Company Group ALITA AB

Consolidated financial statements for
the year 2009

Contents

Company details

Company Group ALITA AB

Telephone:	+370 315 57243
Telefax:	+370 315 79467
Company code:	302444238
Registered office:	Alytus, Miškininkų St. 17

Board of Directors

Vytautas Junevičius
Vilmantas Pečiūra
Arvydas Jonas Stankevičius
Darius Vėželis

Management

Paulius Kibiša (General Director)
Anna Rakovskaja (Finance and Administration Director)
Inga Bandzinienė (Chief Accountant)

Auditor

KPMG Baltics UAB

Banks

Swedbank AB
AB Šiaulių Bankas
Danske Bank A/S Lithuania Branch

Statement on the accounts

The Board of Directors and the Management have discussed and authorized for issue the consolidated financial statements and the annual report.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union. We consider that the accounting policies used are appropriate and that the consolidated financial statements thus give a true and fair view of the financial position of Company Group ALITA AB as at 31 December 2009, and consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union.

We recommend the consolidated financial statements to be approved at the Annual General Meeting.

Vilnius, 6 April 2010

Board of Directors:

Vytautas Junevičius
(Chairman)

Vilmantas Pečiūra

Arvydas Jonas Stankevičius

Darius Vėželis

KPMG Baltics, UAB
Vytauto 12
LT-08118, Vilnius
Lithuania

Phone: +370 5 2102600
Fax: +370 5 2102659
E-mail: vilnius@kpmg.lt
Website: www.kpmg.lt

Independent auditor's report to the shareholders of Company Group ALITA AB

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Company Group ALITA AB (hereinafter 'the Group'), which comprise the consolidated statement of financial position as at 31 December 2009, the consolidated statement of comprehensive income for the year then ended, the consolidated statement of changes in equity, the consolidated statement of cash flows and a summary of significant accounting policies and other explanatory notes, as set out on pages 10-40.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Company code: 111494971
VAT code: LT114949716

KPMG

Basis for qualified opinion

As specified in Note 26, the Company does not comply with the ratios set in the loan agreements, therefore the bank might claim the repayment of the loan before maturity. It means that long-term debts of the Company to the banks amounting to 37,122 thousand Litas as at 31 December 2009 should be classified as short-term. Long-term debts have not been classified as short-term in the consolidated financial statements.

Qualified opinion

In our opinion, except for the possible effect of the matter referred to in the paragraph Basis for qualified opinion on the consolidated financial statements, the consolidated financial statements give a true and fair view of the consolidated financial position of Company Group ALITA AB as at 31 December 2009, and consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union.

Matter of note

Without further qualifying our opinion, we draw your attention that as to agreement with the bank, the Group is jointly and severally liable for the financial liabilities of AB Alita. Taking into consideration the facts that rights to dispose owned assets are restricted to AB Alita and that AB Alita has no financial possibilities to cover financial liabilities, a bank claim to Company Group ALITA AB comes into effect. Having estimated the financial liabilities of AB Alita, short-term liabilities of the Group exceeded current assets by 99,057 thousand Litas. We also draw your attention to Note 28, where it is stated, that since reorganization, the Group has experienced net loss amounting to 526 thousand Litas. These facts, together with those mentioned under Note 28, determine that the Group's ability to continue as a going concern depends on the agreement with the bank regarding postponement of loan maturities. Such circumstances determine significant uncertainty of whether the Group will be able to continue as a going concern.

Report on the legal and other regulatory requirements

Furthermore, we have read the annual report for the year 2009 set out on pages 41-74 of the consolidated financial statements and have not identified any material inconsistencies between the financial information included in the annual report and the consolidated financial statements.

Vilnius, 6 April 2010
KPMG Baltics, UAB

Rokas Kasperavičius
Partner
Certified Auditor

Consolidated statement of financial position

31 December

In thousand Litas	Notes	2009
Assets		
Intangible assets	5	586
Investment property	7	1,557
Property, plant and equipment	6	73,905
Available-for-sale financial assets	8	8,008
Deferred income tax assets	24	554
Total non-current assets		**84,610**
Inventories	9	18,648
Prepaid income tax		1
Prepayments	10	1,302
Trade accounts receivable	11	29,799
Other accounts receivable	12	3,306
Cash and cash equivalents	13	13
Total current assets		**53,069**
Total assets		137,679
Shareholders' equity	14	
Share capital		27,154
Compulsory reserve		5,083
Revaluation reserve		(1,433)
Retained earnings		(25,788)
Total equity attributable to the equity holders of the parent Company		**5,016**
Minority interest		1,314
Total shareholders' equity		**6,330**
Liabilities		
Government grants	18	3,862
Long-term bank loans and lease liabilities	17	37,289
Total non-current liabilities		41,151
Long-term bank loans and lease liabilities	17	57,961
Trade account payable		14,203
Other amounts payable	16	18,034
Total current liabilities		**90,198**
Total liabilities and shareholders' equity		137,679

The notes on pages 10-40 are an integral part of these consolidated financial statements. The break-down of the assets, equity and liabilities after the reorganization of AB Alita is shown in Note 30.

General Director Paulius Kibiša

Consolidated statement of comprehensive income

for the period ended 31 December

In thousand Litas	Notes	07/10/2009 – 31/12/2009
Revenue	23	13,388
Cost of sales	23	(7,784)
Gross profit		5,604
Other income	21	167
Selling and distribution expenses	19	(1,669)
General and administrative expenses	20	(2,552)
Other expenses	21	(119)
Operating profit		1,431
Finance income	22	2
Finance expenses	22	(1,295)
Net finance costs		(1,293)
Profit before income tax		138
Income tax	24	(664)
Net profit (loss)		(526)
Other comprehensive income		
Increase (decrease) in value of available-for-sale financial assets	8	673
Effect of deferred tax	24	(220)
Total other comprehensive income		453
Total comprehensive income for the reporting year		(73)
Net profit (loss) attributable to:		
Owners of the company		(526)
Total net profit (loss)		(526)
Total comprehensive income attributable to:		
Owners of the company		(73)
Total comprehensive income		(73)
Basic and diluted earnings (loss) per share (in Litas)	15	(0,02)

The notes on pages 10-40 are an integral part of these consolidated financial statements. The breakdown of the assets, equity and liabilities after the reorganization of AB Alita is shown in Note 30.

General Director Paulius Kibiša

Consolidated statement of changes in equity

In thousand Litas	Notes	Attributable to equity holders of the Company					Minority interest	Total equity
		Share capital	Compulsory reserve	Revaluation reserve	Retained earnings (losses)	Total equity		
Balance as at 31 December 2008		-	-	-	-	-	-	-
Transfer of production operations from AB Alita	30	27,154	5,083	(1,886)	(25,262)	5,089	1,314	6,403
Comprehensive income								
Net profit (loss)					(526)	(526)		(526)
Other comprehensive income for the reporting period								
Increase in value of available-for-sale financial assets	8			673		673		673
Effect of deferred tax	24			(220)		(220)		(220)
Other total comprehensive income				453	-	453		453
Total other comprehensive income				453	(526)	(73)		(73)
Balance as at 31 December 2009		27,154	5,083	(1,433)	(25,788)	5,016	1,314	6,330

The notes on pages 10-40 are an integral part of these consolidated financial statements. The breakdown of the assets, equity and liabilities after the reorganization of AB Alita is shown in Note 30.

General Director Paulius Kibiša

Consolidated statement of cash flows

for the period ended 31 December 2009

In thousand Litas

	Notes	07/12/2009 31/12/2009
Cash flow from operating activities:		
Net profit		(526)
Adjustments to reconcile net profit to net cash provided by operating activities:		
Depreciation and amortization	5,6	614
Impairment of trade accounts receivable	11	41
Change in impairment loss and depreciation of investment property	7	62
Reversal of impairment of other amounts receivable	12	(130)
Interest paid	22	1,264
Interest received	22	(2)
Deferred income tax	24	664
		1,987
Changes in current assets and current liabilities:		
Increase in inventories		(1,350)
Increase in trade accounts receivable		(11,294)
Decrease in prepayments and deferred costs		474
Decrease in other accounts receivable		134
Increase in trade accounts payable and accrued liabilities		14,563
Net cash flows from operating activities		4,514
Cash flows from investing activities:		
Acquisition of property, plant and equipment	6	(3,480)
Acquisition of intangible assets	5	(3)
Cash outflow due to business spin-off	30	900
Interest received	22	2
Net cash used in investing activities		(2,581)
Cash flows from financing activities:		
Loans issued	25	(598)
(Repayment) of loans		(58)
Interest (paid)	22	(1,264)
Net cash used in financing activities		(1,920)
Increase (decrease) in cash and cash equivalents		13
Cash and cash equivalents at the end of the year	13	13

The notes on pages 10-40 are an integral part of these consolidated financial statements. The break-down of the assets, equity and liabilities after the reorganization of AB Alita is shown in Note 30.

General Director Paulius Kibiša

Notes

1. Reporting Group

On September 29, 2009 the resolution to approve the Terms of the Spin-off of Company Group ALITA AB was passed at the Extraordinary General Meeting and as of 7 October 2009 Company Group ALITA AB was separated from the AB Alita and registered.

Registered address of Company Group ALITA AB is Miškininkų St. 17, Alytus, Lithuania.

The nominal value of one share is 1 Litas. All shares are authorized, issued and fully paid. Shares of Company Group ALITA AB are listed in the Secondary Trade List of the NASDAQ OMX Vilnius Stock Exchange regulated trading.

After the reorganization of AB Alita, a producer of alcoholic drinks, AB Anykščių vynas, was transferred to Company Group ALITA AB. Currently Company Group ALITA AB holds 46,577,570, or 94.90% of the total registered shares in the AB Anykščių Vynas, each of 1 Litas in nominal value.

Also, under the terms of the reorganization, the right of control of UAB Alita Distribution was transferred to Company Group ALITA AB, which holds 100% of the registered shares of 100 Litas in nominal value. UAB Alita Distribution holds 100% of the shares of UAB Vilkmergės alus.

The financial statements of Company Group ALITA AB, AB Anykščių Vynas, UAB Alita Distribution and UAB Vilkmergės Alus are consolidated as of 31 December 2009.

The Group produces and distributes alcohol beverages, including sparkling wines, alcohol mixes, cider, natural and fortified wines, hard liqueurs, as well as concentrated fruit juice.

2. Significant accounting principles

Statement of compliance

These financial statements are consolidated financial statements of Company Group ALITA AB. They have been prepared in accordance with International Financial Reporting Standards (IFRS) and their interpretations, adopted by International Accounting Standards Board (IASB), as approved by the European Union.

The consolidated financial statements were authorized for issue on 2 April 2010 by the Board of the Group. The shareholders of the Group have a right to amend the consolidated financial statements after issue.

Basis for preparation

The consolidated financial statements are presented in thousand Litas. Litas is the functional currency of the Group.

The consolidated financial statements are prepared on the historical cost basis, except for the following:

- Property, plant and equipment presented at deemed cost.
- Available for sale financial assets are measured at fair value.

Accounting is kept according to laws and regulations of the Republic of Lithuania.

Basis for consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the controlling entity may manage financial and activity policies of the subsidiary. When assessing existence of control, the right to vote and potential right to vote is considered (for potentially convertible instruments into shares). The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. In the consolidation, reporting dates of Company Group ALITA AB and subsidiaries differs by two months, due to it, it was not practicable to obtain financial information of subsidiaries on the spin-off date. Between those two reporting dates there were no significant transactions or events which should be adjusted.

Notes

2. Significant accounting principles (cont'd)

Basis for consolidation (cont'd)

(ii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

Comparative figures

The Group's financial year begins on 1 January and ends on 31 December. Assets and liabilities related to production operations were assigned to Company Group ALITA AB during the reorganization process. Since Company Group ALITA AB has recently started its operations as a newly established entity, the consolidated financial statements do not contain the comparative information except the operations spin-off reports presented in Note 30, in which, for the purpose of representativeness, the comparative figures for the year ended on 31 December 2008 were derived from the consolidated audited financial statements of AB Alita.

Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRSs, as adopted by the European Union, requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions of accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by the management in the application of IFRSs, as adopted by the European Union, that have significant effect on the consolidated financial statements and estimates with a significant risk of material adjustment in the next year are discussed in Note 2. "Standards, interpretations and amendments to published standards that are not yet adopted". The accounting policies of the Company as set out below have been consistently applied and coincide with those used in the previous year in the consolidated financial statements of AB Alita.

Foreign currency

Translation of amounts in foreign currencies into the functional currency

Transactions in foreign currencies are translated into Litas at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign exchange differences arising on translation are recognized in the consolidated statement of comprehensive income.

Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise available for sale financial assets trade and other receivables, cash and cash equivalents, loans and borrowings, trade payables and other liabilities.

Cash and cash equivalents comprise cash balances and call deposits.

Non-derivative financial instruments are recognized initially at fair value plus (except for instruments, the change of fair value of which is stated in consolidated statement of comprehensive income) any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

Notes

2. Significant accounting principles (cont'd)

Financial instruments (cont'd)

Non-derivative financial instruments (cont'd)

Financial instruments are recognized on the trade date. Financial assets are derecognized if the contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are derecognized if the obligations of the Group specified in the contract expire or are discharged or cancelled.

Loans and receivables are non-derivative financial assets and are not quoted in an active market. They are included into current assets except for maturities greater than 12 months. Loans and receivables are subsequently measured at amortized cost using the effective interest rate method, less impairment losses, if any. Short-term receivables are not discounted.

Investments in equity and certain debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value, and change therein, other that impairment losses are recognized directly in comprehensive income.

Loans and borrowings and other financial liabilities, including trade payables are subsequently stated at amortized cost using the effective interest rate method. Short-term liabilities are not discounted.

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

Derivative financial instruments

Derivatives are recognized initially at fair value; directly attributable transaction costs are recognized in the consolidated statement of comprehensive income when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for in profit or loss.

Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Certain items of property, plant and equipment that have been indexed in accordance with Lithuanian legislation prior to 1 January 2004, the date of transition to IFRSs, are measured on the basis of deemed cost, being the indexed amount at the date of the indexation less indexed accumulated depreciation and impairment losses.

The cost of self-constructed assets includes the cost of materials, direct labor and an appropriate proportion of production overheads.

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

Subsequent costs

The Group recognizes in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item or major overhaul when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognized in the consolidated statement of comprehensive income as an expense as incurred.

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

Notes

2. Significant accounting principles (cont'd)

Property, plant and equipment (cont'd)

Depreciation

The estimated useful lives are as follows:

- Buildings and constructions 8-80 years
- Plant and machinery 2-50 years
- Motor vehicles, furniture and fixtures 4-25 years
- IT equipment 4-5 years

Depreciation methods, residual values and useful lives are reassessed annually.

Intangible assets

Intangible assets, comprising computer software and other licenses that are acquired by the Group, are stated at cost less accumulated amortization and impairment.

Amortization is charged to the consolidated statement of comprehensive income on a straight-line basis. The Group's intangible assets are amortized over 1-3 years.

Investment property

Investment properties of the Group consist of buildings that are held to earn rentals or for capital appreciation, rather than for use in the production, or supply of goods, or services or for administration purposes, or sale in the ordinary course of business. In accordance with IFRS 40, investment property, approved by the Company as at 1 January 2001, are initially measured at acquisition cost, which is the fair value of the consideration given to acquire them, including transaction costs. Subsequently all investment properties are carried at cost less any accumulated depreciation and any accumulated impairment losses. Management believes that carrying values of investment properties approximate their fair values.

Leased assets

Leases, in terms of which the Group assumes substantially all the risks and rewards of ownership, are classified as finance leases. Assets acquired by way of finance lease are stated at an amount equal to the lower of fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

Inventories

Inventories, including work in process, are valued at the lower of cost or net realizable value. Net realizable value is the selling price in the ordinary course of business, less the costs of completion, marketing and distribution.

The cost of inventories is determined based on FIFO (First-In, First-Out) principle.

In case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

Auxiliary materials and supplies are expensed at the time they are taken into use or booked to the cost of finished goods if used in production.

The Group accounts for bottles as current assets in inventory, since they are not expected to be reused following the initial delivery. Bottles are booked to the cost of finished goods when used in production.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

Impairment

The carrying amounts of the Group's assets, other than inventories and deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

Notes

2. Significant accounting principles (cont'd)

Impairment (cont'd)

For the assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date.

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

Calculation of recoverable amount

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

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

Any impairment loss on a recoverable amount is first allocated to goodwill, and then to remaining assets and liabilities on *pro rata* basis, except that no loss is allocated to inventories, financial assets, deferred tax assets and investment property, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on re-measurement are recognized in profit or loss. Gains are not recognized in excess of any cumulative impairment loss.

Impairment losses on available-for-sale investment securities are recognized by transferring the cumulative loss that has been recognized in other comprehensive income, and presented in the fair value reserve in equity, to profit or loss. The cumulative loss that is removed from other comprehensive income and recognized in profit or loss is the difference between the acquisition cost, net of any principal repayment and amortization, and the current fair value, less any impairment loss previously recognized in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

Reversals of impairment

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

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

Dividends

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

Government grants

Government grants are initially recognized as deferred income when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. The grants related to an expense item are recognized as a reduction of the expense over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Grants that compensate the Company for the cost of an asset are recognized in profit or loss on a systematic basis over the useful life of the asset.

Liabilities

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

Notes

2. Significant accounting principles (cont'd)

Provisions

A provision is recognized in the consolidated statement of financial position when the Group has a legal or constructive obligation as a result of past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Employee benefits

The Group does not have any defined contribution and benefit plans and has no share based payment schemes. Post employment obligations to retired employees on a pension are borne by the State.

Short-term employee benefits are recognized as a current expense in the period when employees render the services. These include salaries and wages, social security contributions, bonuses, paid holidays and other benefits. There are no long-term employee benefits.

Revenue

Sales of goods

Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of the revenue can be measured reliably. Sales are recognized net of VAT, excise tax and price discounts directly related to the sales.

Revenue from sales of goods is recognized when delivery has taken place and transfer of risks and rewards has been completed.

Services rendered, assets disposed

Revenue from the services rendered is recognized in the consolidated statement of comprehensive income as the services are rendered. The revenue recognized is net of discounts provided.

Rental income is recognized in the consolidated statement of comprehensive income on a straight-line basis over the term of the lease.

Revenue from disposal of assets is recognized in the consolidated statement of comprehensive income when the significant risks and rewards of ownership have been transferred to the buyer.

No revenue is recognized if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of assets disposed also continuing management involvement with the assets.

Expenses

Operating expenses

Operating expenses comprise costs regarding sales personnel, advertising, administrative staff, management, office premises and office expenses etc., including depreciation and amortization.

Operating lease payments

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

Finance lease payments

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

Finance income and expenses

Finance income comprises interest income, gain on the sale of financial assets as well as foreign currency exchange gain. Interest income is recognized as it accrues in the consolidated statement of comprehensive income, using the effective interest method.

Finance expenses comprise interest expense, accrued using effective interest rate method, loss on the sale of financial assets as well as foreign currency exchange loss. Component of interest costs of finance lease payments is recognized in the consolidated statement of comprehensive income using the effective interest method.

Notes

2. Significant accounting principles (cont'd)

Expenses (cont'd)

Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognized in the consolidated statement of comprehensive income except to the extent that it relates to the items recognized directly in equity, in which case it is recognized in other comprehensive income.

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

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

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

Segment reporting

Segment is a distinguishable component of the Group that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risk and rewards that are different from those of other segments. Operating result for which discrete financial information is available is regularly reviewed by the entity's chief operating decision maker to make decisions about recourses to be allocated to the segment and assess its performance. The Group's primary format for segment reporting is based on business segments.

Earnings per share

The Group presents data of basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares. During reporting periods there were no any dilutive potential ordinary shares issued by the Group.

Contingencies

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

A contingent asset is not recognized in the consolidated financial statements but disclosed when an inflow of resources embodying economic benefits is probable.

Subsequent events

Subsequent events providing additional information on the position of the Group as at the balance sheet date (adjusting events) are reflected in the consolidated financial statements. Non-adjusting subsequent events, if significant, are disclosed in the notes to the consolidated financial statements.

Notes

2. Significant accounting principles (cont'd)

Related parties

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

Standards, interpretations and amendments to published standards that are adopted

The Group adopted those new/revised standards and interpretations becoming mandatory for the financial years beginning on or after 1 January 2009 and applicable to the Group's operations:

- The Group applies revised IAS 1 Presentation of Financial Statements (2007), which became effective as of 1 January 2009. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share. Amendments to IFRS 4 Insurance Contracts and IFRS 7 Financial instruments: Disclosures (effective for annual periods beginning on or after 1 January 2009) aim at requiring enhanced disclosures about fair value measurements and liquidity risk associated with financial instruments. These amendments have been adopted by the Group to the extent applicable to the Group's operations.
- The revised IAS 23 *Borrowing Costs* (mandatory for periods beginning on or after 1 January 2009) was started to be applied as of the day it came into effect.

