of the company's management bodies, an appropriate balance and distribution of functions between the company's bodies, protection of the shareholders' interests.</p>		
2.1. Besides obligatory bodies provided for in the Law on Companies of the Republic of Lithuania – a general shareholders' meeting and the chief executive officer, it is recommended that a company should set up both a collegial supervisory body and a collegial management body. The setting up of collegial bodies for supervision and management facilitates clear separation of management and supervisory functions in the company, accountability and control on the part of the chief executive officer, which, in its turn, facilitate a more efficient and transparent management process.	No	The bodies of the company are a general shareholders' meeting, Management Board and chief executive officer (Director General). The company does not set up a supervisory board as a collegial management body. The Management Board is responsible for the supervision of company's activity and management.

2.2. A collegial management body is responsible for the strategic management of the company and performs other key functions of corporate governance. A collegial supervisory body is responsible for the effective supervision of the company's management bodies.	Yes	The functions that are indicated in this recommendation are implemented by the Management Board.
2.3. Where a company chooses to form only one collegial body, it is recommended that it should be a supervisory body, i.e. the supervisory board. In such a case, the supervisory board is responsible for the effective monitoring of the functions performed by the company's chief executive officer.	No	The company does not follow this recommendation, where a company chooses to form only one collegial body, as Management Board is the one collegial body. The company does not follow the Recommendation 2.3 of the Governance Code – at present the only collegial body of the company is a management body, not a supervisory one. The management body of the company implements the supervisory functions as well.
2.4. The collegial supervisory body to be elected by the general shareholders' meeting should be set up and should act in the manner defined in Principles III and IV. Where a company should decide not to set up a collegial supervisory body but rather a collegial management body, i.e. the board, Principles III and IV should apply to the board as long as that does not contradict the essence and purpose of this body. ¹	Yes	
2.5. Company's management and supervisory bodies should comprise such number of board (executive directors) and supervisory (non-executive directors) board members that no individual or small group of individuals can dominate decision-making on the part of these bodies. ²	Yes	At present, in accordance with the Articles of Association, the Management Board of the company is composed of 6 members who are appointed for the period of four years. The number of members of the collegial body is sufficient to dominate decision-making.
2.6. Non-executive directors or members of the supervisory board should be appointed for specified terms subject to individual re-election, at maximum intervals provided for in the Lithuanian legislation with a view to ensuring necessary development of professional experience and sufficiently frequent reconfirmation of their status. A possibility to remove them should also be stipulated however this procedure should not be easier than the removal procedure for an executive director or a member of the management board.	Yes	In accordance with the Articles of Association, the members of the Management Board are appointed for the period of four years without limiting the number of their terms of office. The Articles of Association provides the company with the possibility to withdraw the whole Management Board or any of its members. The withdrawal of a member of the Management Board should be based on the legislation.

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

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

<p>2.7. Chairman of the collegial body elected by the general shareholders' meeting may be a person whose current or past office constitutes no obstacle to conduct independent and impartial supervision. Where a company should decide not to set up a supervisory board but rather the board, it is recommended that the chairman of the board and chief executive officer of the company should be a different person. Former company's chief executive officer should not be immediately nominated as the chairman of the collegial body elected by the general shareholders' meeting. When a company chooses to depart from these recommendations, it should furnish information on the measures it has taken to ensure impartiality of the supervision.</p>	No	<p>The company does not follow the Recommendation 2.7 because the head of the Management Board is Director General of the Company. The independence of supervision is guaranteed by the other five member of the Management Board.</p>
<p>Principle III: The order of the formation of a collegial body to be elected by a general shareholders' meeting</p> <p>The order of the formation a collegial body to be elected by a general shareholders' meeting 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</p>		
<p>3.1. The mechanism of the formation of a collegial body to be elected by a general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure objective and fair monitoring of the company's management bodies as well as representation of minority shareholders.</p>	Yes	<p>While electing the collegial body of the company, the shareholders may take the cognizance of comprehensive information about the candidates early enough before the meeting of the shareholders and during it as well.</p>
<p>3.2. Names and surnames of the candidates to become members of a collegial body, information about their education, qualification, professional background, positions taken and potential conflicts of interest 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.</p>	Yes	<p>The company follows all provisions that are indicated in this recommendation, moreover, the company could additionally mention the document (such as the operating regulation of that body), if any, which determines the specific order of data exchange among the member of that collegial body.</p> <p>The company accumulates and discloses the entire information about the members of collegial body, their professional education, qualification and conflicts of interest, following the order set out in these recommendations, i.e. via publicly announced periodical reports of the company.</p>

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

<p>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.</p>	Yes	<p>The company could comprehensively comment the implemented practice (for instance, prior to the announcement of company's annual report to the shareholders, each member of collegial body informs the collegial body about the in-service trainings, relevant to their service on the collegial body, which she/he has attended within the last accounting year).</p> <p>During the meetings of the shareholders, curriculum vitae of candidates to become members of the Management Board are presented, which include such information as their education, professional background, etc.</p> <p>Information about the composition of the Management Board is set out in the reports of the company.</p>
<p>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.</p>	Yes	<p>The company follows the recommendations set out in this clause. The members of the Management Board of the company have required competencies to hold their office and are responsible for the supervision of the main operational processes of the company (technology, management of raw materials, coordination of trade).</p>
<p>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.</p>	Yes	<p>Members of the Management Board constantly take part in various refresher courses and seminars where they are provided with the information about the essential changes in legislation that regulates the activity of the company. Moreover, in case of necessity, the members of the Management Board either individually or during the meetings of the Management Board are also informed about the other changes, which have an impact on the activity of the company.</p>
<p>3.6. In order to ensure that all material conflicts of interest related with a member of the collegial body are resolved properly, the collegial body should comprise a sufficient⁴ number of independent⁵ members.</p>	No	<p>The company does not follow the Recommendation 3.6 of the Governance Code as the company neither has defined the independence criteria of a member of the Management Board nor has discussed the content of "sufficiency" concept of independent members.</p>

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

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

<p>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:</p> <ol style="list-style-type: none"> 1) He/she is not an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) of the company or any associated company and has not been such during the last five years; 2) He/she is not an employee of the company or some any company and has not been such during the last three years, except for cases when a member of the collegial body does not belong to the senior management and was elected to the collegial body as a representative of the employees; 3) He/she is not receiving or has been not receiving significant additional remuneration from the company or associated company other than remuneration for the office in the collegial body. Such additional remuneration includes participation in share options or some other performance based pay systems; it does not include compensation payments for the previous office in the company (provided that such payment is no way related with later position) as per pension plans (inclusive of deferred compensations); 4) He/she is not a controlling shareholder or representative of such shareholder (control as defined in the Council Directive 83/349/EEC Article 1 Part 1); 5) He/she does not have and did not have any material business relations with the company or associated company within the past year directly or as a partner, shareholder, director or superior employee of the subject having such relationship. A subject is considered to have business relations when it is a 	No	The company has not defined the independence criteria of a member of the Management Board.
---	----	--

<p>major supplier or service provider (inclusive of financial, legal, counseling and consulting services), major client or organization receiving significant payments from the company or its group;</p> <p>6) He/she is not and has not been, during the last three years, partner or employee of the current or former external audit company of the company or associated company;</p> <p>7) He/she is not an executive director or member of the board in some other company where executive director of the company or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) is non-executive director or member of the supervisory board, he/she may not also have any other material relationships with executive directors of the company that arise from their participation in activities of other companies or bodies;</p> <p>8) He/she has not been in the position of a member of the collegial body for over than 12 years;</p> <p>9) He/she is not a close relative to an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) or to any person listed in above items 1 to 8. Close relative is considered to be a spouse (common-law spouse), children and parents.</p> <p>3.8. The determination of what constitutes independence is fundamentally an issue for the collegial body itself to determine. The collegial body may decide that, despite a particular member meets all the criteria of independence laid down in this Code, he cannot be considered independent due to special personal or company-related circumstances.</p>		
<p>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.</p>	No	The company has not implemented the practice of evaluation and disclosure of independence criteria of a member of the Management Board.