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

A number of new and revised International Financial Reporting Standards and their interpretations have been issued, which will become mandatory for the Group's consolidated financial statements in accounting periods beginning on or after 1 January 2010. The Group has decided not to apply the amendments and new standards and interpretations early. Below is the estimate of the Group's management regarding the potential effect of the new and revised standards and interpretations upon their first-time application.

- **Amended IFRS 3 "Business Combinations"**

  Amendment to IFRS 3 is effective for annual periods beginning on or after 1 July 2009. The Standard's scope of application was amended and the description of the purpose was expanded. This amended IFRS 3 shall be applied for annual periods beginning on or after 1 July 2009. The change of the amendments shall be effective only for the data in future; therefore, it will have no impact on the consolidated financial statements.

- *Amended IAS 32 "Financial Instruments: Presentation*

  Amendment to IAS 32 is effective for annual periods beginning on or after 1 February 2010. The amendment requires that rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency, are equity instruments if the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. The amendment to IAS 32 is not relevant to the Group's financial statements as the Group has not issued such instruments at any time in the past.

- *Amended IAS 39 "Financial Instruments: Recognition and Measurement"*

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

Notes

2. Significant accounting principles (cont'd)

Standards, interpretations and amendments to published standards that are not yet adopted (cont'd)

- *IFRIC 12 "Service concession arrangements"*

  The interpretation provides guidance to private sector entities on certain recognition and measurement issues that arise in accounting for public-to-private service concession arrangements. IFRIC 12 for first annual periods after 1 April 2009. IFRIC 12 shall not ve applied to the Group, as the Group has not concluded any service concession arrangements.

- *IFRIC 15 "Agreements for the Construction of Real Estate"*

  IFRIC 15 clarifies that revenue arising from agreements for the construction of real estate is recognized by reference to the stage of completion of the contract activity only in some specified cases. In other cases income shall be recognized if it satisfies all IAS 18.14 criteria. IFRIC 15 is not relevant to the Group's consolidated financial statements as the Group does not provide real estate construction services or develop real estate for sale.

- *IFRIC 16 "Hedges of a Net Investment in Foreign Operation"*

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

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

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

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

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

  The Interpretation requires an entity that receives a contribution in the scope of the Interpretation to recognize the item as an asset at its fair value if the transferred item meets the criteria for property, plant, and equipment in IAS 16, Property, Plant and Equipment. The Interpretation also requires the entity to recognize the amount as revenue; the timing of revenue recognition depends on the facts and circumstances of the particular arrangement. IFRIC 18 is effective prospectively for annual periods beginning on or after 1 November 2009. IFRIC 18 is not relevant to the Group's consolidated financial statements as the Group does normally receive contributions from customers.

- Further to those listed above, there were also amendments in *IAS 27 "Consolidated and Separate Annual Financial Statements" (effective for annual periods beginning on or after 1 July 2009) and IFRIC 16 "Hedges of a Net Investment in a Foreign Operation" (effective for annual periods beginning on or after 1 July 2009)*, however, this standard and interpretation are not relevant to the Group's consolidated financial statements. The Group is of the opinion that this interpretation will not influence the financial statements.

Notes

3. Significant accounting estimates and assumptions

Estimates and assumptions are continually reviewed and are based on historical experience and other factors, representing the current situation and reasonable expected future events.

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

Market uncertainties

The ongoing global liquidity crisis resulted in the lower liquidity levels in economy, the lower capital market financing level and lower liquidity. Besides, slow-down of economy was under way in Lithuania, which influenced and might influence in future activities of the companies operating in the environment. The consolidated financial statements include the assessment of the management related to the influence of the Lithuanian and global business environment on the Group's operations as well as the financial state. The further development in the business environment may differ from the assessment of the management.

Fair value of financial instruments

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

Carrying amount of trade amounts receivable, amounts payable and short-term credit lines is close to their fair value. The fair value of the long-term debt is based on the quoted market price for the same or similar issues or on the current rates available for debt with the same maturity profile. The fair value of non-current loans, borrowings and other payables with variable interest rates approximates their carrying amounts.

The Group's principal financial instruments not carried at fair value are receivables, trade or other payables, long and short-term borrowings.

Carrying amount of trade amounts receivable, other financial assets, and amounts payable and short-term credit lines is close to their fair value.

The fair values of financial assets and liabilities together with the carrying amounts shown in the consolidated statement of financial position are summarized as follows:

	2009	
	Book value	Fair value
Available-for-sale financial assets	8,008	8,008
Prepayments	1,302	1,302
Amounts receivable from customers	29,799	29,799
Other accounts receivable	3,306	3,306
Cash and cash equivalents	13	13
Total	**42,428**	**42,428**
Loans and lease liabilities	95,250	95,250
Trade creditors	14,203	14,203
Other amounts payable	18,034	18,034
Total	**127,487**	**127,487**

Notes

3. Significant accounting estimates and assumptions (cont'd)

Impairment loss of non-current assets

The carrying amounts of the Group's non-current assets are reviewed at each balance sheet date to determine, whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For the purpose of testing of the impairment of assets, which generate cach during the process of uninterrupted use and which do not depend on cash inflows generated by other assets or groups of assets (cash generating units), such assets are classified to the smallest group.

The recoverable amount is the greater of fair value less cost to sell and the value in use. In assessing the value in use, the estimated future cash flows are discounted to the present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The recoverable value of the assets, not generating cash inflows, is determined as to the recoverable value of the unit, to which the assets are related.

Useful life time of intangible assets, property, plant and equipment

Useful life time of the assets is reviewed at least once a year. They are reviewed, when necessary, with regard to changes in technologies, further usability and actual state of the assets.

Impairment losses on receivables

The Group reviews its receivables to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the consolidated statement of comprehensive income, the Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of receivables before the decrease can be identified with an individual receivable in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of debtors, national or local economic conditions that influence the group of the receivables.

The management evaluates probable cash flows from the debtors based on historical loss experience related to the debtors with a similar credit risk. Methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

4. Financial risk management

The Group has exposure to the following risks:

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

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors has responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers.

Notes

4. Financial risk management (Cont'd)

Credit risk (Cont'd)

Due to the specifics of its operations, the Group has significant concentration of credit risk (over 50% of total turnover) with few major counterparties, MAXIMA LT, UAB, UAB Rivona, UAB PALINK, UAB Aibės Logistika and UAB RIMI Lietuva being its major wholesale buyers.

The Group's procedures are in force to ensure on a permanent basis that sales are made to customers with an appropriate credit history. The Group provides payment discounts to the clients that pay in advance.

The Group does not guarantee obligations of other parties. The maximum exposure to credit risk is represented by the carrying amount of each financial asset. Consequently, the Group considers that its maximum exposure is reflected by the amount of trade receivables (Note 11) and other current assets, net of impairment losses recognized at the balance sheet date.

The maximum exposure to credit risk at the reporting date was:

In thousand Litas	Carrying amount
	2009
Available for sale financial assets	8,008
Prepayments	1,302
Trade receivables	29,799
Other receivables	3,306
Cash and cash equivalents	13
Total	**42,428**

Trade accounts receivable according to major customers:

	2009	
	Amount	%
1 customer	9,770	32.8
2 customer	5,189	17.4
3 customer	2,950	9.9
4 customer	1,402	4.7
5 customer	1,328	4.5
Other customers	9,160	30.7
Total	**29,799**	**100**

Trade accounts receivable according to geographic regions (in thousand Litas):

	2009
Domestic market	28,953
Euro countries	665
USA	181
Total	29,799

Notes

4. Financial risk management (Cont'd)

Credit risk (Cont'd)

Ageing of trade receivables as at the reporting date might be specified as follows:

In thousand Litas	Total amount 2009	Impairment 2009
Not overdue	27,639	-
Overdue 0-30 days	1,790	-
Overdue 30-60 days	198	-
Overdue 61-90 days	26	-
More than 90 days	1,112	(966)
Total	**30,765**	**(966)**

As to the Group's evaluation, there is no need to recognize impairment loss on trade receivables, if the payment is delayed up to 90 days.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Payment terms of the financial liabilities, including calculated interest, as to the agreements, are presented below:

31 December 2009

In thousand Litas	Book value	Contractual net cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Financial liabilities							
Loans and lease liabilities	95,250	(100,892)	(59,149)	(529)	(41,214)		
Trade creditors	14,203	(14,203)	(14,203)				
Other amounts payable	18,034	(18,034)	(18,034)				
Total	**127,487**	**(133,129)**	**(91,386)**	**(529)**	**(41,214)**	**-**	**-**

Interest rate applied to the estimated cash flows discount:

	2009
Loans and lease liabilities	3.53 % – 11.15 %

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

(i) *Interest rate risk*

The Group's borrowings are subject to variable interest rates related to VILIBOR and EURIBOR. As at 31 December 2009, the Company did not use any financial instruments to hedge its exposure to the cash flow risk related to debt instruments with variable interest rates or price risk related to debt instruments with fixed interest rates.

Notes

4. Financial risk management (cont'd)

Market risk (cont'd)

(i) Interest rate risk (cont'd)

Variable interest rate financial liabilities were as follows:

	Contractual currency	2009
Long-term loans	EUR	27,000
Long-term loans	LTL	10,122
Credit lines, short term loans	EUR	12,398
Credit lines, short term loans	LTL	45,000
Finance lease liabilities	LTL	730
Total		**95,250**

The interest rate as to the agreements is from 4.301% to 10.65% as at 31 December.

Change in average annual interest rate for the Company's loans by 0.5 percent would increase the interest expenses and the loss for 2009 by approximately 107 thousand Litas.

(ii) Currency risk

Major currency risks of Company Group ALITA AB occur due to the fact that the Group borrows foreign currency denominated funds as well as being involved in imports and exports. The Group does not use any financial instruments to manage its exposure to foreign exchange risk.

During the year, currency exchange rates in respect of Litas were as follows:

	31/12/2009	Average 2009
1 EUR =	3.4528	3.4528
1 USD =	2.4052	2.4828
1 LVL =	4.8679	4.8917
1 RUB =	0.0795	0.0783

The Group's exposure to foreign currency risk was as follows:

	2009			
	LTL	EUR	USD	LVL
Available for sale financial assets	8,008			
Cash and cash equivalents	12	1		
Trade and other accounts receivable	31,649	1,444	12	
Loans and lease liabilities	(55,851)	(39,399)		
Payables	(11,249)	(2,953)		(1)
Total foreign currency risk exposure in the consolidated statement of financial position	**(27,431)**	**(40,907)**	**12**	**(1)**

The functional currency of the Group is Litas (LTL). The Group faces foreign currency risk on purchases and borrowings as well as on sales and amounts receivable that are denominated in currencies other than Litas and EUR. The risk related to transactions in EUR is considered to be insignificant as the Lithuanian Litas is pegged to EUR at a fixed rate. The Group did not have any material exposure to other foreign currencies as at 31 December 2009.

Notes

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital and proposes the level of dividends to ordinary shareholders based on the Group's financial results and strategic plans.

There were no changes in the Group's approach to capital management during the year.

5. Intangible assets

	Trademarks	Software	Other intangible assets	Total
COST				
Balance as at 1 January 2009				
Transfer of additions due to business spin-off (Notes 29 and 30)	5,305	1,552	1,185	8,042
Additions		3		3
Transfers from one heading to another		23		23
Balance as at 31 December 2009	**5,305**	**1,578**	**1,185**	8,068
ACCUMULATED AMORTIZATION AND IMPAIRMENT:				
Balance as at 1 January 2009				
Transfer of accumulated amortization and impairment due to business spin-off (Notes 29 and 30)	5,305	1,256	838	7,399
Amortization for the period		55	28	83
Balance as at 31 December 2009	**5,305**	**1,311**	**866**	**7,482**
Carrying amounts as at 31 December 2009	-	**267**	**319**	**586**

Amortization is booked under general and administrative expenses.

Notes

6. Property, plant and equipment

	Land	Buildings	Vehicles and equipment	Other tangible fixed equipment	Construction in progress	Total
COST						
Balance as at 1 January 2009						
Transfer of additions due to business spin-off (Notes 29 and 30)	1,636	72,989	110,765	16,335	5,523	207,248
Additions			1,191	24	2,265	3,480
Disposals and write-offs			(26)	(12)		(38)
Transfers from one heading to another		1,289	225		(1,537)	(23)
Balance as at 31 December 2009	**1,636**	**74,278**	**112,155**	**16,347**	**6,251**	**210,667**
ACCUMULATED DEPRECIATION AND IMPAIRMENT:						
Balance as at 1 January 2009						
Transfer of accumulated depreciation and impairment due to business spin-off (Notes 29 and 30)		30,142	91,355	14,772		136,269
Depreciation for the period		168	341	22		531
Disposals and write-offs			(26)	(12)		(38)
Balance as at 31 December 2009	-	**30,310**	**91,670**	**14,782**	-	**136,762**
Carrying amounts as at 31 December 2009	**1,636**	**43,968**	**20,485**	**1,565**	**6,251**	**73,905**

At the end 2009, the Company capitalized the interest cost in the amount of 33 thousand Litas in respect of the loan taken for the reconstruction of the boiler house.

Property, plant and equipment with the book value of 53,399 thousand Litas as at 31 December 2009 have been pledged for credit lines (Note 17).

The Group's property, plant and equipment with the book value of 74,491 thousand Litas as at 31 December 2009 are insured against fire, natural forces and other damages.

Depreciation

Depreciation is allocated in the consolidated financial statements as follows:

	2009
Cost of sales	270
General and administrative expenses	212
Cost of sales and finished goods in the consolidated statement of financial position	49
Total	**531**

Notes

7. Investment property

	2009
Balance as at 1 January	-
Transfer of acquisition value due to business spin-off (Notes 29 and 30)	1,915
Transfer of depreciation due to business spin-off (Notes 29 and 30)	(65)
Transfer of impairment loss due to business spin-off (Notes 29 and 30)	(231)
Depreciation	(11)
Impairment loss	(51)
Balance as at 31 December	**1,557**
Acquisition cost	3,703
Depreciation	(851)
Impairment loss	(1,295)
Balance as at 31 December	**1,557**

The investment property comprises café and hotel in Palanga. The café is located in a 2 floor building with a cellar and the area of the café is 757.36 m^2. The area of the hotel is 226.06 m^2.

The rental income of the investment properties amounted to 2 thousand Litas in 2009.

The depreciation charge of the investment property for the year ended 31 December 2009 amounts to 11 thousand Litas and has been included into general and administrative expenses.

At the end of the year 2009, considering the situation in the real estate market, by the decision of the management, there was recognized 51 thousand Litas impairment loss of investment property (38 percent of market value on 31 December 2008) and has been included into general and administrative expenses. As to the management of the Company, the value of the investment property under the consolidated statement of financial position dated 31 December 2009 corresponds to the fair value of the property.

Public services are paid by leasee. There were no repairs in 2009.

There were no restrictions on disposal of investment properties or the remittance of income and proceeds of disposals as of 31 December 2009.

No material contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance or enhancement were in force at the year-end.

8. Long-term financial assets

Available-for-sale financial assets

Available-for-sale financial assets consist of the following:

	2009
AB Šiaulių Bankas shares	9,693
Total	**9,693**
Transfer of impairment due to business spin-off (Notes 29 and 30)	(2,357)
Increase (decrease) in fair value during the period	672
Impairment at the end of the year	**(1,685)**
Total	**8,008**

Notes

8. Long-term financial assets (cont'd)

Available-for-sale financial assets (cont'd)

As at 31 December 2009, AB Alita owned 6,920,480 registered shares of AB Šiaulių Bankas with a nominal value of 1 Litas each. The value of the shares as at the statement of financial position date is booked as to the quoted price in the active market of AB Šiaulių Bankas. As of the acquisition day, there were no changes in the methods of value determination. The change in fair value of shares of AB Šiaulių Bankas has been recognized in the Group's accounting amounting to 672 thousand Litas. Revaluation was done on the basis of the price in the stock exchange on the day the shares were revalued, which amounted to 1.15 Litas per share. The revaluation of the value of the shares of AB Šiaulių Bankas was booked in other comprehensive income (Note 14).

9. Inventories

Inventories consist of:

	2009
Raw materials	3,106
Packing materials	2,657
Auxiliary materials and supplies	895
Work-in-process	4,747
Finished goods:	
- alcoholic beverages	4,752
- apple products	3,742
Goods for resale	2,179
Total cost inventories at the end of the year	**22,078**
Transfer of write-down of inventories to the net realizable value due to business spin-off (Notes 29 and 30)	(3,430)
Write-down of inventories to the net realizable value at the end of the year	**(3,430)**
Total	**18,648**

Write down of the value to the net realizable value is booked under general and administrative expenses (Note 20).

In 2009, changes in raw materials, consumables, finished goods and production in progress, booked under cost of sales, amounted to 6,996 thousand Litas.

Write down of inventories is booked to:

	2009
Production in progress	2,243
Tare for multiple use	331
Finished goods	130
Other auxiliary materials and supplies	726
Total	**3,430**

The Group has insured inventories amounting to 19,000 thousand Litas against natural calamities, fire, and other damages. Inventories are pledged for the bank loan (Note 17).

Notes

10. Prepayments

Prepayments consist of:

	2009
Prepayments to local suppliers	1,016
Prepayments to foreign suppliers	85
Accrued costs of the concentrated juice	1,079
Other prepayments and deferred cost	1,334
Total	**3,514**
Transfer of impairment due to business spin-off (Notes 29 and 30)	(2,178)
Additional impairment during the period	(34)
Impairment at the end of the year	**(2,212)**
Total	**1,302**

The impairment was formed for the accrued costs of the concentrated juice department of 2009. Additional impairment during the period is booked under general and administrative expenses.

11. Trade accounts receivable

Trade accounts receivable consist of:

	2009
Trade accounts receivable	30,765
Total	**30,765**
Transfer of impairment due to business spin-off (Notes 29 and 30)	(925)
Additional impairment during the period	(41)
Impairment at the end of the year	**(966)**
Total	**29,799**

Additional impairment during the perios is booked under general and administrative expenses of the Group.

12. Other accounts receivable

Other accounts receivable consist of:

	2009
Government grant receivable	2,361
Loans issued	610
Other accounts receivable	440
Total	**3,411**
Transfer of impairment due to business spin-off (Notes 29 and 30)	(235)
Impairment of other accounts receivable	130
Impairment at the end of the year	**(105)**
Total	**3,306**

Note

13. Cash and cash equivalents

Cash and cash equivalents consist of:

	2009
Cash at banks	7
Cash in hand	6
Total	**13**

14. Shareholders' equity

Share capital

The share capital comprises 27,153,793 ordinary shares with a nominal value of 1 Litas each and the total share capital of LTL 27,153,793 fully paid. The holders of the ordinary shares are entitled to one vote per share in the shareholders' meeting and are entitled to receive dividends as declared from time to time and to capital repayment in case and to a share of residual assets. One ordinary share gives a right to one vote at the shareholders' meeting.

Legal reserve

The legal reserve is a compulsory reserve under Lithuanian legislation. Annual contributions of 5% of the retained earnings available for distribution are required until the legal reserve and the share premium reach 10% of the authorized capital.

Revaluation reserve

	Impairment	Deferred income tax	Impairment net of deferred income tax
Transfer of impairment due to business spin-off (Notes 29 and 30)	(2,358)	472	(1,886)
Increase (decrease) in fair value during the period	673	(220)	453
Revaluation reserve at the end of the year	**(1,685)**	**252**	**(1,443)**

Profit distribution

The Board of the Group will not propose paying out dividends to the shareholders. The proposal shall be approved by the General Shareholders' Meeting.

15. Basic earnings (loss) per share

Basic earnings (loss) per share are calculated as follows:

	2009
Net profit (loss), attributable to the shareholders	(526)
Number of shares (thousand)	27,154
Basic and diluted earnings (loss) per share (Litas)	**(0.02)**

The Group has no dilutive potential shares or convertibles. The diluted earnings (loss) per share are the same as the basic earnings (loss) per share.

Notes

16. Other amounts payable

Other amounts payable are listed below:

	2009
Excise duty	9,422
Value added tax (VAT)	4,288
Accrued vacation payments	1,396
Prepayments received	1,071
Salaries	586
Accrued social security tax	441
Withholding income tax	98
Other amounts payable	732
Total	**18,034**

Lithuania has an excise tax imposed on alcohol production. Excise tax rates are provided in the table below:

Beverage	Alcohol content by volume	Excise tax rates in 2009 (LTL for hectoliter)
Sparkling wine	11%	198 LT/HTL
Sparkling wine drink	7-8%	58 LT/HTL
Sparkling drink	9.50%	198 LT/HTL
Cocktails	5-6 %	4416 LT/100%/HTL
Cider	4,7%	58 LT/HTL
Hard liqueurs	37.5-50 %	4416 LT/100%/HTL
Fortified wine	21%	304 LT/HTL
Wine	10.50%	216 LT/HTL
Fruit wine	18-19 %	304 LT/HTL

17. Long-term and short-term bank loans and lease liabilities

	2009
Long-term loans	37,122
Long-term lease liabilities	167
Total long-term liabilities	**37,289**
Credit line payable	57,398
Current portion of long-term lease liabilities	563
Total short-term liabilities	**57,961**

As at 31 December 2009, the Group has the following long-term loans: EUR 7,820 thousand and 10,122 thousand Litas and its repayment terms are the years 2011 and 2012. The average variable interest rate for the loans was from 7.676 % to 4.301 % in 2009.