3.10. When one or more criteria of independence set out in this Code has not been met throughout the year, the company should disclose its reasons for considering a particular member of the collegial body to be independent. To ensure accuracy of the information disclosed in relation with the independence of the members of the collegial body, the company should require independent members to have their independence periodically re-confirmed.	No	The company has not implemented the practice of evaluation and disclosure of independence criteria of a member of the Management Board.
3.11. In order to remunerate members of a collegial body for their work and participation in the meetings of the collegial body, they may be remunerated from the company's funds. ⁶ The general shareholders' meeting should approve the amount of such remuneration.	Not applicable	Members of the Management Board are not remunerated for their service on the Management Board (however, such possibility is set out in the Articles of Association).
<p>Principle IV: The duties and liabilities of a collegial body elected by the general shareholders' meeting</p> <p>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 monitoring⁷ of the company's management bodies and protection of interests of all the company's shareholders.</p>		
4.1. The collegial body elected by the general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure integrity and transparency of the company's financial statements and the control system. The collegial body should issue recommendations to the company's management bodies and monitor and control the company's management performance. ⁸	Yes	The Management Board evaluates the project of company's annual financial statements and the project of profit (loss) distribution and issues them to the general shareholders' meeting.

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

⁷ See Footnote 3.

⁸ See Footnote 3. In the event the collegial body elected by the general shareholders' meeting is the board, it should provide recommendations to the company's single-person body of management, i.e. the company's chief executive officer.

<p>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).</p>	Yes	<p>Basing on company's data, the members of the Management Board act in good will with regard to the company, follow the interests of the company, not the interests of their own or of the third parties, act in conformity with the principles of fairness and prudence, under an obligation of confidentiality and with due responsibility, thus they aim at maintaining the independence of decision-making.</p>
<p>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 half⁹ of the meetings of the collegial body throughout the financial year of the company, shareholders of the company should be notified.</p>	Yes	<p>In the year 2007 the members of the Management Board held the meetings of the Management Board (each meeting had the proper quorum) and each member devoted sufficient time to perform her/his duties as a member of the Management Board.</p>
<p>4.4. Where decisions of a collegial body may have a different effect on the company's shareholders, the collegial body should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed on the company's affairs, strategies, risk management and resolution of conflicts of interest. The company should have a clearly established role of members of the collegial body when communicating with and committing to shareholders.</p>	Yes	<p>The management bodies of the company, prior to making the decisions, discuss their impact on shareholders and announce the main information about the company's activity in the periodical reports.</p>

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

<p>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.</p>	Yes	<p>The management bodies of the company enter into transactions following the legislation, which is approved by the Articles of Association, for the attainment of benefit and welfare to the company.</p>
<p>4.6. The collegial body should be independent in passing decisions that are significant for the company's operations and strategy. Taken separately, the collegial body should be independent of the company's management bodies¹⁰. 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.</p>	Yes	<p>In all senses the Management Board makes decisions on the interest of the company. The Management Board of the company and its committees are provided with entire resources that are necessary to exercise their functions. Under the necessity, the employees of the company take part in the meetings of the Management Board and committees and present all the necessary information that is relevant to the issues under discussion.</p>

¹⁰ In the event the collegial body elected by the general shareholders' meeting is the board, the recommendation concerning its independence from the company's management bodies applies to the extent it relates to the independence from the company's chief executive officer.

<p>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.</p>	Yes	<p>The Management Board of the company has established 2 committees, which are Nomination and Remuneration Committee and Audit Committee.</p>
<p>4.8. The key objective of the committees is to increase efficiency of the activities of the collegial body by ensuring that decisions are based on due consideration, and to help organize its work with a view to ensuring that the decisions it takes are free of material conflicts of interest. Committees should 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.</p>		<p>The function of Nomination and Remuneration Committee is to provide the bodies of the company and persons, who nominate or elect members of the management bodies and executive officers of the company, with recommendations and to ensure the transparent policy, principles and order of the calculation of remuneration to members of the management bodies and executive officers. The Committee provides the Management Board with help while supervising (i) election and nomination of the chief executive office and other executive officers, (ii) the calculation of remuneration to the members of the Management Board, to the chief executive office and to other executive officers.</p> <p>The key function of Audit Committee is to supervise the performance of audit of financial accountability of the company and the presentation order of financial information to persons in interest. The Committee provides the Management Board with help while supervising (i) the quality and consistency of financial, accounting and other relevant documents, (ii) the qualification of the independent auditor, his/her independency and proper performance of his/her office, (iii) the implementation of internal control.</p>
<p>4.9. Committees established by the collegial body should normally be composed of at least three members. In companies with small number of members of the collegial body, they could exceptionally be composed of two members. Majority of the members of each committee should be</p>	Yes	<p>Each committee of the company is composed of three members.</p>

<p>constituted from independent members of the collegial body. In cases when the company chooses not to set up a supervisory board, remuneration and audit committees should be entirely comprised of non-executive directors. Chairmanship and membership of the committees should be decided with due regard to the need to ensure that committee membership is refreshed and that undue reliance is not placed on particular individuals.</p>		
<p>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.</p>	Yes	<p>The activity of Nomination and Remuneration Committee and Audit Committee is regulated by Regulations Statute Rules of these committees, approved by the Management Board.</p>
<p>4.11. In order to ensure independence and impartiality of the committees, members of the collegial body that are not members of the committee 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.</p>	Yes	<p>If necessary, the employees of the company, who are responsible for the spheres of activity that are discussed by the committee, take part in the meetings of the committees and provide the committees with entire required information.</p>

<p>4.12. Nomination Committee.</p> <p>4.12.1. Key functions of the nomination committee should be the following:</p> <ul style="list-style-type: none"> • 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. <p>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.</p>	Yes	The functions of nomination committee, which are set out in this recommendation, basically are carried out by the Nomination and Remuneration Committee of the company.
<p>4.13. Remuneration Committee.</p> <p>4.13.1. Key functions of the remuneration committee should be the following:</p> <ul style="list-style-type: none"> • 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 	Yes	The functions of remuneration committee, which are set out in this recommendation, basically are carried out by the Nomination and Remuneration Committee of the company.

remunerations are consistent with company's remuneration policy and the evaluation of the performance of these persons concerned. In doing so, the committee should be properly informed on the total compensation obtained by executive directors and members of the management bodies from the affiliated companies;

- Make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies;

- Assist the collegial body in overseeing how the company complies with applicable provisions regarding the remuneration-related information disclosure (in particular the remuneration policy applied and individual remuneration of directors);

- Make general recommendations to the executive directors and members of the management bodies on the level and structure of remuneration for senior management (as defined by the collegial body) with regard to the respective information provided by the executive directors and members of the management bodies.

4.13.2. With respect to stock options and other share-based incentives which may be granted to directors or other employees, the committee should:

- Consider general policy regarding the granting of the above mentioned schemes, in particular stock options, and make any related proposals to the collegial body;

- Examine the related information that is given in the company's annual report and documents intended for the use during the shareholders meeting;

- Make proposals to the collegial body regarding the choice between granting options to subscribe shares or granting options to purchase shares, specifying the reasons for its choice as well as the consequences that this choice has.

4.13.3. Upon resolution of the issues attributable to the competence of the remuneration committee, the committee should at least address the chairman of the collegial body and/or chief executive officer of the company for their opinion on the remuneration of other executive directors or members of the management bodies.

<p>4.14. Audit Committee.</p> <p>4.14.1. Key functions of the audit committee should be the following:</p> <ul style="list-style-type: none"> • 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. <p>4.14.2. All members of the committee should be furnished with complete information on particulars of accounting, financial and other operations of the</p>	<p>The company substantially follows the provisions of these recommendations. The key function of the Audit Committee is to observe the performance of audit of financial accountability of the company and the presentation order of financial information to persons in interest. The Committee provides the Management Board with help while observing (i) the quality and consistency of financial, accounting and other relevant documents, (ii) the qualification of the independent auditor, his/her independency and proper performance of his/her office, (iii) the implementation of internal control.</p>
--	--

company. Company's management should inform the audit committee of the methods used to account for significant and unusual transactions where the accounting treatment may be open to different approaches. In such case a special consideration should be given to company's operations in offshore centers and/or activities carried out through special purpose vehicles (organizations) and justification of such operations.

4.14.3. The audit committee should decide whether participation of the chairman of the collegial body, chief executive officer of the company, chief financial officer (or superior employees in charge of finances, treasury and accounting), or internal and external auditors in the meetings of the committee is required (if required, when). The committee should be entitled, when needed, to meet with any relevant person without executive directors and members of the management bodies present.

4.14.4. Internal and external auditors should be secured with not only effective working relationship with management, but also with free access to the collegial body. For this purpose the audit committee should act as the principal contact person for the internal and external auditors.