As at 31 December 2009, the limit of the credit lines of the Group amounts to 65,430 thousand Litas, the actually used part is 57,398 thousand Litas. The average variable rate for the loans was from 8.59% to 10.65% in 2009.

Notes

17. Long-term and short-term bank loans and lease liabilities (cont'd)

In June 2006, AB Alita and AB Hansabankas (later renamed into AB Swedbank) concluded the Credit Line Agreement, according to which AB ALITA was opened a credit line and granted a credit and a bank guarantee. Following the spin-off transaction resulting in the separation of Company Group ALITA AB from AB Alita, on 30 October 2009, the two companies and Swedbank entered into a tripartite agreement. Pursuant to Article 6.5 of the Civil Code of the Republic of Lithuania, AB Alita and Company Group ALITA AB, acting as joint debtors, shall discharge the liabilities arising from the Credit Line Agreement in the following shares as specified in the Terms of the Spin-off of AB Alita:

- to Company Group ALITA AB shall be transferred: (i) the rights and obligations under the Credit Line Agreement where the amount of the credit granted and outstanding as at the date of the Terms of the Spin-off is EUR 7,820 thousand (equivalent in Litas –27,000 thousand Litas), and (ii) the rights and obligations under the Credit Line Agreement where the amount of the credit granted and outstanding as of the date of the Terms of the Spin-off is 45,000 thousand Litas;
- to AB Alita shall be allocated a share of the rights and obligations under the Credit Line Agreement as follows: (i) share of the credit referred to in the Credit Line Agreement where the amount of the credit granted and outstanding as at the date of the Spin-Off Terms is EUR 17,952 thousand (equivalent in litas –61,985 thousand Litas), and (ii) the rights and the future liabilities to AB Swedbank under the guarantee issued thereby and in accordance with the Credit Line Agreement (i.e., the undertaking to repay to AB Swedbank the amount which the Bank, upon the receipt of the appropriate payment request from the Guarantee recipient would pay to the Guarantee recipient from the funds of the Bank).

The liability of both Company Group ALITA AB and AB Alita under the solidary liability agreement is unlimited.

To secure long-term loans and credit lines, the Group pledged property, plant and equipment the carrying amount of which was 53,399 thousand Litas as at 31 December 2009, inventories of 18,480 thousand Litas, all the current and future Company funds in the banks, trademarks.

Finance lease liabilities are payable as follows:

	Future payments	Interest	Present value of finance lease payments
Less than one year	581	18	563
Between one and five years	171	4	167
Total	**752**	**22**	**730**

18. Government grants

	2009
Non-repayable funds for acquisition of assets	
Balance as at 1 January	-
Transfer of funds due to business spin-off (Notes 29 and 30)	3,473
Balance as at 31 December	**3,473**
Non-repayable funds for compensation of costs	
Balance as at 1 January	-
Transfer of funds due to business spin-off (Notes 29 and 30)	400
Funds used for compensation of costs	(11)
Balance as at 31 December	**389**
Balance of the funds, received from EU structural funds	**3,862**

Notes

18. Government grants (cont'd)

In 2009 the Group in order to increase competitiveness of production and to decrease environmental pollution started to realize reconstruction of boiler-house, modernization of heat network. The support of up to 3,473 thousand Litas from the European Structural Funds and the treasury of Lithuanian Republic for the implementation of this Project was granted by the Ministry of Economy of the Republic of Lithuania. The total value of the Project is about 7 million Litas. The project is going to be finished in June 2010.

Ministry of Economy of the Republic of Lithuania has allocated funding (amount of 400 thousand Litas) according to the European Union Structural Assistance Use Strategy of Lithuania for the period 2007-2013 and according to the Implementing Measure "New Opportunities" of Second Priority of Action Program Increasing of Business Productivity and Improving Environment for the Business". The current project is targeted at the promotion of the export of alcoholic drinks. Project is financed (by 70 per cent of its total value) by the European Union Regional Development fund. Projects are going to be finished in July-August 2012.

19. Selling and distribution expenses

Selling and distribution expenses consist of:

	2009
Advertising	1,294
Sales and marketing departments' expenses	210
Warehousing	106
Transportation and logistics	59
Total	**1,669**

20. General and administrative expenses

General and administrative expenses consist of:

	2009
Salaries, wages and social security	706
Advisory services	506
Depreciation and amortization	212
Maintenance and repairs	183
Tax expenses (other than income tax)	101
Impairment of trade and other accounts receivable, deferred costs and prepayments	75
Energy costs	57
Impairment of investment property	51
Insurance expenses	21
Redundancy compensations	19
Other payments to employees	5
Other	616
Total	**2,552**

As at 31 December 2009 the Group had 557 employees.

Salaries, wages and bonuses including personal income tax and social insurance tax were allocated in the consolidated statement of comprehensive income as follows:

	2009
General and administrative expenses	730
Cost of sales	653
Selling and distribution expenses	213
Total	**1,596**

Notes

21. Other income (expenses)

Other income (expenses) consists of:

	2009
Profit on disposed assets	33
Services rendered	134
Total income	**167**
Cost of services rendered	(119)
Total expenses	**(119)**

22. Finance income (expenses)

Finance income (expenses) consists of:

	2009
Interest income	2
Total income	**2**
Interest expenses on loans	(1,264)
Currency exchange gain (loss), net	(2)
Other finance expenses	(29)
Total expenses	**(1,295)**

23. Information according to business and geographic segments

Geographic segments

	2009
Revenue from domestic market customers	12,616
Revenue from foreign customers	772
Total	**13,388**

All the Group's assets are located in Lithuania.

Notes

23. Information according to business and geographic segments (cont'd)

Business segment information for the year ended 31 December 2009 is presented below:

	Wholesale of acquired alcoholic beverages	Produced alcoholic products	Apple products	Unallocated	Total
Revenue	-	13,253	-	135	13,388
Cost of sales	-	(7,698)	-	(86)	(7,784)
Gross profit		**5,555**	**-**	**49**	**5,604**
Other income				270	270
Operating expenses		(2,020)		(1,813)	(3,833)
Other expenses				(222)	(222)
Reversal of impairment		(41)	(34)	(51)	(126)
Depreciation and amortization		(90)		(172)	(262)
Operating result		**3,404**	**(34)**	**(1,939)**	**1,431**
Finance income				2	2
Finance expenses				(1,295)	(1,295)
Income tax income (expenses)				(664)	(664)
Net result for the year		**3,404**	**(34)**	**(3,896)**	**(526)**
Net result for the year, attributable to shareholders		**3,404**	**(34)**	**(3,896)**	**(526)**
Segment assets					
Non-current assets	7,034	49,291	4,776	23,509	84,610
Inventories	1,838	13,976	2,109	725	18,648
Other current assets	13,940	16,524	-	3,957	34,421
Total segment assets	**22,812**	**79,791**	**6,885**	**28,191**	**137,679**
Segment liabilities					
Government grants		3,862			3,862
Financial liabilities *				95,250	95,250
Trade accounts payable	571	12,076	78	1,478	14,203
Other liabilities	884	12,127	1,036	3,987	18,034
Total segment liabilities	**1,455**	**28,065**	**1,114**	**100,715**	**131,349**
Acquisition of non-current assets	-	3,443	-	65	3,508

* Financial liabilities are not attributed to any specific segments, because the Group uses borrowed funds to finance its activities.

Notes

24. Current and deferred tax

	2009
Current tax	-
Adjustment of previous year profit tax	-
Change in deferred tax	664
Income tax 20%	**664**

The reconciliation of effective tax rate is as follows:

		2009
Profit before tax		**138**
Income tax using standard tax rate	20.0%	28
Non-deductible expenses	56.5%	78
Recognition of previously unrecognized temporary differences	476.1%	657
Effect of the change of the rate on temporary differences	(71.7%)	(99)
Total	**481.2%**	**664**

Calculation of deferred tax is as follows:

	2009	
	Temporary differences	Deferred tax (15 %)
Available-for-sale financial assets	1,685	252
Investment property	1,079	162
Deferred costs	213	32
Vacation reserve	681	102
Tax loss of AB Alita for 2009	7,093	1,064
Taxable result of Company Group ALITA AB for 2009	(701)	(105)
Total deferred tax asset	**10,050**	**1,507**
Not realized profit	(6,354)	(953)
Total deferred tax liability	**(6,354)**	**(953)**
Net deferred tax	**3,696**	**554**

As at 31 December 2009, the applicable corporate income tax rate was 20%. On 31 December 2009, the deferred tax was estimated applying a 15% rate. On the basis of the amendments of the Lithuanian tax legislation starting from 2010, corporate income shall be taxable at 15 % rate corporate income tax.

The deferred tax asset of 252 thousand Litas as at 31 December 2009 is recorded in equity against the revaluation reserve formed on AB Šiaulių Bankas shares.

Notes

24. Current and deferred tax (cont'd)

The change in deferred tax could be presented as follows:

	2009
Deferred tax asset (liability) as at 1 January	-
Transfer of deferred tax asset (liability) due to business spin-off (Notes 29 and 30)	2,391
Change in deferred tax booked in the consolidated statement of comprehensive income	(664)
Change in deferred tax booked in equity	(220)
Transfer of deferred tax liability due to business spin-off (Notes 29 and 30)	(953)
Deferred tax asset (liability) as at 31 December	**554**

25. Transactions with related parties

During the period the Group had transactions with the following related parties:

AB Alita

Transactions during the period with the above mentioned companies are summarized below:

Transactions with related parties

	2009
Purchases from AB Alita	76

The accounts receivable from related parties

	2009
Loan issued to AB Alita	598

The amounts payable to related parties

	2009
The amounts payable to AB Alita	93

During 2009 the Group's management was paid 206 thousand Litas of salaries; dividends were not paid.

Guarantees, warranties issued

As at 31 December 2009 the Group has not issued any guarantees.

26. Contingencies and commitment

The Group does not have significant contingent liabilities except for pledged assets and other obligations to banks, mentioned in Note 17, and guarantees mentioned in Note 25.

In connection with the credit liabilities to the bank, the Group has certain loan covenants in place during the term of the loan contract: the ratio of shareholders' equity and assets recorded in the separate statement of financial position, the Debt Service Coverage Ratio and Interest Service Coverage Ratio. As at 31 December 2009, these ratios did not meet the requirements set in the loan agreement. The Group's management is confident that non - compliance with the ratios is temporary and will be rectified in the near future.

The Group rents land plots from the State. The annual rent fee in 2009 amounted to 82 thousand Litas. The environmental obligations (cleaning, restoration, etc.) are incumbent on the rented state land. No provision is included in the consolidated financial statements as at 31 December 2009 as the management was not able to estimate terms and volume of such works.

Notes

27. Subsequent events

As to agreement with the bank, presented in Note 17, the Group is jointly and severally liable for the financial liabilities of AB Alita. Taking into consideration the facts that rights to dispose owned assets are restricted to AB Alita and that AB Alita has no financial possibilities to cover financial liabilities, a bank claim to Company Group ALITA AB comes into effect. As at 31 December 2009, unpaid financial liabilities of AB Alita amounted to 61,928 thousand Litas. Also, in February 2010, Swedbank AB, according to the guarantee agreement issued by the bank, fulfilled the requirement of the Share Fund of the Republic of Serbia and the Privatization Agency to transfer the amount of 2,600 thousand euros. On 24 February 2010 Swedbank, AB, on its turn, requested AB Alita for 2,600 thousand euros. Thus, credit liabilities of AB Alita to Swedbank, AB were increased by the mentioned amount.

No full tax investigation of the Group in 2009 has been performed by the tax authorities. According to effective tax legislation, the tax authorities may at any time perform investigation of the Group‘s accounting registers and records for the period of five years preceding the accounting tax period, as well as calculate additional taxes and penalties. Management of Company Group ALITA AB is not aware of any circumstances which would cause calculation of additional significant tax liabilities.

28. Information on the Company as a going concern

Since reorganization, the Group experienced net loss amounting to 526 thousand Litas. Its short-term liabilities exceeded non-current assets by 37,129 thousand Litas.

Seeking to balance cash flows, the management and the shareholders are actively trying to ensure financial stability of the Group. The newly appointed management of the parent company Company Group ALITA AB identified three areas that are in need of immediate improvement – staff, trade and distribution – and took its first steps towards their improvement. The main tendencies and tasks of the new management include the following:

Staff management:

- Strengthening the team of managers and bringing them together
- Improvement of inner communication and employee motivation;
- Optimization of organizational structures and inner processes.

Trade and marketing:

- Closer cooperation with the largest retail trade networks;
- A more aggressive and more flexible pricing, sales at sales points;
- Export promotion.

Distribution:

- Qualitative review of distribution of Group production;
- Significant reduction of transport costs.

Negotiations with banks seeking to postpone loan maturities:

- The parent company of the Group has prepared and presented a business plan which includes a strategy until 2014 not only of the parent company Company Group ALITA AB itself, but of the whole Group as well.
- In March 2010, intermediate agreement with the main bank was concluded. As to the agreement, loan maturities are postponed until 30 April 2010. We hope to reach an agreement on the revised loan maturity for a period of more than a year.

Operating result for 2009 of the Group before taxes, interests, amortization and depreciation (EBITDA) was positive. Based on the newly prepared business plan, estimated EBITDA in 2010-2014 is positive and its growth is expected.

Considering the above mentioned steps, in management‘s opinion, if long-term agreements with banks on postponement of loan maturities are reached successfully, the Group faces no going concern risk.

Notes

29. Information related with the reorganization of the operations

The extraordinary general meeting of shareholders of Company Group ALITA AB held on 29 September 2009 passed the Resolution to approve the terms and conditions of the AB Alita spin-off transaction, and Company Group ALITA AB was separated from AB Alita and registered as such on 7 October 2009. The principal purpose of the spin-off transaction was the optimization and reorganization of the operations carried out by AB Alita by separating the production operations from the investment operations carried out by AB Alita, as the former are not related to or necessary for the performance of investment operations of AB Alita, i.e., by separating the part that includes the entirety of production operations of AB Alita and incorporating a new public company, Company Group ALITA AB, on the basis of the assets, rights, liabilities and obligations attributed to the production part of AB Alita.

Therefore the spin-off transaction resulted in the incorporation of two holding companies: one of them – AB Alita – to carry out and control investment operations alone (related to shares held in foreign companies), and the other, Company Group ALITA AB, to carry out and control the main production operations performed by AB Alita. Following the spin-off transaction both companies continue their operations.

The assets and liabilities recorded in the consolidated statement of AB Alita as at the date of spin-off were attributed to the investment or the production operations and accordingly transferred to the companies operating after the spin-off transaction.

All shareholders of AB Alita were allocated shares of Company Group ALITA AB on the basis of the share exchange rate pro rata to the number of shares of AB Alita held by them. The share exchange rate was established taking into account the book value of one share of AB Alita calculated according to the share book value method. The book value of the shares of the companies operating after the spin-off remained unchanged and was equal to the book value of the shares of AB Alita that had been calculated by dividing the value of equity (the book value of net assets) of the Company as at 31 December 2008 by the number of shares issued and paid up.

Spin-off procedures carried out as to the Company Law (Article71). After the spin-off, both companies continue their operations.

Following the Corporate Income Tax Law (Article 46), the reorganization in the company AB Alita complies with the case specified in the Corporate Income Tax Law (Item 5 Part 2 Article 41 Section IX).

Assets, liabilities and equity of Company Group ALITA AB have been transferred within the period from 7 October 2009 to 27 October 2009, as indicated in the spin-off terms of AB Alita.

As at the time of reorganization, there were no differences between the book value of the disposed assets of AB Alita, which was depreciated and amortized, and the book value of the same assets which will be depreciated and amortized, of Company Group ALITA AB.

Detailed description of the business reorganization performed by AB Alita refer to AB NASDAQ OMX Vilnius web page: www.nasdaqomxbaltic.com or: www.alita.lt/investuotojams.

30. The comparative information related to the operations being transferred

The break-down of the assets, equity and liabilities after the reorganization of AB Alita is shown in the statements below.

The present consolidated financial statements have been drawn up on the basis of the audited consolidated financial statements of AB Alita as at 31 December 2008, the consolidated statement of financial position of the spin-off of Company Group ALITA AB of 27 October 2009, and the audited consolidated financial statements of Company Group ALITA AB of 31 December 2009.

Production operations – production operations transferred to Company Group ALITA AB after the reorganization.

Investment operations – investment operations that remained to AB Alita after reorganization.

The date of the spin-off – the period from 7 October 2009 until 27 October 2009.

Notes

30. The comparative information related to the operations being transferred (cont'd)

Consolidated statements of financial position

In thousand Litas	AB Alita consolidated 31/12/2008 Production operations	AB Alita consolidated 31/12/2008 Investment operations	AB Alita consolidated 31/12/2008 Total	AB Alita consolidated 27/10/2009 As at the date of spin-off Production operations	AB Alita consolidated 27/10/2009 As at the date of spin-off Investment operations	AB Alita consolidated 27/10/2009 As at the date of spin-off Total	Company Group ALITA AB consolidated 31/12/2009 Production operations
Intangible assets	5,845		5,845	643		643	586
Investment property	1,915		1,915	1,619		1,619	1,557
Property, plant and equipment	73,427		73,427	70,979		70,979	73,905
Investments in associated companies	-	71,684	71,684	-	71,684	71,684	-
Available-for-sale financial assets	5,747		5,747	7,336		7,336	8,008
Loans	-	25,205	25,205	-	28,629	28,629	-
Deferred income tax asset	2,053		2,053	2,391		2,391	554
Total non-current assets	**88,987**	**96,889**	**185,876**	**82 968**	**100 313**	**183,281**	**84,610**
Inventories	42,065		42,065	17,298		17,298	18,648
Prepayments	1,729		1,729	1,776		1,776	1,302
Prepaid income tax	2,004		2,004	1		1	1
Trade accounts receivable	33,484		33,484	18,547	93	18,640	29,799
Other accounts receivable	2,809	454	3,263	351	1,602	1 953	3,306
Cash	1,365	60	1,425	900	83	983	13
Total current assets	**83,456**	**514**	**83,970**	**38,873**	**1,778**	**40,651**	**53,069**
Total assets	**172,443**	**97,403**	**269,846**	**121,841**	**102,091**	**223,932**	**137,679**
Shareholder's equity	**28,744**	**35,419**	**64,163**	**6,403**	**39 982**	**46,385**	**6,330**
Government grants			-	1,501		1,501	3,862
Long-term bank loans	27,826	45,080	72,906	29,414	45,023	74,437	37,289
Liabilities of the deferred tax asset				953		953	
Total non-current liabilities	**27,826**	**45,080**	**72,906**	**31,868**	**45,023**	**76,891**	**41,151**
Current portion of long-term loans	67,445	16,904	84,349	65,894	16,906	82,800	57,961
Short-term loans from subsidiaries	19,981		19,981	1,600		1,600	
Trade accounts payable				7 361		7,361	14,203
Accrued liabilities	28,447		28,447	8,715	180	8,895	18,034
Total current liabilities	**115,873**	**16,904**	**132,777**	**83,570**	**17,086**	**100,656**	**90,198**
Total liabilities and shareholders' equity	**172,443**	**97,403**	**269,846**	**121,841**	**102,091**	**223,932**	**137,679**

Notes

30. The comparative information related to the operations being transferred (cont'd)

Consolidated statements of comprehensive income

In thousand Litas	AB Alita consolidated 2008 Production operations	AB Alita consolidated 2008 Investment operations	AB Alita consolidated 2008 Total	AB Alita consolidated 2009 before spin-off Production operations	AB Alita consolidated 2009 before spin-off Investment operations	AB Alita consolidated 2009 before spin-off Total	Company Group ALITA AB consolidated 2009 after spin-off Production operations
Revenue	204,022		204,022	126,518		126,518	13,388
Cost of sales	(141,155)		(141,155)	(97,094)		(97,094)	(7,784)
Gross profit (loss)	**62,867**		**62,867**	**29,424**		**29,424**	**5,604**
Other income	1,948		1,948	1,228		1,228	270
Selling and distribution expenses	(41,762)		(41,762)	(18,499)		(18,499)	(1,669)
General and administrative expenses	(31,302)		(31,302)	(22,552)		(22,552)	(2,552)
Other expenses	(1,405)		(1,405)	(611)		(611)	(222)
Operating profit (loss)	**(9,654)**		**(9,654)**	**(11,010)**		**(11,010)**	**1,431**
Finance income	254	2,639	2,893	(146)	1,990	1,844	2
Finance expenses	(7,410)	(5,204)	(12,614)	(6,819)	(2,766)	(9 585)	(1,295)
Share of profit (loss) of associated companies		5,169	5,169			-	-
Profit (loss) before income tax	**(16,810)**	**(2,604)**	**(14,206)**	**(17,975)**	**(776)**	**(18,751)**	**138**
Income tax	1,463		1,463	(298)		(298)	(664)
Net profit for the year	**(15,347)**	**(2,604)**	**(12,743)**	**(18,273)**	**(776)**	**(19,049)**	**(526)**

Consolidated statements of changes in equity

In thousand Litas	Production operations	Investment operations	Total equity
Balance as at 31 December 2008	**28,744**	**35,419**	**64,163**
Net profit (loss)	(18,273)	(776)	(19,049)
Change in value of available-for-sale financial assets	1,589		1,589
Deferred tax liability	(318)		(318)
Transfer of loan related to investment operations	(5,339)	5,339	-
As at the spin-off date	**6,403**	**39,982**	**46,385**
Spin-off of activities	-	(39,982)	(39,982)
Net profit (loss)	(526)		(526)
Change in value of available-for-sale financial assets	673		673
Deferred tax liability	(220)		(220)
Balance as at 31 December 2009	**6,330**	-	**6,330**

Annual report of Company Group ALITA AB for 2009

The concepts spelt in the capital letter throughout the Annual report shall have the meaning defined in the list below, unless the context provides otherwise. This list contains the main concepts used throughout the Annual report. The text of the Annual report may provide explanations or definitions of other concepts as well.

'Spin off' means the spin-off of AB Alita by separating the part specified in the Terms of the Spin-off of AB Alita and establishing a new public company on the basis of the assets, rights and obligations attributed thereto (the activities carried out by AB Alita by separating the production activities from the investment activities carried out by AB Alita, as the former are not related to or necessary for the performance of investment activities of AB Alita, i.e., by separating the part that includes the entirety of production activities of AB Alita and incorporating a new public company, the Company Group ALITA AB, on the basis of the assets, rights, liabilities and obligations attributed to the production part of AB Alita).

'Terms of the Spin-off' means the terms and conditions of the spin-off transaction of AB Alita, drawn up in accordance with the Law on Companies, the Civil Code of the Republic of Lithuania and other legal acts of the Republic of Lithuania and approved by the Extraordinary General Meeting of Shareholders of Company Group ALITA AB on 29 September 2009. Terms of the Spin-off may be accessed at the Central Storage Facility at www.crib.lt or the Company's website www.alita.lt .

'Company' or 'Issuer' means a public company, Company Group ALITA AB, established and acting pursuant to the laws of the Republic of Lithuania.

'Companies of Group' – presenting the information per period till 7 October of 2009 by the term of 'Companies of Group' includes: AB Alita, AB Anykščių Vynas, UAB Alita Distribution and UAB Vilkmergės Alus, from 7 October of 2009: Company Group ALITA AB, AB Anykščių Vynas, UAB Alita Distribution and UAB Vilkmergės Alus.

'Annual report' means this document containing all relevant information for investors and the public as specified in legal acts concerning disclosure of information about the Company.

1. MAIN DATA ABOUT THE ISSUER

1.1. Reporting period covered by this Annual Report

The Annual report was drawn up for the reporting period starting at the registration date of the Company, i.e. on 7 October 2009, until 31 December 2009.

Based on prudence and rationality criteria when presenting general/consolidated data of companies of group for the reporting period as stated in the previous chapter, activity data of subsidiaries from 1 October 2009 until 31 December 2009 are used making a clear indication in the text.

Comparative data

For informative purposes, with regard to continuity of the Company's production operations, this Annual report also presents comparative data for the full year 2008 and 2009. The influence of the spin-off over retrospective information on economic activity is evaluated.

1.2. The issuer and its contact information

Name:	Company Group ALITA AB
Legal form:	Public company
Date and place of registration:	7 October, Centre of Registers, Alytus branch office
Company code:	302444238
Register, in which data about the entity are accumulated and stored:	Centre of Registers, Alytus branch office
Office address:	Miškininkų St. 17, Alytus, LT-62200, Lithuania
Tel.:	(8 315) 5 72 43
Fax.:	(8 315) 7 94 67
E-mail:	alita@alita.lt
Website:	www.alita.lt

Subsidiaries of the issuer and contact information:

Name:	Anykščių vynas
Legal form:	Public company
Date and place of registration:	21 November 1990, Centre of Registers, Utena branch office
Date and place of re-registration:	28 July 2004, Centre of Registers, Utena branch office
Registration number:	BĮ 97-340
Company code:	254111650
Office address:	Dariaus ir Girėno St. 8, Anykščiai, LT-29131
Tel.:	(8 381) 50 233
Fax.:	(8 381) 50 350
E-mail:	info@anvynas.lt
Website:	www.anvynas.lt

Name:	Alita Distribution
Legal form:	Private company
Date and place of registration:	18 January 2002, Marijampole municipality
Date and place of re-registration:	18 July 2002, Vilnius municipality
Registration number:	AB 2002-751
Company code:	151461114
Office address:	A.Goštauto St. 12, Vilnius, LT-01108
Tel.:	(8 5) 268 36 30
Fax.:	(8 5) 268 36 36
E-mail:	info@alitadistribution.lt
Website:	www.alitadistribution.lt

UAB Alita Distribution owns 100 % of shares of UAB Vilkmergės Alus:

Name:	Vilkmergės Alus
Legal form:	Private company
Date and place of registration:	13 July 1993, Vilnius municipality
Registration number:	AB 93-861
Company code:	122016951
Office address:	Antakalnio III village, Pivonija, Ukmergė region, LT-20101
Tel.:	(8 340) 63 770
Fax.:	(8 340) 63 788
E-mail:	info@vilkmergesalus.lt
Website:	www.vilkmergesalus.lt

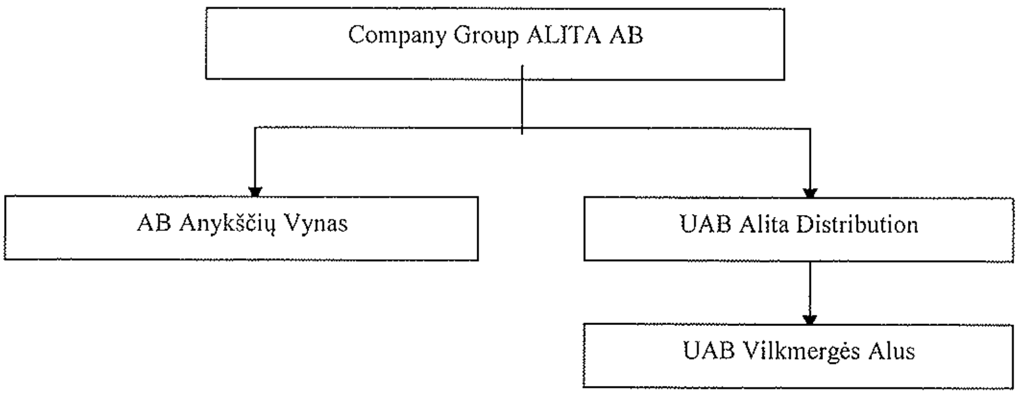
1.3. Type of the issuer's principal activities

The extraordinary general meeting of shareholders of Company Group ALITA AB, held on 29 September 2009, passed the Resolution to approve the Terms of the Spin-off of AB Alita and on 7 October 2009, Company Group ALITA AB was separated from AB Alita and registered accordingly. Following the separation both companies continue their activities.

Company Group ALITA AB was established and started its operations as such after the separation of all production operations with the assets, liabilities, rights and obligations attributable to them on the basis of the decisions specified below. Having taken over raw materials, property, plant and equipment, inventories of low value, the rights to brand names and design, ISO standards, and having obtained new licenses for production, wholesale and retail sale of alcoholic beverages and retail sale of tobacco products, Company Group ALITA AB continues production, business and economic activities previously performed by AB Alita.

Company Group ALITA AB and AB Anykščių Vynas engage in production and sale of alcoholic drinks and concentrated apple juice. UAB Vilkmergės Alus produces beer, while UAB Alita Distribution enagegs in wholesale and retail sale of alcoholic drinks as well as the distribution of all products of the companies of group.

Organizational structure of Company Group ALITA AB:



1.4. Information about agreements with intermediaries of public trading in securities

On 7 October 2009, Company Group ALITA AB signed an agreement on management of securities accounting with Swedbank, AB, represented by the Department of Operations with Securities (company code 112029651, address: Konstitucijos St. 20A, Vilnius, LT-03502, tel.: (+370 5) 258 24 85, fax.: (+370 5) 258 21 70).

AB Anykščių Vynas signed an agreement on management of securities accounting with this intermediary of public trading in securities as early as 29 June 2004.

1.5. Data on trading in the issuer's securities

On 4 January 2010, the securities issued by Company Group ALITA AB were admitted to the Secondary List of NASDAQ OMX Vilnius, following the decision of the Board of 23 December 2009 (Minutes No. 108). The outstanding shares of Company Group ALITA AB amounts to 27,153,793 ordinary registered shares of 1 (one) Litas in nominal value, whose total nominal value equals to 27,153,793 Litas (ISIN code LT0000128266, ticker AGP1L). On 31 December 2009, Company Group ALITA AB listed 746 shareholders.

As to the number of auto-matched trades, the prices and volumes of the Company's shares sold at AB NASDAQ OMX Vilnius or the share capitalization in the period between 1 January 2008 and 31 December

2009, no information is available, because the shares of Company Group ALITA AB were listed in the Secondary List of NASDAQ OMX Vilnius only on 4 January 2010.

The securities of AB Anykščių Vynas were admitted to the Secondary List of AB NASDAQ OMX Vilnius on 3 July 1995. On 31 December 2009, AB Anykščių Vynas held 49,080,535 ordinary registered shares of 1 (one) litas in nominal value, whose total nominal value amounted to 49,080,535 Litas. The ISIN code of these securities is LT0000112773 and the ticker is ANK1L. As of 31 December 2009, AB Anykščių Vynas had 448 shareholders.

Data on the price and turnover of the shares of AB Anykščių Vynas sold in auto-matched trades from 1 January 2008 to 31 December 2009 are shown in the Table below:

Year and quarter	Price LTL		Turnover		Last session			Total turnover	
	Highest	Lowest	Highest	Lowest	Price (Litas)	Turn-over (Litas)	Date	Amount	Litas
2008, 1st quarter	1.17	0.91	15,638.98	0	0.91	0	31/03/2008	58,464	60,401.80
2008, 2nd quarter	1.00	0.65	9,606.60	0	0.69	0	30/06/2008	55,952	39,604.83
2008, 3rd quarter	0.71	0.51	4,349,95	0	0.69	3.45	30/09/2008	40,561	24,724.02
2008, 4th quarter	0.70	0.20	3,149,47	0	0.24	120.00	30/12/2008	72,440	28,194.22
2009, 1st quarter	0.39	0.20	7,379.28	0.00	0.25	0.00	31/03/2009	161,413	42,028.17
2009, 2nd quarter	0.34	0.19	11,299.67	0.00	0.29	0.00	30/06/2009	456,925	114,311.70
2009, 3rd quarter	0.65	0.23	21,399.65	0.00	0.58	0.00	30/09/2009	694,804	245,101.23
2009, 4th quarter	0.58	0.33	3,629.32	0.00	0.38	0.00	30/12/2009	97,381	39,679.53

The capitalization of the ordinary registered shares of AB Anykščių Vynas in 2009 is shown in the Table below:

Date of the last session	Capitalization, Litas	Price per share, Litas
31/03/2009	12,270,133.75	0.25
30/06/2009	14,233,355.15	0.29
30/09/2009	28,466,710.30	0.58
30/12/2009	18,650,603.30	0.38

Data on the manual trades in the ordinary registered shares of AB Anykščių vynas are shown in the Table below:

Year and quarter	Price, Litas		Total turnover of the quarter, units	
		Min.	Settled in cash	Settled in kind
2008, 1st quarter	-	-	-	-
2008, 2nd quarter	-	-	-	-
2008, 3rd quarter	-	-	-	32,427
2008, 4th quarter	-	-	-	-
2009, 1st quarter	-	-	-	-
2009, 2nd quarter	-	-	-	-
2009, 3rd quarter	-	-	-	-
2009, 4th quarter	-	-	-	46,612,970

In the 4th quarter of 2009 46,577,570 units of shares of AB Anykščių Vynas were transferred to Company Group ALITA AB as to the Act No. 2 of 27 October 2009 of assignment-acceptance of assets, rights and duties.

Shares of Company Group ALITA AB and AB Anykščių Vynas are traded only on AB NASDAQ OMX Vilnius. No shares of UAB Alita Distribution and UAB Vilkmergės Alus are traded publicly.

2. OTHER INFORMATION ABOUT THE ISSUER

2.1. The composition of the issuer's authorized capital

The authorized capital of Company Group ALITA AB as registered in the Register of Companies amounts to 27,153,793 Litas.

The composition of the authorized capital of Company Group ALITA AB by type of the shares:

Type of shares	Number of shares	Nominal value, LTL	Total nominal value, LTL	Portion in the authorized capital, %
Ordinary registered shares	27,153,793	1	27,153,793	100.00
Total:	**27,153,793**	**-**	**27,153,793**	**100.00**

All shareholders of AB ALITA were allocated shares of Company Group ALITA AB in proportion to the number of shares of AB ALITA held as set forth in the Terms of the Spin-off transaction.

All shares of Company Group ALITA AB are fully paid up.

The composition of the authorized capital of AB Anykščių vynas by type of the shares:

Type of shares	Number of shares	Nominal value, LTL	Total nominal value, LTL	Portion in the authorized capital, %
Ordinary registered shares	49,080,535	1	49,080,535	100.00
Total:	**49,080,535**	**-**	**49,080,535**	**100.00**

On 1 January 2009, The Company Group ALITA AB held 46,577,570, or 94.90% of the ordinary registered shares of its subsidiary, AB Anykščių Vynas, in the nominal value of 1 (one) Litas each. On 31 December 2009, 2,502,965 of the shares of AB Anykščių Vynas were owned by other minority shareholders. During the reporting period the nominal value of the shares or the authorized capital of AB Anykščių Vynas remained unchanged.

In 2009, AB Anykščių vynas reported a loss in the amount of 7.1 million Litas. AB Anykščių Vynas had no subsidiaries. During the reporting period AB Anykščių Vynas did not acquire any of its own shares and it holds none at all. Neither did it have shares in any other companies or acquired any in the reporting period. The Company does not have any branches or representative offices.

The Table below contains data about the companies, a portion of the shares whereof is held by the Company, where that portion of the capital may have material effect on the evaluation of the Company's equity and liabilities, its financial status, profit and loss:

Name of the company	Portion of the shares held, %	Portion of the votes held, %
AB Anykščių Vynas	94.9	94.9
UAB Alita Distribution	100.0	100.0
UAB Vilkmergės Alus	100.0	100.0
AB Šiaulių Bankas	3.8	3.8

The financial results of the companies AB Anykščių Vynas, UAB Alita Distribution and UAB Vilkmergės Alus are consolidated with the results of Company Group ALITA AB, thus drawing up the consolidated financial statements. Company Group ALITA AB has a direct control of the shares of AB Anykščių Vynas and UAB Alita Distribution to the extent shown in the Table. The shares of UAB Vilkmergės Alus (100%) are controlled by Company Group ALITA AB indirectly, i.e. through the portion of the capital held in UAB Alita Distribution.

On 31 December 2009, the Company had a holding of 6,920,480 ordinary registered shares of AB Šiaulių Bankas, in the nominal value of 1 (one) Litas each. In the Company's financial statements the shares of AB Šiaulių Bankas were marked to market on the day of the drawing up of the financial statements. The revaluation of AB Šiaulių Bankas shares is shown in the statement of financial position under *Equity*.

The Company Group ALITA AB has a representative office in Latvia. Contact data of the representative office are provided below:

Name:	Alita
Legal form:	Representative office
Date and place of registration:	1 December 2006 in Riga
Registration number:	P 000715
Company code:	40006011900
Office address:	Ūnijas iela 74-1d, LV-1084, Riga
Tel.:	(371) 7 283 153
Fax.:	(371) 7 240 425
E-mail:	alita@alita.lv

2.2. Restrictions on transferability of the securities

There are no restrictions on transferability of the shares of Company Group ALITA AB and AB Anykščių Vynas.

2.3. Shareholders

On 31 December 2009, Company Group ALITA AB listed 746 shareholders.

On 31 December 2009, the following shareholders of Company Group ALITA AB held 5% or more of the Company's authorized capital:

Name, surname/ company name, legal form, office address, registration code	Number of ordinary registered shares held by the right of ownership, units	Portion of the authorized capital held, %	Portion of the votes attaching to the shares held by the right of ownership, %	Portion of votes held by the shareholder together with the persons acting in concert, %
Vytautas Junevičius	11,376,770	41.90	41.90	83.77
Arvydas Jonas Stankevičius	4,546,754	16.74	16.74	83.77
Vilmantas Pečiūra	3,411,771	12.56	12.56	83.77
Darius Vėželis	3,411,771	12.56	12.56	83.77

The listed shareholders of the Company, being members of the Board, are deemed to be acting in concert pursuant to Article 2.48 of the Law on Securities of the Republic of Lithuania.

As of 31 December 2009, other shareholders together held 4,406,727 of the Company's shares. Their holdings accounted for 16.23% of all outstanding shares and votes attaching to them.

2.4. Shareholders with special rights of control and the description of those rights

None.

2.5. All restrictions on voting rights

None.

2.6. Mutual agreements of the shareholders the issuer is aware of that might result in the restriction of the share transferability and/or voting rights

None.

2.7. Employees

In order to ensure proper functioning and continuity of the operating activities of Company Group ALITA AB and an independent performance of its functions, the employees of AB Alita were transferred to the company established after the spin-off, namely, to Company Group ALITA AB, retaining a continuity of their employment. Therefore all data of 2009 about the employees of AB Alita was transferred to Company Group ALITA AB.

Average number of employees of the Company is:

31 December 2007	31 December 2008	31 December 2009
816	776	577

Breakdown of average number of employees and average wages (excl. severance payments) of Company Group ALITA AB by employee group:

Employees	7 October – 31 December 2009			2009			2008		
	Number	%	Average wages	Number	%	Average wages	Number	%	Average wages
Managers	5	2.1	13,666	5	1.9	13,539	5	1.6	15,489
Specialists	100	42.2	2,341	102	39.6	2,132	116	35.9	2,483
Workers	132	55.7	1,433	151	58.5	1,412	202	62.5	1,686
Total:	237	100	2,071	258	100	1,932	323	100	2,186

Breakdown of employees of Company Group ALITA AB by education on 31 December 2008 and 31 December 2009:

Employee education	**2009**		**2008**	
	Number	%	Number	%
University education	73	30.3	80	25.1
College education	85	35.3	118	37.0
Secondary education	82	34.0	116	36.4
Incomplete secondary education	1	0.4	5	1.5
Total:	**241**	**100**	**319**	**100**

Below comparative data on the employees of companies of group is provided:

Breakdown of average number of employees and average wages (excl. severance payments) of AB Anykščių Vynas by employee group:

Employees	**2009**			**2008**		
	Number	%	Average wages	Number	%	Average wages
Managers	2	1.0	3,860	2	0.8	5,504
Specialists	69	33.6	1,520	86	32.7	2,148
Workers	134	65.4	1,040	175	66.5	1,634
Total:	**205**	**100**	**1,229**	**263**	**100**	**1,469**

Breakdown of employees of AB Anykščių Vynas by education on 31 December 2008 and 31 December 2009:

Employee education	**2009**		**2008**	
	Number	%	Number	%
University education	45	23.1	49	19.8
College education	58	29.7	74	29.8
Secondary education	86	44.1	117	47.2
Incomplete secondary education	6	3.1	8	3.2
Total:	**195**	**100**	**248**	**100**

Breakdown of average number of employees and average wages (excl. severance payments) of UAB Alita Distribution by employee group:

Employees	2009			2008		
	Number	%	Average wages	Number	%	Average wages
Managers	2	1.5	5,650	6	2.8	5,822
Specialists	73	55.7	2,425	112	52.3	2,917
Workers	56	42.8	1,801	96	44.9	2,143
Total:	**131**	**100**	**2,207**	**214**	**100**	**2,648**

Breakdown of employees of UAB Alita Distribution by education on 31 December 2008 and 31 December 2009:

Employee education	2009		2008	
	Number	%	Number	%
University education	28	25.2	51	26.0
College education	44	39.6	41	20.9
Secondary education	36	32.4	100	51.0
Incomplete secondary education	3	2.7	4	2.1
Total:	**111**	**100**	**196**	**100**

Breakdown of the average number of employees and average wages (excl. severance payments) of UAB Vilkmergės Alus by employee group:

Employees	2009			2008		
	Number	%	Average wages	Number	%	Average wages
Managers	2	6.5	3,365	2	5.9	3,895
Specialists	7	22.6	1,197	7	20.6	1,530
Workers	22	70.9	1,396	25	73.5	1,878
Total:	**31**	**100**	**1,478**	**34**	**100**	**1,925**

Breakdown of employees of UAB Vilkmergės alus by education on 31 December 2008 and 31 December 2009:

Employee education	2009		2008	
	Number	%	Number	%
University education	6	20.0	6	17.6
College education	10	33.3	10	29.4
Secondary education	11	36.7	13	38.2
Incomplete secondary education	3	10.0	5	14.8
Total:	**30**	**100**	**34**	**100**

During the reporting year the number of employees was shrinking due to falling sales and production volumes while the average wages of employees reduced due to the shorteningof the work time to four days a week.