4.14.5. The audit committee should be informed of the internal auditor's work program, and should be furnished with internal audit's reports or periodic summaries. The audit committee should also be informed of the work program of the external auditor and should be furnished with report disclosing all relationships between the independent auditor and the company and its group. The committee should be timely furnished information on all issues arising from the audit.

4.14.6. The audit committee should examine whether the company is following applicable provisions regarding the possibility for employees to report alleged significant irregularities in the company, by way of complaints or through anonymous submissions (normally to an independent member of the collegial body), and should ensure that there is a procedure established for proportionate and independent investigation of these issues and for appropriate follow-up action.

4.14.7. The audit committee should report on its activities to the collegial body at least once in every six months, at the time the yearly and half-yearly statements are approved.

<p>4.15. Every year the collegial body should conduct the assessment of its activities. The assessment should include evaluation of collegial body's structure, work organization and ability to act as a group, evaluation of each of the collegial body member's and committee's competence and work efficiency and assessment whether the collegial body has achieved its objectives. The collegial body should, at least once a year, make public (as part of the information the company annually discloses on its management structures and practices) respective information on its internal organization and working procedures, and specify what material changes were made as a result of the assessment of the collegial body of its own activities.</p>	No	<p>The company has no practice of assessment of activities of the Management Board and disclosure of information on its activity. The Management Board plans to conduct the assessment of its activities in the future.</p>
<p>Principle V: The working procedure of the company's collegial bodies</p> <p>The working procedure of supervisory and management bodies established in the company should ensure efficient operation of these bodies and decision-making and encourage active co-operation between the company's bodies.</p>		
<p>5.1. The company's supervisory and management bodies (hereinafter in this Principle the concept 'collegial bodies' covers both the collegial bodies of supervision and the collegial bodies of management) 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.</p>	Yes	<p>The chairman of the Management Board heads up the meetings of the Management Board. The employee of the company organizes the work of the Management Board by order of the chairman of the Management Board.</p>
<p>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 month¹¹.</p>	Yes	<p>The meetings of the Management Board, which is the collegial body of the company, are carried out according to the schedule approved in advance at certain intervals of time (or on demand).</p>

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

<p>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.</p>	Yes	<p>Each member of the management body may take the cognizance of the issues on the agenda of the meeting before the day of the meeting. Issues under discussion (thesis of reports, draft resolutions, etc.) are presented in advance alongside with the notice about the meeting being convened. Usually the announced agenda of the meeting is not changed unless it is decided otherwise during the meeting, when all members of the Management Board are present, and if the material for the supplemented issue is sufficient in order to make the decision on the issue that has not been announced on the agenda. Issues of agenda of the meetings and draft resolutions are prepared and presented by the chief executive office of the company, by the members of the Management Board, or by special groups, which are formed on the decision of the Management Board and which may include specialists who are not the employees of the company.</p>
<p>5.4. In order to co-ordinate operation of the company's collegial bodies and ensure effective decision-making process, chairpersons of the company's collegial bodies of supervision and management 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.</p>	No	<p>The company can not follow Recommendation 5.4 because the company does not establish any collegial supervisory bodies.</p>
<p>Principle VI: The equitable treatment of shareholders and shareholder rights</p> <p>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.</p>		
<p>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.</p>	Yes	<p>The capital of the company consists of ordinary registered shares that grant the same personal property and not-property right to all holders of company's shares.</p>
<p>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.</p>	Yes	<p>The Articles of Association, which determines the rights of investors attached to shares of the company, is publicly announced on the website of the company.</p>
<p>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.¹² All shareholders</p>	No	<p>The Articles of Association does not determine the criteria of important transactions, according to which the company could decide what transaction should be subject to approval of the shareholders' meeting,</p>

¹² The Law on Companies of the Republic of Lithuania (*Official Gazette*, 2003, No 123-5574) no longer assigns resolutions concerning the investment, transfer, lease, mortgage or acquisition of the long-terms assets accounting for more than 1/20 of the company's authorised capital to the competence of the general shareholders' meeting. However, transactions that are important and material for the company's activity should be considered and approved by the general shareholders' meeting. The Law on Companies contains no prohibition to this effect either. Yet, in order not to encumber the company's activity and