2.8. Amendment procedure of the Articles of Association

The Company's Articles of Association may be amended by the decision of the general meeting of shareholders, which was adopted by a qualified majority of vote of at least 2/3 of all the votes carried by the shares of the shareholders attending the meeting, whose shares grant them more than ½ of all votes.

2.9. The issuer's management bodies

The management bodies of AB Alita consist of:

The General Meeting of Shareholders;

The Board (of 4 members elected for a period of 4 years);

The Company's manager (Director General), elected or removed from office by the Board.

The Company's Board and the Director General have been assigned the usual competences, prescribed to these organs by the laws of the Republic of Lithuania.

2.10. Members of the collegial bodies, Director General, Chief Financier

The Company's Board consists of 4 members, who were elected for a term of four years by the General Meeting of Shareholders held on 29 September 2009:

Name, surname	Position held	Portion of the authorised capital held, %	Portion of the votes attaching to the shares held by the right of ownership*, %
Vytautas Junevičius*	Chairman of the Board, advisor to the Director General	41.90	41.90
Arvydas Jonas Stankevičius*	Member of the Board, Production Director	16.74	16.74
Vilmantas Pečiūra*	Member of the Board, advisor to the Director General	12.56	12.56
Darius Vėželis*	Member of the Board, advisor to the Director General	12.56	12.56

* The members of the Board are deemed to be acting in concert pursuant to Article 2.48 of the Law on Securities of the Republic of Lithuania.

The Board of the Company Group ALITA AB convened 10 meetings as of 7 October 2009. During the meetings urgent questions were discussed with regard to the Company's strategy, production operations and performance, data of the financial statements.

In 2009, the Board of the subsidiary, AB Anykščių Vynas didn't change. As at 1 December 2009, its members were: Vytautas Junevičius, Arvydas Jonas Stankevičius, Vilmantas Pečiūra, Darius Vėželis. During the year, this Board held 14 meetings during which questions of key importance for the Company, including borrowing from the banks, performance analysis and other issues were discussed.

As to UAB Alita Distribution and UAB Vilkmergės Alus neither the Supervisory Board nor the Board are formed in these companies.

Information about the participation of the members of the Board in the activities of other firms and organisations:

Name, surname	Name of the firm/organization, position held	Share of capital and votes in other companies, %
Vytautas Junevičius	Chairman of the Board and Director General of AB Alita Chairman of the Board of AB Anykščių Vynas Member of the Board of AB Šiaulių Bankas Shareholder in UAB Aunuva	41.89 50
Vilmantas Pečiūra	Member of the Board of AB Alita Member of the Board of AB Anykščių Vynas Chairman of the Board of AB Beogradska Industrija Piva	12.57
Arvydas Jonas Stankevičius	Member of the Board of AB Alita Member of the Board of AB Anykščių Vynas Shareholder in UAB Lieda Shareholder in UAB Alytaus Vaistinė	16.75 40 40
Darius Vėželis	Director of UAB Alita Distribution Member of the Board of AB Alita Member of the Board of AB Anykščių Vynas Member of the Board of AB Beogradska Industrija Piva	12.57

The Administration

The Company's Director General is appointed by the Company's Board. He is responsible for the Company's operation and successful development. The Company's Director General appoints its Chief Accountant and concludes the employment agreement with him/her. The Chief Accountant is responsible for the management of the Company's accounts.

Information about the Company's Director General and Chief Accountant:

Name, surname	Position held	Office address
Paulius Kibiša	Director General	Miškininkų St. 17, Alytus
Inga Bandzinienė	Chief Accountant	Miškininkų St. 17, Alytus

The Head of the Administration, Paulius Kibiša, Chief Accountant, Alina Miežiūnienė, and Acting Chief Accountant, Inga Bandzinienė, hold no shares in the Company.

Additional data about members of the Board, Head of the Administration and Chief Accountant:

Name, surname	Position held	Education (profession)	Jobs during the last 5 years and positions held
Vytautas Junevičius	Chairman of the Board	Higher education (engineer–economist)	From 1994, Director General of AB Alita; October 7–November 30, Director General of Company Group ALITA AB; from 1 December 2009, advisor to Director General of Company Group ALITA AB.
Vilmantas Pečiūra	Member of the Board	Doctor of Social Sciences	From 1999, Finance and Administration Director of AB Alita; 3 September 2009–27 October 2009, Advisor to Director General of Company Group ALITA AB.
Arvydas Jonas Stankevičius	Member of the Board	Higher education (labor economics, economist)	From 1977, Production Director of AB Alita; from 27 October, Production Director of Company Group ALITA AB
Darius Vėželis	Member of the Board	Higher education (Business management; MBA)	From 1999, Sales and Marketing Director of AB Alita; from July 2004, Director of UAB Invinus; from November 2004, Sales and Marketing Director of AB Alita; from July 2009, Director of UAB Alita Distribution and Sales and Marketing Director of AB Alita; from 27 October 2009, Director of UAB Alita Distribution and Sales and Marketing Director of Company Group ALITA AB; from 1 December 2009, advisor to Director General of Company Group ALITA AB.
Paulius Kibiša	Director General	Higher education (Management)	2000–2002, Sales Director, Sales and Marketing Director and Sales and Distribution Director of UAB Bitė GSM; 2002–2004, Director General of Fazer Gardėsis; 2004–31 July 2009, Director General of Kesko Agro Lietuva; from 1 September 2009, Business Consultant of UAB Praction; from 1 December 2009, Director General of Company Group ALITA AB.
Alina Miežiūnienė	Chief Accountant	Higher education (accounting and audit, economist)	From 2001, Deputy Chief Accountant; from 2005, Chief Accountant; from 7 October 2009, Chief Accountant of Company Group ALITA AB(currently on maternity leave).
Inga Bandzinienė	Chief Accountant	Higher education (Finance and Credit, economist)	From 1994, Accountant of AB ALITA; from 2001, the Company's Financier; from 2005, Deputy Chief Accountant; from 7 October 2009, Acting Chief Accountant of Company Group ALITA AB (during the period of A.Miežiūnienė's maternity leave) and Chief Accountant of AB Alita; from 2003 has worked as Accountant for D. Bandzinis firm Binoras.

Members of the Board, the Head of Administration and Chief Accountant have no record of conviction for forgery or other crimes.

Information about the participation of the Company's Members of the Board and Managers (Director General and Chief Accountant) in the management or supervisory bodies of the subsidiaries of the Company:

Name, surname	Name of the firm/organization, position held	Beginning of current term of Office (from)	End of current term of Office (to)
Vytautas Junevičius	Chairman of the Board of AB Alita Chairman of the Board of AB Anykščių vynas	29/04/2008 14/04/2008	29/04/2012 14/04/2012
Vilmantas Pečiūra	Member of the Board of AB Alita Member of the Board of AB Anykščių vynas Chairman of the Board of AB Beogradska industrija piva	29/04/2008 14/04/2008 23/10/2007	29/04/2012 14/04/2012 31/08/2011
Arvydas Jonas Stankevičius	Member of the Board of AB Alita Member of the Board of AB Anykščių vynas	29/04/2008 14/04/2008	29/04/2012 14/04/2012
Darius Vėželis	Member of the Board of AB Alita Member of the Board of AB Anykščių vynas Member of the Board of AB Beogradska industrija piva Director of UAB Alita Distribution	29/04/2008 14/04/2008 23/10/2007 17/07/2009	29/04/2012 14/04/2012 31/08/2011 Unlimited
Paulius Kibiša	Is not involved in the management or supervisory bodies of the subsidiaries of the Company		
Alina Mežiūnienė	Member of the Board of AB Beogradska industrija piva	23/10/2007	31/08/2011
Inga Bandzinienė	Is not involved in the management or supervisory bodies of the subsidiaries of the Company		

All members of the Board have their positions in the Company and are paid salaries in accordance with their employment agreements; they are also guaranteed other social benefits set forth in the Collective Agreement. No additional agreements have been made with members of the Board and no payments are foreseen for their activities in the Board or upon expiration of their term of office.

The Head of the Administration and Chief Financier are also paid a salary in accordance with their employment agreement and are ensured all social guarantees as prescribed by the Collective Agreement.

Members of the Board and Administration are not connected by family relations.

Audit Committee

The general meeting of the Company's shareholders held on 29 September 2009 approved the Audit Committee, comprising Jolanta Setkauskienė, Rima Ambraziejienė and an independent auditor, Ona Katlauskienė. The meeting approved the Regulations of the Audit Committee defining its main functions to be as follows:

- submit to the Board of the Company recommendations concerning the selection, appointment, repeated appointment or dismissal of the external auditor, and the terms of the agreement with an audit firm;
- Monitor the external audit process;
- Monitor the compliance by the external auditor and the audit firm with the principles of independence and objectivity;
- Monitor the financial reporting process;
- Forthwith notify the Manager of the Company of the information provided by the audit firm to the Audit Commitee on audit-related problem issues, specifically in case any material deficiencies related to financial statements are established;
- Perform other functions prescribed by the relevant legal acts of the Republic of Lithuania and the guidelines contained in the Corporate Governance Code for companies listed at the Vilnius Stock Exchange NASDAQ OMX Vilnius.

Neither in respect of the Members of the Board, executive management nor the independent auditor have been filed any official or public charges, nor they have been subjected to any injunctions to hold positions in the administrative, management or supervisory bodies, hold a managing position or manage business related to the issuer.

There is no conflict of interests between the duties and responsibilities of the Members of the Board, administrative management and the independent auditor in respect of the Company and their private interests.

Information about payments and loans to the management of The Company Group ALITA AB:

Items	7 October – 31 December 2009	Payments in 2009, thousand Litas			
	Company Group ALITA AB	Company Group ALITA AB	AB Anykščių Vynas	UAB Alita Distribution	UAB Vilkmergės Alus
Amounts allocated to the managers during the year in relation to their employment agreement	206,0	813,9	92,6	173,0	105,8
Other material amounts, calculated for the managers during the year (dividend)	-	-	-	-	-
Average number of managers during the year	5	5	2	2	2
Amounts allocated to the managers in the month in relation to their employment agreement	13,7	13,6	3,9	7,2	4,4
Receipts of the managers from the companies, in which they hold more than 20% of the authorized capital	-		-	-	-

No loans, guarantees or warranties with respect to fulfilment of their obligations were granted to members of the managing bodies over the reporting period.

2.11. Significant agreements and related party transactions

Parties associated with the Company are considered to include shareholders, employees, members of the Board, their immediate relatives and entities that directly and indirectly control the companies constituting the Companies of Group[1] or are controlled individually or together with another party that is also recognised to be a related (associated) party, under the condition that the relation enables one of the parties to control another party or have a significant influence upon the other party's financial and management decisions.

The Company and its employees are related by employment relations, on the basis whereof the employees of the Company are paid their salaries. No other material transactions or deals have been concluded with the shareholders, employees, members of the Board or their immediate relatives.

The Company has also concluded a number of agreements with other associated persons that are significant for the operations of the Company and/or those associated persons. The agreements that have been taken over from AB Alita are surety agreements, contracts on the purchase-sale of goods or the service provision transactions.

[1] Company Group ALITA AB, Anykščių Vynas, UAB Alita Distribution and UAB Vilkmergės alus

Related-party trading transactions

Part of the output of the Company (according to the data of January–October 2009, about 48% of the total turnover of Company Group ALITA AB, AB Anykščių Vynas and UAB Vilkmergės Alus) is distributed by UAB Alita Distribution.

On the basis of the trust agreement, the Company has transferred to UAB Alita Distribution the management of the equipment used for the sales of the production. On 31 December 2008, the acquisition cost of the equipment was LTL 1.6 million.

The companies within the Group provide to each other vehicle rent services, the volumes whereof are not significant.

Sureties between the companies of the Group

On the basis of the agreements concluded with the banks Swedbank, AB and AB Šiaulių Bankas, part of the shares of the Company have been pledged with the Banks as a security of the loan repayment by the Company to the Bank.

The subsidiaries of the Company, UAB Alita Distribution, UAB Vilkmergės Alus and AB Anykščių Vynas, have also undertaken to provide surety, to the extent of their assets, securing the discharge of the obligations of the Company under the credit agreements with Swedbank, AB and AB Šiaulių Bankas and the Lithuanian branch of Danske Bank.

The Company has provided surety in respect of the 8.6 million Litas credit line opened for the benefit of its subsidiary, AB Anykščių vynas. The Company has concluded several surety agreements, on the basis whereof it stands as the guarantor for the obligations assumed by its subsidiaries in respect of AB Swedbank Lizingas. Under the agreements referred to above the Company's liability is unlimited.

Other sureties

In June 2006, AB Alita and AB Hansabankas (later renamed into Swedbank, AB) concluded the Credit Line Agreement, according to which AB Alita was opened a credit line, granted the credit and the bank guarantee. Following the spin-off transaction resulting in the separation of Company Group ALITA AB from AB Alita, on 30 October 2009, the two companies and Swedbank, AB entered into a tripartite agreement. Pursuant to Article 6.5 of the Civil Code of the Republic of Lithuania, AB Alita and Company Group ALITA AB, acting as **solidary debtors**, will discharge the liabilities arising from the Credit Line Agreement in the following shares as specified in the Terms of the Spin-off:

Company Group ALITA AB is a successor to: (i) rights and obligations under the Credit Line Agreement where the amount of the credit disbursed whereof and outstanding as of the date of the execution the spin-off accounts for 7,819,740 Euros (26,999,998.27 Litas), and (ii) rights and obligations under the Credit Line Agreement where the amount of the credit disbursed whereof and outstanding as of the date of the execution the Spin-off accounts for 44,999,500 Litas;

The share of the rights and obligations retained by AB Alita under the Credit Line Agreement is as follows: (i) share of the credit under the Credit Line Agreement of 17,952,000 Euros (61,984,665.60 Litas), outstanding as of the date of the execution the spin-off and (ii) rights and the future obligations to Swedbank, AB according to the guarantee issued by the Bank on the basis of the Credit Line Agreement, i.e. an obligation to repay to Swedbank, AB the amount that the Bank, upon receipt of an appropriate payment claim from the guarantee beneficiary, would pay to the guarantee beneficiary from the funds of the Bank.

The liability of both Company Group ALITA AB and AB ALITA under the joint liability agreement is unlimited.

The historic information on the agreements is presented in the audited separate annual financial statements of AB Alita for 2008 that may be accessed at the Central Storage Facility at www.crib.lt or the website of The Company Group ALITA AB at www.alita.lt/investuotojams.

2.12. Information on the adherence to the Corporate Governance Code

The information on the Company's adherence to the Corporate Governance Code may be found in the Annex to the Annual report.

2.13. Data about the publicly disclosed information

Following the legal acts regulating the securities market, the material information was made public through the website of the information disclosure and dissemination system, OMX Company News Service, of AB NASDAQ OMX Vilnius at www.nasdaqomx.com/vilnius and on the website of AB ALITA at www.alita.lt/investuotojams.

On 29 September 2009, the resolutions of the extraordinary general meeting of the shareholders of the newly established Company Group ALITA AB were disclosed to the public at large.

On 30 September 2009, it was announced that the Board had evaluated the situation in respect of decreased sales and made a decision to shorten the work time to four business days a a week in the 4th quarter of 2009.

The Prospectus of Company Group ALITA AB was registered with the Lithuanian Securities Commission on 23 December 2009. This stock event was made public by the stock exchange NASDAQ OMX Vilnius by announcing the resolution of its Board to admit the ordinary registered shares of Company Group ALITA AB (ISIN code LT0000128266, ticker AGP1L) to the Secondary List and presenting the main information about the activities of the newly registered Company Group ALITA AB.

On 30 December 2009, the Company announced that the Board had evaluated the situation in respect of decreased sales and made a decision to shorten the work time to four business days a week in the first half of 2010.

2.14. Risk factors related to the issuer's activity

The risk factors discussed below may be singled out as having had an impact on the Company's business and financial activities in 2009 or as those that might produce this impact in the future.

Legal risk

The Company's activities and sales both on the local and foreign markets may be affected by the state policy and future decisions concerning an increase in excise duty, customs, collateral for the plastic containers, product marking, other requirements for the products or production processes, restrictions on advertising and retail trade.

Failure to timely adjust to the requirements of new legal acts or decisions, regulating production and trading in alcoholic beverages, e.g. for quality, marking, packaging may temporarily reduce the production volumes, which, in its turn, may have an effect on the Company's business prospects and cause contingent expenses for the fulfilment of obligations or payment of penalties.

Consumption

Most of the Company's brand names are well known on the local market. The Company's ability to retain competitiveness of its brands depends on its success to offer the consumer the product which he/she finds attractive. But the consumer's preferences toward certain product may change due to social or economic factors, health regulations, etc. In recent years consumption of alcohol products has attracted much of social and political attention. The Company is convinced that such an attitude results from the society's concern with such problems as alcohol abuse, drunk driving, teenage drinking and the like.

The general economical situation and a decrease in the income level per person as well as additional taxes influence the consumption habits. Some consumers may choose cheaper products produced by the Company or its competitors. Increased competition on the market of alcoholic beverages encourages a decrease in a general price level.

Market risk. Currency rates

The Company's functional currency is Litas. The Company is exposed to the currency risk in respect of procurement and borrowing from banks as well as due to sales and accounts receivable in other currencies than Litas or Euro. The risk associated with operations in Euro is considered insignificant as long as the Litas is pegged to the Euro at a fixed rate. In the event of the devaluation of the Litas in respect of the Euro, the Company's expenses may increase and will have to be covered from the Company's own resources. It means that in the event of a big decrease in the value of the Litas in respect of the Euro may have a material adverse effect on the Company's financial status and its performance.

Procurement

Global changes in the demand and supply, the uncertainty about the natural and weather conditions and (or) government policies may cause price fluctuations of the main raw materials used in the production of alcoholic drinks. Such unpredictable fluctuations in the price for raw materials and packaging may have an adverse effect on the Company's performance.

Energy resources used by the Company are natural gas, electricity and water. Procurement prices of some of the resources on the domestic market depend on the trends on the global energy markets.

The seasonal nature of business

An expressed seasonal nature of business is observable only in the production of apple products, the availability of raw material whereof directly depends on natural conditions, while the prices of the produce sold may be affected by the prices on the European market.

Credit risk

Credit risk is the risk of a financial loss due to a purchaser's or a business partner's inability to meet obligations as agreed. In view of the nature of the Company's activities, the Company is exposed to a large credit risk as over 75% of its turnover falls to a few major wholesale customers. The Company applies procedures, ensuring assessment and monitoring of the customers' credibility as well as encouragement of more favourable terms of settlement. The Company does not guarantee that other parties will meet their trading obligations.

Financing risk. Loans and interest rates

As at 31 December 2009 the Group[2] has 95.3 million Litas (27.6 million Euros) of borrowed capital (69 % of all assets). The current level of financial liabilities may result in a relatively more complicated or relatively expensive raise of capital in case of a need for additional funds in the future.

In June 2006, AB Alita and AB Hansabankas (later renamed into Swedbank, AB) concluded the Credit Line Agreement, according to which AB Alita was opened a credit line, granted a credit and a bank guarantee. Following the spin-off transaction resulting in the separation of Company Group ALITA AB from AB Alita, on 30 October 2009, the two companies and Swedbank, AB entered into a tripartite agreement. Pursuant to Article 6.5 of the Civil Code of the Republic of Lithuania, AB Alita and Company Group ALITA AB, acting as **solidary debtors**, will discharge the liabilities arising from the Credit Line Agreement in the following shares as specified in the Terms of the Spin-off:

Company Group ALITA AB is a successor to: (i) rights and obligations under the Credit Line Agreement where the amount of the credit disbursed whereof and outstanding as of the date of the execution the spin-off accounts for 7,819,740 Euros (26,999,998.27 Litas), and (ii) rights and obligations under the Credit Line Agreement where the amount of the credit disbursed whereof and outstanding as of the date of the execution the spin-off accounts for 44,999,500 Litas;

[2] Company Group ALITA AB, AB Anykščių Vynas, UAB Alita Distribution and UAB Vilkmergės Alus

The share of the rights and obligations retained by AB Alita under the Credit Line Agreement is as follows: (i) share of the credit under the Credit Line Agreement outstanding as of the date of the execution the Spin-off of 17,952,000 Euros (61,984,665.60 Litas), and (ii) rights and the future obligations to Swedbank, AB according to the guarantee issued by the Bank on the basis of the Credit Line Agreement, i.e. an obligation to repay to Swedbank, AB the amount that the Bank, upon receipt of an appropriate payment claim from the guarantee beneficiary, would pay to the guarantee beneficiary from the funds of the Bank.

The amount of the borrowed capital may result in a bigger part of the future cash flows generated by the companies of the companies of Group being spent on repayment of debt and interest. This fact may hinder business development and complicate the conduct of everyday activities at the current pace. In the end, it may have an adverse effect on the performance of the companies of the Group. Furthermore, taking into account that the amount of assets pledged as collateral for the borrowed funds totals 106 million Litas (31 million Euros), there exist no warranties or guarantees that, in the event the Group fails to meet its financial obligations to creditors, such creditors would not file a claim to retrieve the funds due to them from the assets of the companies of the Group. The use of the assets of the companies of the Group to cover debt liabilities may complicate or hinder the activities of the companies of the Group. Such a situation may cause a significant worsening of the financial situation of the Group and have a negative effect on its activities and performance.

Moreover, the scope of the indebtedness may impede the development of the Company due to operational and financial obligations provided for in the credit agreements, inhibiting the Company's borrowing capacity, to pledge assets and (or) participate in business combinations or other types of mergers.

The scope of the Company's indebtedness may have material consequences, including, but not limited to: (i) on the Company's ability to obtain additional funding for the working capital, capital investment, acquisitions, debt monitoring or other purposes; (ii) on the Company's flexibility to adjust to changing market conditions; (iii) reduced competitive advantage. Furthermore, the main loans taken by the Company carry a floating interest rate, therefore an increase in the interest rate may have an adverse effect on the Company's cash flows and performance.

Top management

The ability of both the Company and its subsidiaries to keep up in the competitive environment and implement a long-term strategy depends most of all on the experience, knowledge, personal qualities of the management. The Company's ability to attract and hire managers of supreme qualifications is part of the success of all companies of the Group. Under the conditions of a constant fierce competition for the high quality staff there is a possibility that the Company's managers and main employees may decide to change jobs. A loss of such employees or the Company's inability to hire new managers with adequate know-how and qualifications or a shortage of such persons on the market may have an adverse effect on the prospects, financial status and performance of all companies of the Group.

Environmental protection

In their activities the companies of the Group must comply with various rules of the environmental protection, regulating the use, marking and storage of various harmful substances used in the activities of the Group. These rules obligate the companies to implement procedures and technologies that allow a proper management of any hazardous substances, provides for the liability of management and elimination of the pollution of the environment. Besides the liability for the current activities, the companies of the Group may have to cover the damages brought about by its past activities should it be proven that they were detrimental to the environment. Also, any changes in the regulations in the area of the environment, both on the national and international level, may obligate the companies of the Group to take measures to comply with the newly set standards. These activities may also have a negative effect on the activities, financial status and performance of the companies of the Group.

Quality of the Products

Real or hypothetical risks related to the quality and safety of the products or their effects on health may result in the liability of the companies of the Group and adversely affect their activities and reputation. Despite all control mechanisms applied in the activities of the companies of the Group, there are no warranties or guarantees that one or other product thereof may be recognised as failing to meet high quality standards or not suitable for further processing and consumption. Therefore the companies may be forced to cancel production of such products or destroy them where such products would hazardous to consumers' health. In the case of cancelation of a large part of the products or any claims for compensation of the damage due to the consumption of such products may result in long-term restrictions on appearance of such products on the market and a loss of confidence in the Company's products. Even after it is ascertained that suspicions concerning the safety of the products are not grounded, the negative public opinion may have a strong adverse effect on the reputation, image and name of the companies of the Group.

It is also possible that the civil liability insurance held may be insufficient to cover a claim brought to court, therefore the companies of the Group would have to cover the part of the damage claim not covered by the insurance from their own resources, which might also have a material adverse effect on the financial status and performance.

Intellectual property

The Company devotes much effort to the protection of its intellectual property rights, including registration of brand names, patents and website addresses. The Company also employs security measures and signs contracts with relevant service providers in order to protect its confidential information. Yet, the Company may not be sure that the measures taken so far will be sufficient or that the third parties will not violate or unlawfully abuse the Company's intellectual property rights. Due to the popularity of the Company's products among consumers there may be attempts to counterfeit its brand names. The Company may not be sure that the measures it is taking to prevent appearance of imitated products on the market will be effective. In the event substandard or even health hazardous product imitations appeared on the market, the Company might suffer losses. The failure of the Company to protect its intellectual property rights against abuse or unlawful takeover may also affect the Company's performance and business development.

Other social, technical, technological and ecological factors are deemed to have no major impact on the Company's business and financial activities in 2010.

2.15. Halts or reductions of production that have exercised or exercise material impact on the results of the issuer during the last two financial (business) years

During the last two years there were no halts of the production process. In 2009, the Board motioned shortening of the work time to four days a week.

3. HIGHLIGHTS OF THE YEAR

The reporting year was especially significant for Company Group ALITA AB because of the changes that were carried out in the Company. On 29 September 2009, the extraordinary general meeting of shareholders of AB Alita Group passed the Resolution to approve the Terms of the Spin-off of AB Alita, on the basis whereof, on 7 October 2009, all production activities with the assets, liabilities, rights, and obligations attributable to them were separated from AB Alita and Company Group ALITA AB was registered in the Register of Legal Entities. Having taken over raw materials, property, plant and equipment, inventories of low value, the rights to brand names and design, ISO standards, and having obtained new licenses for production, wholesale and retail sale of alcoholic beverages and retail sale of tobacco products, Company Group ALITA AB continues production, business and economic activities previously performed by AB Alita.

Company Group ALITA AB took over from AB Alita the production of the entire range of the products: sparkling wine, carbonated wine drinks, alcoholic and beer cocktails, cider, brandy, vodka, bitter, strong grain drink "Samanė" and apple products (concentrated apple juice, dried marc and apple aroma). The Company also retained the "golden fund" of AB Alita – the team of most experienced sparkling wine production specialists. An exceptional value of the Company is, undoubtedly, its fusion of modern drive and traditions that permeates every area of the Company's activities – in the management, production and distribution. The foundations of the traditions cherished today were laid down back in 1963 when the state winery was established. Through this entire period the Company was expanding, improving production conditions and increasing its production volumes.

Having taken over from AB Alita and further continuing its production activities, Company Group ALITA AB and AB Anykščių Vynas are two Lithuanian enterprises retaining the old wine making traditions, the Company Group ALITA AB being the only producer of "Samanė", a strong grain drink based on old Lithuanian traditions, and of "ALITA", the only cognac bearing a Lithuanian brand name. The principal objectives of the two companies are to continue producing the highest quality product, seek professional heights while setting the ever higher objectives. Lithuanian consumer has always been our priority target. And it is very gratifying to see that our efforts to offer the highest quality drinks have been positively appreciated by Lithuanian consumers.

Sparkling wine is considered to be one of the most important and most representative products of the Company. The production of sparkling wine is very similar to the classic champagne production technology with the biochemical processes undergoing in the fermentation vats, essentially identical to those of champagne fermentation in bottles. During the fermentation process the wine is naturally saturated with carbon dioxide. Sparkling wine is the most awarded among the Company's products, in the period between 1980 to 2009 having received awards on different Lithuanian and international exhibitions and tasting sessions for 51 times.

Especially highly rated by consumers is brandy "ALITA" and "ALITA XO". Brandy "ALITA" is produced from brandy spirit aged in oak barrels for 5 years. At the request of the Company brandy "ALITA XO" is matured by French experts who place the brandy into barrels made of oak from Limousine forest as the flavour and aroma of the drink much depend on the barrel type and aging duration. Brandy "Alita Boutique" is a drink of exceptional quality. In 2009, it was awarded the silver medal at the exhibition "Prodexpo 2009" in Moscow. Since 1995 when brandy "Alita" was launched, it has been awarded prizes on 12 occasions.

In vodka production the Company has achieved a reputation and standing equal to that of AB Stumbras and AB Vilniaus Degtinė known for their well-established vodka production traditions, although the first bottles of this drink were produced only at the beginning of 2000. In the course of the past decade specialists of the Company have accumulated significant experience in perfecting the vodka production process. It has conducted all kinds of tests and experiments to make the vodka processing more efficient and create exceptionally pure and tender vodka. Every year new products are offered to the market. The reporting year was exceptional in that for the first time in Lithuania sparkling vodka, "Boom", was offered to the market, which, due to its saturation processing, completely changed the traditional concept of vodka and its conventional flavour. This new product received instant recognition by being acknowledged as winner of the Product of the Year 2009 competition – the award every year granted by the Lithuanian Confederation of Industrialists. More than once the vodka brands „Premium Gera" and "Ledo" were acknowledged as winners of the Product of the Year competition, with no exception in the reporting year. Both brands were designated as silver medal winners at the international strong spirits contest "International Spirits Challenge 2009" held in London. The vodka "Premium gera" was awarded a diploma at the competition "Prodexpo 2009" in Moscow. At annual international contests the "Ledo" vodka has been awarded 8 medals already, while the "Premium gera" family vodka brands at the London exhibition was awarded for the 16th time.

The Company's subsidiary, AB Anykščių Vynas, was established as far back as 1926; it is most experienced in the production of fruit and berry wines. The production of wine from berries was launched in 1927. The production assortment has been regularly updated and adjusted in view of the changing taste of consumers, still the natural black currant wine remained among most popular drinks. In 2007, the black currant wine was named after Voruta, the legendary castle of the Lithuanian King Mindaugas that, as assumed by researchers, once stood close to the town of Anykščiai. In 2009, at the „Zolotoj grifon" alcoholic drinks contest in Yalta, Ukraine, the black currant wine "Voruta" was awarded the golden medal. Some natural Lithuanian wines that enjoyed the greatest popularity a couple decades ago today are rediscovered by consumers and have already found their niche in the market. A perfect evidence to it is the National Heritage Title that the wine „Voruta" was awarded in December 2009 by the Ministry of Agriculture of the Republic of Lithuania.

Another popular product of AB Anykščių Vynas is the natural cranberry liqueur "Bobelinė". Produced from juice of natural cranberries gathered late in autumn, the liqueur is distinguished for its rich colour and aroma, as well as durable flavour. This popular traditional liqueur is the flower of naturalness and authenticity, a true pride among Lithuanian drinks. The time-proven recipe and recommendations have ensured its unfading popularity. "Bobelinė" liqueur is produced in 20% vol. and 35% vol. options. The product has already received five major awards.

Company Group ALITA AB is consistently improving its quality management system according to the requirements of the EN ISO 9001:2008 standard. The quality concept covers not only the final product, but also the manner in which the Company places its produce on the market, the speed and efficiency of responding to consumer feedback.

Activities of any entity have an effect not only upon the quality of its produce – it affects the environment, also the health of residents and employees. In order to be able to even more efficiently manage the impact of its activities and production upon the environment, the Company in its operations follows the requirements of the Environmental Management System standard EN ISO 14001:200. By attending to environmental issues even before any environment-related problems arise companies manage to reduce their costs, enhance competitiveness and save considerable resources.

In July 2009, two major audits were carried out at the Company – one of the quality management system according to the EN ISO 9001:2008 standard and the other of the environmental management system according to the EN ISO 14001:2004 standard. The audit did not establish any incompliance, and the Company was issued the certificates according to the standards referred to above to be effective until 25 August 2011. According to the Terms of the Spin-off approved on 7 October 2009 when the entire production activity together with the assets, liabilities, rights and obligations related thereto was separated from AB Alita and Company Group ALITA AB was incorporated, the certificates were transferred to the newly incorporated company.

4. INFORMATION TECHNOLOGIES

In the modern business environment the use of information and computer technologies, as well as internet has acquired a specific importance. In this respect Company Group ALITA AB is one of the leading Lithuanian alcohol producers that has computerised its production processes to a large extent. During the reporting year, similarly as in previous periods, the Company was enhancing the use of information technologies in its operations. Taking into account the continuity of operations taken over by the Group from AB Alita, this Section of the Report includes comparative information that covers the full year 2009.

The accounting software MBS AXAPTA operated by Company Group ALITA AB, AB Anykščių Vynas and AB Vilkmergės Alus, was installed and, starting from 1 January 2009, became operational at the wholesale trade company, UAB Alita Distribution, one of the companies of the Group. The operations of MBS AXAPTA were upgraded by scaling the accounting programme and integrating all divisions of UAB Alita Distribution into a single network. It needs to be noted that a significant share of the complex software implementation operations was performed by employees of the companies of the Group.

In 2009, Company Group ALITA AB installed and started operating the analytical software "Targit".

In upgrading its computer hardware Company Group ALITA AB acquired 3 laptop computers, also a new copier and a scanner, and UAB Alita Distribution purchased 15 palm computers for its managers.

Total investment in information technologies, including the acquired property and equipment, in 2009 accounted for LTL 87.1 thousand, of which 57.7 thousand Litas in the Company Group ALITA AB, 21.6 thousand Litas – in AB Anykščių Vynas and 7.8 thousand Litas – in UAB Alita Distribution.

5. EMPLOYEES

Taking into consideration the activities taken over by Company Group ALITA AB from AB Alita and the continuity of these activities, the comparative information presented below covers the full year 2009.

On 31 December 2009, the number of employees working for the companies of the Group totalled 577 people, among them 266 (46%) were specialists and 311 (54%) workers. The employees were continuously perfecting their skills and improving qualification. In 2009, 37 specialists attended different types of training and 12 staff members studied at higher education establishments.

In 2009, the average payroll of the companies of the Group contained 625 people, the average wages per month was 1,737 Litas; as compared to 2008, the average number of employees reduced by 25% and the average wages shrank by 16%.

The data on each company is presented below.

In 2009, the average number of employees at the Company Group ALITA AB was 258. At the end of the year, the number of employees amounted to 241 people, among them 108 (45%) were specialists and 133 (55%) workers. 48% of all employees were women, men comprising 52%. 30% of the staff members are graduates of universities and 35% are with college education. In 2009, 18 specialists attended different types of training, 3 employees studied at higher education establishments. In total, 7.1 thousand Litas were spent on employee training. During 2009, the average wages per person amounted to 1,932 Litas, i.e. decreased by 11.6% compared to the previous year.

In 2009, the average number of employees at AB Anykščių Vynas totalled 205. At the end of the year, 195 people worked for the Company, among them 72 (37%) specialists and 123 (63%) workers. Women comprised 56% of all employees, 44% were men. 30% of the staff members are graduates of universities and 35% are with college education. In 2009, 12 employees were improving their skills in training courses and seminars, 2 persons studied at universities. In total, the employee training costs amounted to 1.8 thousand Litas. The average wages per person during 2009 was 1,229 Litas, i.e. reduced by 16% compared to the previous year.

In 2009, the average number of employees at UAB Alita Distribution totalled 131. At the end of the year, 111 people worked for the Company, among them 73 (66%) specialists and 38 (34%) workers. 29% of all employees were women, 71% were men, 25% held a university degree and 40% were with college education. In 2009, 4 employees were improving their skills in training courses and seminars, 7 persons studied at universities. In total, the employee training costs amounted to 2 thousand Litas. During 2009, the average wages per person amounted to 2,207 Litas, i.e. reduced by 17% compared to the previous year.

In 2009, the average number of employees at UAB Vilkmergės Alus was 31. At the end of the year, there worked 30 people, among them 13 (43%) were specialists and 17 (57%) workers. 33% of all employees were women, 67% were men, 20% held a university degree and 33% were with college education. In 2009, 3 employees attended qualification training courses and seminars. In total, the employee training costs amounted to 1.4 thousand Litas. During 2009, the average wages per person amounted to 1,478 Litas, i.e. reduced by 23% compared to 2008.

The average wages per employee decreased in all companies of the Group, because in 2009 the working time was shortened to 4 days a week, also there were periods of idle time without any fault on the part of the employees.

6. SALES AND MARKETING

The Lithuanian alcohol market of 2009 was noted for its growing competition among producers and importers and the shadow economy gaining strength. It was shrinking as a result of the fall in consumption caused by the adverse tax policy and the overall downturn in the national economy. The market specifically noted certain enhancement in the activity of importers. Driven by the unfavourable economic situation in the products' countries of origin, all foreign manufacturers have been increasingly turning their attention to foreign markets. No exception in this respect was the Lithuanian alcoholic drinks market. Therefore product marketing and competition by product prices became a general practice.

Taking into consideration the continuity of the activities taken over from AB Alita, the present section of the Report presents the data for the sales by Company Group ALITA AB in October–December 2009 and the comparative information of Company Group ALITA AB that includes consolidated sales in 2008 and 2009.

During 2009, the Company successfully extended its cooperation with all major retail chains. With a view to more efficiently using the means of transportation available to the Company and reducing transportation costs the function of direct deliveries to the major customers, UAB RIMI LIETUVA and UAB PALINK, was assigned to UAB Alita Distribution that ensured the timeliness in production deliveries to these sale chains. In order to increase the efficiency of the performance of UAB Alita Distribution, a number of restructuring initiatives undertaken during 2009 brought about a significant reduction in the inventories and the working capital required, as well as a significant reduction of product delivery costs for all companies of the Group.

In implementing its programme for priority assortment and product display on shelves in 2009 the Company extended its cooperation agreements with UAB BSMS. The purpose of the system for priority assortment and product display is not only to ensure the maximum depths of product distribution and most optimal positioning of products on the shelves – the system is a tool to find out and systemise the needs of consumers which will facilitate further improvement in the quality of the services rendered.

Also, in 2009 the cooperation agreements with firms maintaining display freezers of Company Group ALITA AB located in stores of its clients were extended for further terms. As expected, the arrangement enabled a much more efficient handling of any problems related to display freezers located in stores of the Company's clients in any region of the country.

All companies of the Group are further devoting significant attention to the enhancement of their product quality, innovations in the market and the strengthening of the principal brand names. The well-balanced marketing and sales strategies that the Company adheres to, production of special-order products and focus upon its export markets yielded positive results – the Company managed to gain control over the decline in the sales volume of sparkling wine, vodka, alcoholic cocktails, brandy and other products.

In order to better exploit the capacities of the companies of the Group and to further increase export volumes, in 2009, Company Group ALITA AB and AB Anykščių Vynas started implementing the alcoholic drinks export promotion project partly funded by the EU structural funds.

Sales volumes of the COMPANY GROUP ALITA AB from October to December 2009, HL

	Product group	October–December 2009
1	Sparkling wine	7,764
2	Carbonated aromatized wine drinks	3,926
	Total carbonated aromatized wine drinks:	11,690
3	Beer cocktails	115
4	Alcoholic cocktails	519
5	Cider	18
6	Wine	0
7	Vodka	3,830
8	Brandy, cognac	*2,480*
9	Other strong drinks, total	69
	incl. bitter	*38*
	Strong grain drinks	*13*
	Other spirited drinks	*18*
12	Concentrated apple juices, t.	-
13	Apple aroma, t.	-
14	Dried marc, t.	-

Consolidated sales volumes of the companies of the Group for 2009, compared to those in 2008, HL

	Product group	2008 Consolidated sales	2009 Consolidated sales	Comparison of consolidated sales, %
1	Sparkling wine	35,157	25,713	73
2	Carbonated aromatized wine drinks	24,440	16,417	67
	Total carbonated aromatized wine drinks:	59,597	42,130	71
3	Beer cocktails	-	1,061	-
4	Alcoholic cocktails	29,229	9,986	34
5	Ciders	27,671	15,196	55
6	Wine	49,200	41,985	85
7	Vodka	48,837	23,418	48
8	Brandy, cognac	*16,570*	*9,424*	57
9	Other strong drinks, total	8,763	4,547	52
	incl. whisky	*26*	*19*	73
	Brandies	*5,447*	*2,673*	49
	Liqueurs	*1,850*	*983*	53
	Strong grain drinks	*200*	*99*	50
	Other spirited drinks	*1,543*	*773*	50
10	*Beer*	*72,907*	*44,511*	61
11	*Non-alcoholic drinks*	*7,807*	*4,621*	59
12	Concentrated apple juice, t.	629	2,489	396
13	Apple aroma, t.	266	-	-
14	Dried marc, t.	318	-	

Sparkling wine

In 2009, the total sparkling wine market, according to the data of the Department of Statistics, decreased by 20% compared to the same period in 2008. The sparkling wine "Alita" remains the market leader in this category. According to the data of the market research company, AC Nielsen, in 2009 the sparkling wine "Alita" accounted for 67% of the overall Lithuanian market, while other domestic producers held 5% and imported sparkling wines took 28% of the market.