<p>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.</p>		
<p>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.</p>	Yes	<p>The company chooses such venue, date, and time of company's meetings which ensure equal opportunities for all shareholders to effectively participate at the meetings.</p>
<p>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 advance¹³. 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.</p>	Yes	<p>Following the order that is set in the legislation and in the Articles of Association, the company announces draft resolutions of the convened meetings on the company's website. Moreover, all the necessary information is announced via the information systems of the stock exchanges in Lithuanian and English languages.</p>
<p>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.</p>	Yes	<p>Each shareholder may take part in the meeting personally or may commission her/his representation to another person and to demand voting in advance on issues that are announced on the agenda of the meeting. In such cases advance voting ballots are prepared.</p>

escape an unreasonably frequent consideration of transactions at the meetings, companies are free to establish their own criteria of material transactions, which are subject to the approval of the meeting. While establishing these criteria of material transactions, companies may follow the criteria set out in items 3, 4, 5 and 6 of paragraph 4 of Article 34 of the Law on Companies or derogate from them in view of the specific nature of their operation and their attempt to ensure uninterrupted, efficient functioning of the company.

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

<p>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.</p>	No	<p>The company neither has possibility to guarantee text protection nor to identify the signature of the voting person.</p>
<p>Principle VII: The avoidance of conflicts of interest and their disclosure</p> <p>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.</p>		
<p>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.</p>	Yes	<p>The members of the management bodies act insomuch that the conflicts of interests would not occur.</p>
<p>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.</p>		
<p>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.</p>		

7.4. Any member of the company's supervisory and management body should abstain from voting when decisions concerning transactions or other issues of personal or business interest are voted on.	Yes	The members of the management bodies of the company are informed about the provisions of this recommendation and they would abstain from voting when decisions of their personal or business interest are voted on.
<p>Principle VIII: Company's remuneration policy</p> <p>Remuneration policy and procedure for approval, revision and disclosure of directors' remuneration established in the company 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.</p>		
8.1. A company should make a public statement of the company's remuneration policy (hereinafter the remuneration statement). This statement should be part of the company's annual accounts. Remuneration statement should also be posted on the company's website.	No	The company does not follow the recommendations due to public statement of the company's remuneration policy. The company follows the approved policy in accordance with which the system of remuneration and premiums as well as other payments, which are related with labour relations, is not publicly announced, and the company attributes such information to information of commercially confidential nature.
8.2. Remuneration statement should mainly focus on directors' remuneration policy for the following year and, if appropriate, the subsequent years. The statement should contain a summary of the implementation of the remuneration policy in the previous financial year. Special attention should be given to any significant changes in company's remuneration policy as compared to the previous financial year.	No	
8.3. Remuneration statement should leastwise include the following information: <ul style="list-style-type: none"> • Explanation of the relative importance of the variable and non-variable components of directors' remuneration; • Sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration; • Sufficient information on the linkage between the remuneration and performance; • The main parameters and rationale for any annual bonus scheme and any other non-cash benefits; • A description of the main characteristics of supplementary pension or early retirement schemes for directors. 	No	

8.4. Remuneration statement should also summarize and explain company's policy regarding the terms of the contracts executed with executive directors and members of the management bodies. It should include, inter alia, information on the duration of contracts with executive directors and members of the management bodies, the applicable notice periods and details of provisions for termination payments linked to early termination under contracts for executive directors and members of the management bodies.	No	
8.5. The information on preparatory and decision-making processes, during which a policy of remuneration of directors is being established, should also be disclosed. Information should include data, if applicable, on authorities and composition of the remuneration committee, names and surnames of external consultants whose services have been used in determination of the remuneration policy as well as the role of shareholders' annual general meeting.	No	
8.6. Without prejudice to the role and organization of the relevant bodies responsible for setting directors' remunerations, the remuneration policy or any other significant change in remuneration policy should be included into the agenda of the shareholders' annual general meeting. Remuneration statement should be put for voting in shareholders' annual general meeting. The vote may be either mandatory or advisory.	No	The company does not publicly announce the policy of remuneration.
<p>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.</p> <p>8.7.1. The following remuneration and/or emoluments-related information should be disclosed:</p> <ul style="list-style-type: none"> • 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 	No	

<p>covered in the above points.</p> <p>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:</p> <ul style="list-style-type: none"> • 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. <p>8.7.3. The following supplementary pension schemes-related information should be disclosed:</p> <ul style="list-style-type: none"> • 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. <p>8.7.4. The statement should also state amounts that the company or any subsidiary company or entity included in the consolidated annual financial statements of the company has paid to each person who has served as a director in the company at any time during the relevant financial year in the form of loans, advance payments or guarantees, including the amount outstanding and the interest rate.</p>		
<p>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.</p>	No	The company does not apply schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements.