Sparkling wine is one of the main products of the Company. At the end of 2009, the Company presented to Lithuanian consumers its sparkling wine in a completely new package. The new, elegant bottle was specially designed for the brand, its corks and labels perfectly following trends of the modern graphic design. The innovations are part of the efforts to attain the objectives of the Company: to continue dominating in the sparkling wine market, strengthen its competitive position and its market leader's image. The sparkling wine "Klasikinis" manufactured applying the classic method of production was also given a new look. The new-look sparkling wines "Alita" were placed on the market with a support of an active advertising campaign in all types of media: the press, television, outdoor advertising and the internet. Our sparkling wine is getting more and more popular among consumers in many countries. In 2009, we started its export to the USA. At the client's request the drink was named "Luna dell`oro".

Carbonated aromatised wine drinks

During 2009, the carbonated aromatised wine drink market decreased by 11% compared to the same period in 2008. According to AC Nielsen, in 2009 Company Group ALITA AB held 23.9% of the market in this category.

With a view to strengthening its competitiveness in the category of carbonated aromatised wine drinks, in 2009, the Company introduced some refreshing changes in their presentation, namely, changed the design of the labels and caps. Furthermore, the assortment of these drinks was expanded, i.e. two new sorts of carbonated aromatised wine drinks were developed and launched in production. These were white semi-dry "Luna dell'oro", 7% and "Luna dell'oro", muscat, 7%. To introduce these drinks into the market the Company prepared and conducted an active advertising campaign and promotion actions. In an attempt to increase export sales, a new product of carbonated aromatised wine drinks, "Klasičeskoje liogkoje", 7%, was put on the market.

Alcoholic cocktails

According to the market research company, AC Nielsen, the overall alcoholic cocktail market in Lithuania during 2009, as compared to 2008, shrank by more than a half, i.e. by 56%. The gradual decrease in the alcoholic cocktails market was observed for the second successive year. The main cause behind this decrease was an increase in excise duties as alcoholic cocktails are subjected to the excise duty tariff applicable to strong drinks. In 2009, Company Group ALITA AB held 18% of the Lithuanian alcoholic cocktail market.

Seeking to compensate reducing sales of alcoholic cocktails, in 2009 Company Group ALITA AB devoted special attention to the production of beer cocktails. The newly developed and produced beer cocktails were introduced to the market under the brand name "MIX IN". These cocktails are subjected to a lower tariff of excise duties applicable to beer. Consumers were offered the drinks of three tastes: "MIX IN Lime&Freezer", "MIX IN Peach&Pear" and "MIX IN Mango&Watermelon".

In 2009, the main trade mark in the category of alcoholic cocktails, "MIX" was not ignored either. During the reporting period we optimised the assortment of the trademark "MIX" and stopped production of the drinks with a taste generating lower sales levels.

Cider

According to the data of the Department of Statistics, during 2009 the overall cider market shrank by 25%, as compared to 2008. The decrease of the cider market was noted back in 2008, but the cider market is shrinking at a slower pace than that of alcoholic cocktails. The market share of both alcoholic cocktails and ciders was shrinking due to a repeat increase in excise duties to alcohol at the beginning of 2009. In 2009, Company Group ALITA AB held 7.4% of the Lithuanian cider market.

During the reporting period the assortment of the cider category drinks was optimized by cancelling production of the drinks with a taste generating lower sales levels. In an attempt to stabilize the market, ciders of new tastes, e.g. those of chocolate and strawberries as well as of citrus fruit, were released on the market. Furthermore, the cider "Flirt" was launched on the market as a make-to-order product. During 2009, the cider exports grew by almost 6 times. The Company's cider export geography expanded to include Spain.

Fruit wine

According to the data of the Department of Statistics, the Lithuanian fruit wine market during 2009, as compared to the same period in 2008, decreased by 7%.

In 2009, even before the registration of the Company Group ALITA AB, all the production of fruit wines was moved from AB Alita to AB Anykščių Vynas. Data of the Department of Statistics show that fruit wine market share of the Group accounted for 29.4%. Under the conditions of heavy competition the prices of wines produced by special technologies drop considerably, therefore we managed to sell larger quantities of products only during promotion sales at reduced prices. In 2010, we intend to ensure competitive prices by reducing production costs and increasing volumes of make-to-order wines. In 2009, AB Anykščių Vynas increased export of special technology wines by 21% as compared to that in the previous year. These wines were exported to Latvia.

Although the total sales volume decreased, it should be noted that in 2009, as compared to 2008, the sales of the natural wine "Voruta" went up by more than 69%. We managed to attain such results by focusing our attention to raising the product awareness through the Wine Road programme in cooperation with the historical railway of Aukštaitija and through presentations of the wine at different cultural events. In August, at the "Zolotoj grifon 2009" alcoholic drinks contest in Yalta, Ukraine, the natural black currant wine "Voruta" received a high evaluation of the Commission and was awarded the golden medal. In 2009, the export of the natural black currant wine "Voruta", as compared to 2008, soared by 64%. The largest amount of this wine was exported to the USA, a smaller part went to England. In 2010, we are planning promotion and advertising campaigns to boost the sales of the natural wine "Voruta", widening of assortment by producing drinks of new tastes, product introduction at fairs and tasting contests as well as other events.

Vodka

According to the data of the Department of Statistics, during 2009, as compared to 2008, the overall vodka market shrank by 24%. The main causes are increased product prices due to higher excise duties and the falling purchasing power because of the general worsening of the economic situation. An increase in vodka prices created favourable conditions for activating the shadow market, with redistribution between the legal and shadow market shares taking place as a result. Despite a significant decrease in the overall volumes in the sales of this product category, for Company Group ALITA AB it continues to remain one of the most important products in Lithuania. In 2009, the total market share of the Group accounted for 10.2%.

In 2009, consumer loyalty to the brand name continued to weaken, because policies followed by retail networks and the excessive supply forced the Company to offer frequent price promotion actions of one or another brand. Consumers thus chose to purchase products only during the sale promotions and designed their shopping plans according to the sale promotion calendars. An increased import of vodka had a considerable impact on the fall of sales of domestically produced drinks. As compared to 2008, in 2009 the import of vodka to Lithuania grew by 15%.

With a view to stabilizing the sale of vodka, in 2009 Company Group ALITA AB renewed the label design of the vodka "Karalius Mindaugas". Another novelty offered by the Company was a launch of the sparkling vodka "Boom". It is a product for the HoReCa (hotels, restaurants and cafes) sector, which stirred up a great interest among consumers. Moreover, this new product received instant recognition by being acknowledged as winner of the Product of the Year competition – the award granted by the Lithuanian Confederation of Industrialists. One more new product was the vodka "Od morza do morza" for the Polish market. This sort of vodka was produced and sold under a special client's order at the end of the year. The trade relations established with this client support an expectation that in 2010 the vodka export to Poland will increase.

Brandy, cognac

According to the data of the Department of Statistics, during 2009, as compared to 2008, the overall brandy market decreased by 22 %. The shrinkage of the market was observable both in 2008 and 2009. The brandy market has been decreasing ever since the first increase in excise duty in January 2008. According the data of the market research company AC Nielsen, in 2009 Company Group ALITA AB had a share of 21% of the overall brandy market in Lithuania.

At the beginning of 2009, taking due regard to the consumers' needs and seeking to maintain the sales volumes, a new product, brandy "Colonel", was launched for a consumer with a liking for a sweeter taste of brandy. With a view to optimization of the production costs, the production of the brandy "Forum" was moved from AB Anykščių Vynas to Company Group ALITA AB. Seeking to attain the defined objective to maintain and increase the market share currently held by the Company, in 2010 an active image promoting campaign will be held as well as other non-traditional projects of product promotion. Furthermore, a few new sorts of brandies are planned to be placed on the market. All envisaged actions allow expecting that in 2010 the brandy sales volumes will grow.

Other spirited drinks

The sales volumes of the strong drinks produced by Company Group ALITA AB in 2009, as compared to 2008, decreased by 4,216 HL. The decrease resulted from the trend of the general shrinkage of the market share in this category of drinks, increased excise duties at the beginning of the year and the worsening economic situation in Lithuania. Only exceptional, unique drinks have a future in this segment of the market. The packaging of exceptional design and unique taste qualities of the products are also to be considered in order to be successful. Therefore product awareness and sales promotion actions are projected for 2010 in respect of the bitter "Bobelinė", the sole distribution rights thereof being held by AB Anykščių Vynas. Another product is "Samanė". In absolute figures the sales of these drinks are not big – it is a niche product. "Samanė", however, is exceptional for its uniqueness. This original product of AB Alita produced according to an ancient technology and recipe is used for the representation of the country's traditions. Of special significance is the fact that this drink is sold in foreign countries too, such as: Japan, Ireland, United Kingdom and Estonia.

Beer

Almost all production of UAB Vilkmergės Alus is distributed by UAB Alita Distribution. Competition on the beer market is extremely tough, therefore a search of new ways to maintain the current level of sales is a constant practice. In 2009, a new brand name was introduced to the market, namely, the beer "Pastogė". In 2010, we intend to start manufacturing new sorts of products.

Make-to-order products

During the reporting year, under the terms of long-term contracts and agreements, the Company produced a great many of make-to-order products, including sparkling wines "Šventinis", "YSA"; vodkas "SOS", "Gryna", "Extrim classic", "Extrim crystal", "Šaltinėlis", "Pastogė", "Tėviškės spalvos", "N", "Švogerių", "Beloff"; the alcoholic drink "Beloff"; fruit wines "Debesėlis", "Vakaris"; ciders "Svajonė", "Ysa", "Extrim", "Flirt". Furthermore, in 2009, twelve contracts were signed concerning the production of drinks for representative purposes.

Export

In 2009, the export of the production amounted to 9.2 million Litas. The products of the Group are exported to the Czeck Republic, Estonia, Finland, Germany, Ireland, Latvia, the Netherlands, Poland, Spain, Sweden, the United Kingdom and the USA. In 2009, cooperation agreements were extended with long-standing export partners, SIA Maxima Latvija (Latvia), SIA Greis Logistika (Latvia) and Lithuanian beer Ltd., (UK), Dadu Ice cream Ltd. (UK), Lituanica Ltd. (Ireland), Litusco Inc. (USA), which taken together account for 80% of all export sales volume. Also, cooperation was started with new purchasers: Feinkost aus Litauen (Germany), G&M Verhaufstrieb/Import (Germany), Baltic&Balcan food Ltd. (UK), Indalosol (Spain). A mediation agreement was signed with Mercom in relation to a search for distributors in Italy.

The export volume of apple products depends on the production volume and prices on the European markets. The year 2009 was not favourable for the production and sales of these products due to low realization prices. In the reporting year, we sold the concentrated apple juice produced in 2007.

7. PRODUCTION

During 2009, the Company continued to improve its production and technological processes. Although the technological means and equipment used by the Company, as well as the principles of work organisation already fully meet the relevant EU requirements, the Company, realising that only technical progress may ensure its prospects in the future, consistently devoted significant attention to the introduction of new technologies and upgrading its currently operational equipment and facilities.

Taking into account the continuity of operations taken over by the Group from AB Alita this Section of the Report includes the information on Company Group ALITA AB for the full year 2009.

For investment into its property, plant and equipment in production and other divisions the Company allocated 7,257 thousand Litas (of which 1,501 thousand Litas represented the allocation from the LBSA for the reconstruction of the boiler house); AB Anykščių Vynas –33.4 thousand Litas, UAB Alita Distribution – 35.0 thousand Litas and UAB Vilkmergės Alus – 7.0 thousand Litas.

The following should be highlighted as the major attainments of the Company during the reporting period: significant investment in the sparkling wine bottling and labelling unit was allocated for the annual repair of technological equipment and systems. Much work was done creating and launching the new bottle for sparkling wine, as it was decided to modify the form of the bottle and its labelling. For that purpose the Company acquired a new automatic corkage and labelling machine. By its own means the Company introduced some new adjustments for the machinery needed specifically for the production of the new-style bottle. With regard to the new technological requirements the Company rearranged the technological line machinery at the bottling unit. This was followed by mounting of new bottle transporters and dissembling of the old machinery. The packaging machine was adapted specifically for the new bottle by installing the headpiece for bottle pickup and placing into cardboard boxes as well as upgrading the related software. Specially for the new bottle of sparkling wine, the Company designed and started producing boxes of new design. Further, in order to maximise the use of the pallet area, the bottle arrangement and pallet scheme were modified accordingly. This enabled us to reduce production warehousing and transportation costs.

The Company also developed a new line of light beer-based alcoholic drinks "MIX". These "live" products are subjected to additional and very high technological production and processing requirements in order to ensure full compliance with the quality requirements within the designed realisation period. For that purpose a new beer cocktail pasteurizer with an interjacent container was installed in the sparkling wine shop. To ensure the proper connection of the pasteurizer new communications and systems for energy supply were installed, and the current membrane filters were transferred and mounted at a new location. This ensured a possibility to continue filtering non-beer-based transparent products without using the pasteurizer. All related preparatory operations were performed by the Company's own means.

The Company launched the production of a new brand – the carbonated vodka "Boom". For designing the new bottle the Company by its own means produced the new automatic line, also purchased and installed the connecting transporters in the inter-line isles.

In the course of the overhaul repair in the strong drink and concentrated juice bottling plant the bottling lines were essentially rearranged in order to properly balance the working load upon each line. According to the project developed in advance, a sticky label machine was mounted on Line II, in addition to the reconstruction and mounting of the disused plastic box foaming aggregate Paxton. The paper label machine on Line I was essentially reconstructed by installing the circuit transporter and transferring the sticky label automatic machine from another line. The necessary bottle feeders were produced and arranged on both lines. This reorganisation of the lines shortened significantly the time required for bottle format modification and ensured a more balanced load upon all machinery units. A new bottling machinery was installed in the bottling unit for bottling into 0.2 l, and 0.5 l bottles and 0.5 l bended plastic bottles, next to the equipment for 0.7 l volume flat bottles. The Company started operating the programme for product wrapping in plastic film. The automatic machines on Line II were supplemented by bottle feeding equipment and the packaging software. Currently the entire output of the strong drinks bottling plant may be packed by wrapping in sheets or by stacking bottles in cardboard boxes.

During the reporting year the Company started the upgrading of its heat facilities by installing new boilers and CHPs. This initiative was started with pre-design assignments, such as a feasibility study specifying the scope of the works to be performed, required equipment and the sequence of operations. By its own efforts the Company dissembled the redundant equipment in the boiler house and rearranged the pipelines in the workshops. Several proposals concerning the adaptability of technological equipment have already been received providing the replacement of steam as heat carrier by hot water. The Company has already submitted all the required documentation and received from the Ministry of Economy the amount of 3,473.0 thousand Litas according to the *Lithuanian Strategy for the Use* of *European Union Structural* Assistance *for 2007-2013,* and the measure "Increase of efficiency of energy production" of the *Operational Programme for the Promotion of Cohesion.* Within an outstandingly short time the Company managed to install new water boilers of 5.2 MW in capacity and build new heat supply lines, also installed 10 heat points and water preparation facilities, and completed the necessary adjustment operations. Thus the heating season was started using the new routes and heat supply facilities. In this relation the Company also commissioned and adjusted the new boilers. New CHP generators of 3,150 KW in capacity were installed to generate electricity. Currently the Company is in the process of commissioning the coolers, a ventilation system and other necessary equipment with simultaneously performed power equipment installation and adjustment works. During 2010, the works and operations will be continued, in order to ensure the timely completion of the project and a successful absorption of all allocated funds.

During 2009, a number of operations were performed at AB Anykščių Vynas for the purpose of upgrading the equipment, improving technologies used, improving the working conditions and ensuring more efficient use of energy resources. Technological containers and lines in production shops were fully repaired. A new introduction at the bottling shop was the equipment sets for 0.7 l bottles at Line III, and for 0.7 l glass vodka bottle at Line IV. The line fittings of total 6 containers were replaced and the cold air feeding to the cold basement was fully automated. In the bottling unit the acratophores were adapted for bottling of cider.

According to the project, the sewerage outlets were arranged under the mass heating containers in the juice shop, also the container for separator residues was rearranged by installing valves for pumping of separation waste into containers, and the mass container distance level and temperature sensor displayers were installed in the concentrated juice production shop.

In the compressor room the cooling compressor underwent the major repair in addition to the partial repair of cooling routes. Security alarm facilities were arranged in the boiler-house warehouse and fire alarm in the bottling unit. The technical condition of the Company is satisfactory as most of the equipment undergo repair every year. However, part of the physically and morally obsolete equipment is very inefficient, and consumes significant energy resources. In the future it is necessary to provide for a gradual replacement of the equipment by new ones. All work performed significantly improved the conditions both for production, equipment operation and the working conditions for the employees.

Also, a number of tasks with a view to improving the production process and the quality of the beer produced were successfully completed at UAB Vilkmergės Alus. In January, the PET bottling line upgrading and commissioning operations were completed in the bottling rooms, the PET rinsing machine was upgrading – this, together with the container for the production and storage of rinsing solution, significantly improved the rinsing process. UAB Vilkmergės Alus automated its hot washing system, also installed a heat exchanger, sensor system and the automatic control facilities. The PET bottling line was adjusted for bottling 3 litre volume PET bottles. For that purpose the Company acquired and commissioned a new higher capacity compressor which allowed significant upgrading of the compressed air feeding system. Other tasks completed include the modernisation of the automatic controls of the premises heating boiler, installation of new and more reliable sensors, replacement of the control panel.

During 2009, the range of products of the Group was supplemented by 24 new drinks, while the production of 22 items with poor marketing prospects was terminated. In total, the Company was offering to the market alcoholic drinks of over 200 names. The assortment included sparkling wine, carbonated drinks, alcoholic drinks, ciders, fruit, berry and grape wines, vodka, brandy, cognac, bitter, liqueurs, the strong grain drink "Samanė", other spirited drinks and beer. The range of non-alcoholic drinks include concentrated apple and berry juices, apple aroma and dried apple marc.

The production volumes of Company Group ALITA AB from the moment of its registration, i.e. for the period of October–December 2009, and the comparative figures – consolidated production volumes of the companies of Group for 2008 and 2009 - are provided below.

Sales volumes of Company Group ALITA AB from October to December 2009, HL

	Product group	Unit of measure	October–December 2009
1	Sparkling grape wine	HL	8,765
2	Carbonated aromatised wine drinks	HL	5,006
	Total sparkling wines and carbonated wine drinks:	HL	13,771
3	Beer cocktails	HL	83
4	Alcoholic cocktails	HL	707
5	Ciders	HL	42
7	Vodka	HL	5,619
8	Brandy, cognac	HL	2,781
9	Other spirited drinks	HL	112
	Total alcohol products	HL	23,115

Production volumes of Company Group ALITA AB, AB Anykščių Vynas and UAB Vilkmergės Alus, 2008–2009

	Product group	Unit of measure	2008	2009
1	Sparkling grape wine	HL	37,186	23,868
2	Carbonated aromatised wine drinks	HL	22,715	17,229
	Total sparkling wines and carbonated wine drinks:	HL	59,901	41,097
3	Beer cocktails	HL	-	1,045
4	Alcoholic cocktails	HL	28,893	8,507
5	Cider	HL	19,075	9,784
6	Wine	HL	50,654	39,938
7	Vodka	HL	50,389	22,633
8	Brandy, cognac	HL	16,113	8,538
9	Other strong drinks	HL	9,272	4,166
	Total alcohol products	HL	234,297	135,708
10	Ciders (not bottled)	HL	9,200	5,826
	Total alcohol products	HL	243,497	141,534
11	Beer	HL	47,830	39,658
12	Concentrated apple juice (70Bx)	tonne	1,387	-
13	Apple aroma	tonne	114	-
14	Dried marc	tonne	318	-

The production volumes of alcoholic drinks in terms of HL (excluding beer) in 2009, as compared to 2008, decreased in all categories of drinks. In 2009, apple products were not produced at all. This decision was taken because of a failure to find a purchaser of the concentrated juice paying an acceptable price.

The cost of production is largely affected by the prices of the raw materials. The Procurement Department seeks to most efficiently reconcile the issues of price and quality of raw materials to be procured. In order to ensure the provision with high quality raw materials, the Group concludes long-term supply agreements with regular and well-reputed suppliers both in Lithuania and in other countries. Long-term agreements with suppliers and significant quantities of the raw materials thus procured (by centralising the procurements effected by Company Group ALITA AB, AB Anykščių Vynas, UAB Vilkmergės Alus and UAB Alita Distribution) enables the companies to negotiate lower purchase prices and more favourable supply terms, thus saving significant financial resources. In respect of materials of fluctuating prices agreements were concluded with several suppliers which enabled the companies to negotiate specifically advantageous procurement terms. During the reporting year, in respect of part of large-volume procurement contracts the companies managed, in negotiating with suppliers, to agree longer settlement terms which enabled the producers to reduce the working capital deficit.