<p>8.9. The following issues should be subject to approval by the shareholders' annual general meeting:</p> <ul style="list-style-type: none"> • Grant of share-based schemes, including share options, to directors; • Determination of maximum number of shares and main conditions of share granting; • The term within which options can be exercised; • The conditions for any subsequent change in the exercise of the options, if permissible by law; • All other long-term incentive schemes for which directors are eligible and which are not available to other employees of the company under similar terms. Annual general meeting should also set the deadline within which the body responsible for remuneration of directors may award compensations listed in this article to individual directors. 	Not applicable		
<p>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.</p>			
<p>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.</p>			
<p>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.</p>			

Principle IX: The role of stakeholders in corporate governance

The corporate governance framework should recognize the rights of stakeholders as established by law and encourage active co-operation between companies and stakeholders in creating the company value, jobs and financial sustainability. For the purposes of this Principle, the concept "stakeholders" includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interest in the company concerned.

9.1. The corporate governance framework should assure that the rights of stakeholders that are protected by law are respected.

Yes

The company has established conditions under which each stakeholder may participate in the management of the company and they have access to relevant information.

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.

The employees, who hold the shares of the company, participate in the meetings of the shareholders, are interested in the activity of the company and its results. Yearly the company pays dividends to the shareholders.

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.

<p>10.1. The company should disclose information on:</p> <ul style="list-style-type: none"> • 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. <p>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.</p>	<p>Yes, except for items 4 and 6</p>	<p>Information on company's financial situation, its activity and the management of the company is disclosed in the reports to press, in the reports on material events of the company, in the annual and interim reports of the company as well as on the website of the company.</p> <p>Information regarding the professional background, labour experience, position held of the members of the management bodies of the company, as well as the information regarding their participation in the activity of other companies and company's shares that are held by them, is publicly disclosed in the periodical reports and on the website of the company.</p>
<p>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.</p>	<p>Yes</p>	
<p>10.3. It is recommended that information on the professional background, qualifications of the members of supervisory and management bodies, chief executive officer of the company 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.</p>	<p>No</p>	
<p>10.4. It is recommended that information about the links between the company and its stakeholders, including employees, creditors, suppliers, local community, as well as the company's policy with regard to human resources, employee participation schemes in the company's share capital, etc. should be disclosed when information specified in item 7 of Recommendation 10.1 is under disclosure.</p>	<p>Not applicable</p>	

<p>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.</p>	Yes	<p>The company presents the information via the information disclosure system applied by Vilnius Stock Exchange simultaneously in Lithuanian and English languages insofar as it is possible so that the Stock Exchange would announce the received information on its website and in the trading system, thus ensuring the simultaneous access to information for everybody. The company endeavors to announce the information before or after a trading session on Vilnius Stock Exchange and to present the information to all stock exchanges on which the securities of the company are traded.</p> <p>The company keeps the confidentiality with regard to information that may have an impact on the price of its issued stocks and does not disclose such information neither in commentaries, nor during interviews, nor otherwise as long as such information is publicly announced via the information system of the stock exchange.</p>
<p>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.</p>	Yes	<p>The company publicly announces all the essential information (in Lithuanian and English languages) on the website of the company, thus ensuring fair, timely and cost-efficient access to relevant information.</p>
<p>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.</p>	Yes	<p>The company follows this recommendation and places all the essential information on the company's website.</p>
<p>Principle XI: The selection of the company's auditor</p> <p>The mechanism of the selection of the company's auditor should ensure independence of the firm of auditor's conclusion and opinion.</p>		
<p>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.</p>	Yes	<p>The company follows this recommendation as the audit of company's annual financial statement is conducted by an independent firm of auditors.</p>
<p>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.</p>	Yes	<p>The Management Board of the company proposes a candidate firm of auditors to the shareholders' meeting. The firm of auditors is approved by the shareholders' meeting</p>

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