The companies paid specific attention to the quality of their products, the quality of the production being continuously and regularly monitored by the production technology laboratory specialists that follow the ISO 9001 and methodological instructions of the MS RVASVT quality management systems. Specialists of the production technology laboratory continuously monitor and test new alcoholic drinks research methodologies and apply all the most recent technology and control methods in their work. During 2009, one of the most important tasks for the Company was the preparation for the attestation of the laboratory. The timing of the attestation coincided with the registration of the new company. The attestation commission assessed the performance of the laboratory positively and issued the certificate in the name of Company Group ALITA AB. The certificate of the attestation of the production technology laboratory is valid until 7 October 2012.

8. FINANCE

The consolidated statement of financial position and the consolidated statement of comprehensive income of Company Group ALITA AB may be found in the audited financial statements as at 31 December 2009.

The consolidated comparative indicators of Company Group ALITA AB:

Indicators	31/12/2008	On the date of the Spin-Off 2009	31/12/2009
Debt and equity ratio	5.00	18.03	26.19
Gross debt ratio	0.83	0.95	0.95
Current ratio	0.72	0.47	0.59
ROA (return on assets), %	(9.7)	(14.8)	0.1
ROA (return on equity), %	(53)	-285	(8)
Book value per share, Litas	1.06	0.24	0.23
Number of shares (thousand units)	27,154	27,154	27,154

The consolidated statement of financial position and the consolidated statement of comprehensive income of Company Group ALITA AB may be found in the audited financial statements as at 31 December 2009.

The comparative indicators of Company Group ALITA AB:

	31/12/2008	On the date of the Spin-Off 2009	31/12/2009
Debt and equity ratio	2.93	2.94	3.44
Gross debt ratio	0.75	0.75	0.77
Current ratio	0.68	0.52	0.66
ROA (return on assets), %	(3.2)	(1.5)	0.1
ROA (return on equity), %	(9)	(5)	(2)
Book value per share, Litas	1.44	1.23	1.23
Number of shares (thousand units)	27,154	27,154	27,154

On 31 December 2009, the asset value of Company Group ALITA AB amounted to 148.3 million Litas, a decrease by 5.7 million Litas, if compared to the same period of the previous year due to the decrease in inventories and prepayments of corporate income tax. The Company's non-current assets account for 61% and current assets for 39% of all assets.

The share capital underwent no changes. On 31 December 2009, the shareholders' equity totalled 33.4 million Litas, which means a decrease in the amount of 5.8 million Litas, compared to the previous year. The shareholders' equity accounted for 23% of all shareholders' equity and liabilities. Non-current liabilities increased to 40.8 million Litas and accounted for 27% (18% on 31 December 2008). Current liabilities amounted to 74.1 million Litas, or 50%. Total non-current and current liabilities amounted to 114.9 million Litas, or 77%.

In 2009, the Company Group ALITA AB suffered a net loss in the amount of 526 thousand Litas. Compared to 2008, the result improved by 3,102 thousand Litas. The Company managed to achieve better results by having reduced the sales and distribution costs as well as general and administrative costs, although as a result of the drop in sales volumes the gross profit reduced considerably.

In the reporting year, the sales and distribution costs decreased by 10.4 million Litas, or by 62%. The costs were reduced by more efficient operation of logistics and sales divisions as well as lower advertising costs after the winding up of less effective projects. The general and administrative costs reduced by 8.5 million Litas. These costs were reduced by a decrease in administrative costs, a reduction in packaging tax by acquiring package processing certificates instead and lower, compared to 2008, write-offs for the depreciation of the value of inventories, non-current assets and deferred costs.

9. THE COMPANY AND THE SOCIETY

Taking into account the continuity of operations taken over by the Group from AB Alita this Section of the Report includes the information on Company Group ALITA AB for the full year 2009.

The companies of the Group make an outstanding contribution to the social and cultural life of the country in general and of the towns they are established in particular. In 2009, the amount of taxes allocated to the budget of the Republic of Lithuania comprised 116.9 million Litas. The breakdown of tax payments was as follows:

Type of the tax	AB Alita (January-October 2009), Company Group ALITA AB (October-December 2009)	AB Anykščių Vynas	UAB Alita Distribution	UAB Vilkmergės Alus	Total
Excise duties	52,824	26,901	291	2,396	**82,412**
VAT	16,153	7,244	1,781	813	**25,991**
Social insurance, 31%	2,108	1,049	1,410	176	**4,743**
Social insurance, 9% on top of wages	608	319	412	51	**1 390**
Income tax	876	412	645	66	**1 999**
Other taxes	224	100	13	5	**342**
Total	**72,793**	**36,025**	**4,552**	**3,507**	**116,877**

Collective agreements are concluded in Company Group ALITA AB and AB Anykščių Vynas which provide for the measures of social welfare by making allowances for the employees. In 2009, various payments for the Company's employees amounted to 83.1 thousand Litas, AB Anykščių Vynas allocated 48.7 thousand Litas and UAB Vilkmergės Alus –1.4 thousand Litas. Every year a certain amount of funds is allocated for the purposes of social and cultural programmes. The employees of the Company Group ALITA AB enjoy the first aid, physiotheraphy and dentist's services. Each company has canteens, foodstores and sporting facilities. The Company's employees and their family members may spend their vacation at the Company's recreational facilities in Ryliškiai.

Furthermore, the companies of the Group allocate considerable sums for advertising during all kinds of cultural events, at the same time promoting and strengthening the culture of Lithuania.

10. THE COMPANY'S PLANS AND PROJECTIONS

In 2010, the sales volumes will be mostly affected by the economic and social situation, therefore under such circumstances it is difficult to make projections of the turnover and profits of the companies. It is foreseen that the main objectives the Company's managers will seek to attain will be the following:

- ✓ optimization of efficiency of operations and costs;
- ✓ enhancement of trade mark value;
- ✓ search for new markets;
- ✓ optimization of the product portfolio in response to changes in the market;
- ✓ increase of profitability and market share;
- ✓ improvement of cash flows;
- ✓ restructuring of the logistics system;
- ✓ simplification of internal processes.

In 2010, the companies of the Group intend to allocate 2.7 million Litas for investment into the production improvement and enhancement of its efficiency.

Director General Paulius Kibiša

Annex 1

Disclosure form concerning the compliance with the Corporate Governance Code

The public Company Group ALITA AB, following Article 21 paragraph 3 of the Law on Securities of the Republic of Lithuania and item 24.5 of the Listing Rules of AB NASDAQ OMX Vilnius, discloses its compliance with the Corporate Governance Code for the Companies Listed on NASDAQ OMX Vilnius, and its specific provisions. In the event of non-compliance with the Code or with certain provisions thereof, it must be specified which provisions are not complied with and the reasons of non-compliance.

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
Principle I: Basic Provisions **The overriding objective of a company should be to operate in common interests of all the shareholders by optimizing over time shareholder value.**		
1.1. A company should adopt and make public the company's development strategy and objectives by clearly declaring how the company intends to meet the interests of its shareholders and optimize shareholder value.	Yes	The Company publishes the policy of the Company development and objectives in the Company website press openly.
1.2. All management bodies of a company should act in furtherance of the declared strategic objectives in view of the need to optimize shareholder value.	Yes	The activity of the Board of the Company is concentrated on the implementing of the strategic objectives, the increase of the shareholders property
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	Every quarter the Board analyses and evaluates the information on the activity organization, financial state and economic activity presented by the Manager of the Company and makes the decisions that are useful for the Company and the shareholders.
1.4. A company's supervisory and management bodies should ensure that the rights and interests of persons other than the company's shareholders (e.g. employees, creditors, suppliers, clients, local community), participating in or connected with the company's operation, are duly respected.	Yes	The hot information is published in the websites of the Vilnius Stock Exchange and the Company, in the Republic press. The Company takes an active part in the town events, cooperates with the suppliers and creditors, organizes actions for the buyers, makes inquiries and evaluates the remarks and responses of the customers about the Company activities and production.
Principle II: The corporate governance framework **The corporate governance framework should ensure the strategic guidance of the company, the effective oversight of the company's management bodies, an appropriate balance and distribution of functions between the company's bodies, protection of the shareholders' interests.**		

2.1. Besides obligatory bodies provided for in the Law on Companies of the Republic of Lithuania – a general shareholders' meeting and the chief executive officer, it is recommended that a company should set up both a collegial supervisory body and a collegial management body. The setting up of collegial bodies for supervision and management facilitates clear separation of management and supervisory functions in the company, accountability and control on the part of the chief executive officer, which, in its turn, facilitate a more efficient and transparent management process.	No	There is no Supervisory Board in the Company, but mainly its functions are carried out by the Board.
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	These functions in the Company are performed by the Collegial Management Body – the Board.
2.3. Where a company chooses to form only one collegial body, it is recommended that it should be a supervisory body, i.e. the supervisory board. In such a case, the supervisory board is responsible for the effective monitoring of the functions performed by the company's chief executive officer.	No	There is only one collegial body and it is the Board.
2.4. The collegial supervisory body to be elected by the general shareholders' meeting should be set up and should act in the manner defined in Principles III and IV. Where a company should decide not to set up a collegial supervisory body but rather a collegial management body, i.e. the board, Principles III and IV should apply to the board as long as that does not contradict the essence and purpose of this body.[1]	Yes	The collegial body elected by the General Meeting is the Board, and it presents recommendations to the Manager and which meets the Principles III and IV of the Company Management Codex as long as that does not contradict the Regulations of the Board work
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	The Company Board consists of four members as it is approved in the Regulations of Company Group ALITA AB.

[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 (e.g. formation of the committees), 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.

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	Members of the Company Board are elected for a maximum period of four years. There are no limitations to re-election.
2.7. Chairman of the collegial body elected by the general shareholders' meeting may be a person whose current or past office constitutes no obstacle to conduct independent and impartial supervision. Where a company should decide not to set up a supervisory board but rather the board, it is recommended that the chairman of the board and chief executive officer of the company should be a different person. Former company's chief executive officer should not be immediately nominated as the chairman of the collegial body elected by the general shareholders' meeting. When a company chooses to departure from these recommendations, it should furnish information on the measures it has taken to ensure impartiality of the supervision.	No	Until 1 December 2009, the chairman of the Board and the Director of the Company is one and the same person. As of 1 December 2009, The Company has a new Director.

Principle III: The order of the formation of a collegial body to be elected by a general shareholders' meeting

The order of the formation a collegial body to be elected by a general shareholders' meeting should ensure representation of minority shareholders, accountability of this body to the shareholders and objective monitoring of the company's operation and its management bodies.[3]

3.1. The mechanism of the formation of a collegial body to be elected by a general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure objective and fair monitoring of the company's management bodies as well as representation of minority shareholders.	Yes	The Board of the Company, elected in the General Meeting, allow the small shareholders to be interested in and comment on the activities and management of the Company.

[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.

3.2. Names and surnames of the candidates to become members of a collegial body, information about their education, qualification, professional background, positions taken and potential conflicts of interest should be disclosed early enough before the general shareholders' meeting so that the shareholders would have sufficient time to make an informed voting decision. All factors affecting the candidate's independence, the sample list of which is set out in Recommendation 3.7, should be also disclosed. The collegial body should also be informed on any subsequent changes in the provided information. The collegial body should, on yearly basis, collect data provided in this item on its members and disclose this in the company's annual report.	Yes	The candidates are discussed in the Company Board and given to the General Meeting. The information about the candidates is put in the papers of the General Meeting and the shareholders are able to get acquainted with it beforehand according to the Law on Companies of the Republic of Lithuania. The data on the members of the Board is compiled, specified and presented in the Annual Company Report.
3.3. Should a person be nominated for members of a collegial body, such nomination should be followed by the disclosure of information on candidate's particular competences relevant to his/her service on the collegial body. In order shareholders and investors are able to ascertain whether member's competence is further relevant, the collegial body should, in its annual report, disclose the information on its composition and particular competences of individual members which are relevant to their service on the collegial body.	Yes	The Board candidate informs the General Meeting about his/her education, working experience and expertise. The Board composition, the education of the members, working activity is given in the Annual Report.
3.4 In order to maintain a proper balance in terms of the current qualifications possessed by its members, the desired composition of the collegial body shall be determined with regard to the company's structure and activities, and have this periodically evaluated. The collegial body should ensure that it is composed of members who, as a whole, have the required diversity of knowledge, judgment and experience to complete their tasks properly. The members of the audit committee, collectively, should have a recent knowledge and relevant experience in the fields of finance, accounting and/or audit for the stock exchange listed companies. At least one of the members of the remuneration committee should have knowledge of and experience in the field of remuneration policy.	Yes	The members of the collegial body have the proper qualification, long-term expertise in the company management and versatile knowledge and experience to fulfill their tasks properly. The members of the audit committee have a recent knowledge and relevant experience in the fields of finance, accounting and/or audit for the stock exchange listed companies.
3.5. All new members of the collegial body should be offered a tailored program focused on introducing a member with his/her duties, corporate organization and activities. The collegial body should conduct an annual review to identify fields where its members need to update their skills and knowledge.	No	All members of the Company Board are informed about the Company's activities, organization and changes during the Board meetings.

3.6. In order to ensure that all material conflicts of interest related with a member of the collegial body are resolved properly, the collegial body should comprise a sufficient[4] number of independent[5] members.	No	There are no independent members in the composition of the Board

[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.

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

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

3.9. Necessary information on conclusions the collegial body has come to in its determination of whether a particular member of the body should be considered to be independent should be disclosed. When a person is nominated to become a member of the collegial body, the company should disclose whether it considers the person to be independent. When a particular member of the collegial body does not meet one or more criteria of independence set out in this Code, the company should disclose its reasons for nevertheless considering the member to be independent. In addition, the company should annually disclose which members of the collegial body it considers to be independent.	No	The Company does not apply the evaluation and disclosure practice of the independence of the Board members yet.
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	There were no criteria of independence set out.
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.	No	There are no independent members of the collegial body in the Company.
Principle IV: The duties and liabilities of a collegial body elected by the general shareholders' meeting **The corporate governance framework should ensure proper and effective functioning of the collegial body elected by the general shareholders' meeting, and the powers granted to the collegial body should ensure effective monitoring[7] of the company's management bodies and protection of interests of all the company's shareholders.**		
4.1. The collegial body elected by the general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure integrity and transparency of the company's financial statements and the control system. The collegial body should issue recommendations to the company's management bodies and monitor and control the company's management performance.[8]	Yes	The Company collegial body is the Board which presents the General Meeting to confirm the recommendations and proposals on the Company annual report and financial accountability, the project of the profit-sharing

[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.

4.2. Members of the collegial body should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders with due regard to the interests of employees and public welfare. Independent members of the collegial body should (a) under all circumstances maintain independence of their analysis, decision-making and actions (b) do not seek and accept any unjustified privileges that might compromise their independence, and (c) clearly express their objections should a member consider that decision of the collegial body is against the interests of the company. Should a collegial body have passed decisions independent member has serious doubts about, the member should make adequate conclusions. Should an independent member resign from his office, he should explain the reasons in a letter addressed to the collegial body or audit committee and, if necessary, respective company-not-pertaining body (institution).	Yes	The Company Board acts in good faith, in the interest of the Company and not in their own or third party interests.
4.3. Each member should devote sufficient time and attention to perform his duties as a member of the collegial body. Each member of the collegial body should limit other professional obligations of his (in particular any directorships held in other companies) in such a manner they do not interfere with proper performance of duties of a member of the collegial body. In the event a member of the collegial body should be present in less than a half[9] of the meetings of the collegial body throughout the financial year of the company, shareholders of the company should be notified.	Yes	The Company follows this recommendation. The members of the Board perform their duties well.
4.4. Where decisions of a collegial body may have a different effect on the company's shareholders, the collegial body should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed on the company's affairs, strategies, risk management and resolution of conflicts of interest. The company should have a clearly established role of members of the collegial body when communicating with and committing to shareholders.	Yes	The Board treated the Company shareholders fairly and impartially. The shareholders were informed according to the set Company regulations, there were no conflicts of interests.

[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.

4.5. It is recommended that transactions (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions), concluded between the company and its shareholders, members of the supervisory or managing bodies or other natural or legal persons that exert or may exert influence on the company's management should be subject to approval of the collegial body. The decision concerning approval of such transactions should be deemed adopted only provided the majority of the independent members of the collegial body voted for such a decision.	Yes	The Company regulations state that the Board makes a decision on the long-term assets that balance value is more than 1/20 of the Company's authorized capital, investment, transfer, rental, soak and mortgage, voucher and reassurance, and to acquire long-term assets for the price higher than 1/20 of the authorized capital. The Board makes decisions to establish the Company subsidiaries and agencies or to stop their work, to appoint a manager of the Company, etc.
4.6. The collegial body should be independent in passing decisions that are significant for the company's operations and strategy. Taken separately, the collegial body should be independent of the company's management bodies[10]. Members of the collegial body should act and pass decisions without an outside influence from the persons who have elected it. Companies should ensure that the collegial body and its committees are provided with sufficient administrative and financial resources to discharge their duties, including the right to obtain, in particular from employees of the company, all the necessary information or to seek independent legal, accounting or any other advice on issues pertaining to the competence of the collegial body and its committees. When using the services of a consultant with a view to obtaining information on market standards for remuneration systems, the remuneration committee should ensure that the consultant concerned does not at the same time advice the human resources department, executive directors or collegial management organs of the company concerned.	No	Until 1 December 2009, the chairman of the Board and the Director of the Company is one and the same person. As of 1 December 2009, the Company has a new Director.

[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.

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[11]. Companies should ensure that the functions attributable to the nomination, remuneration, and audit committees are carried out. However they may decide to merge these functions and set up less than three committees. In such case a company should explain in detail reasons behind the selection of alternative approach and how the selected approach complies with the objectives set forth for the three different committees. Should the collegial body of the company comprise small number of members, the functions assigned to the three committees may be performed by the collegial body itself, provided that it meets composition requirements advocated for the committees and that adequate information is provided in this respect. In such case provisions of this Code relating to the committees of the collegial body (in particular with respect to their role, operation, and transparency) should apply, where relevant, to the collegial body as a whole.	Yes	The Board does not include independent members. However, activities of the collegial body are organized in a way that provides large influence for its members over material issues, where conflicts of interests are highly possible. The issues related to nomination of directors of the Company, establishment of remuneration, control and evaluation are considered to be material issues. of the Company's audit. The functions of Audit Committee are established in Audit Committee Regulation approved in Shareholders meeting. The functions of Nomination and Remuneration committees are implemented by the Company Board.
4.8. The key objective of the committees is to increase efficiency of the activities of the collegial body by ensuring that decisions are based on due consideration, and to help organize its work with a view to ensuring that the decisions it takes are free of material conflicts of interest. Committees should exercise independent judgement and integrity when exercising its functions as well as present the collegial body with recommendations concerning the decisions of the collegial body. Nevertheless the final decision shall be adopted by the collegial body. The recommendation on creation of committees is not intended, in principle, to constrict the competence of the collegial body or to remove the matters considered from the purview of the collegial body itself, which remains fully responsible for the decisions taken in its field of competence.	Yes	Collegial body is fully responsible for decisions attributable to its field of competence. During the year, the Board received no notes or recommendations from the Audit Committee.
4.9. Committees established by the collegial body should normally be composed of at least three members. In companies with small number of members of the collegial body, they could exceptionally be composed of two members. Majority of the members of each committee should be constituted from independent members of the	Yes	The Audit Committee consisted of 3 members, one of which it is independent.

11The Law of the Republic of Lithuania on Audit (Official Gazette, 2008, No 82-53233) determines that an Audit Committee shall be formed in each public interest entity (including, but not limited to public companies whose securities are traded in the regulated market of the Republic of Lithuania and/or any other member state).

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

4.12. Nomination Committee. 4.12.1. Key functions of the nomination committee should be the following: • Identify and recommend, for the approval of the collegial body, candidates to fill board vacancies. The nomination committee should evaluate the balance of skills, knowledge and experience on the management body, prepare a description of the roles and capabilities required to assume a particular office, and assess the time commitment expected. Nomination committee can also consider candidates to members of the collegial body delegated by the shareholders of the company; • Assess on regular basis the structure, size, composition and performance of the supervisory and management bodies, and make recommendations to the collegial body regarding the means of achieving necessary changes; • Assess on regular basis the skills, knowledge and experience of individual directors and report on this to the collegial body; • Properly consider issues related to succession planning; • Review the policy of the management bodies for selection and appointment of senior management. 4.12.2. Nomination committee should consider proposals by other parties, including management and shareholders. When dealing with issues related to executive directors or members of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) and senior management, chief executive officer of the company should be consulted by, and entitled to submit proposals to the nomination committee.	No	There is no Nomination committee in the Company. These functions in the Company are performed by the Collegial Management Body – the Board.
4.13. Remuneration Committee. 4.13.1. Key functions of the remuneration committee should be the following: • Make proposals, for the approval of the collegial body, on the remuneration policy for members of management bodies and executive directors. Such policy should address all forms of compensation, including the fixed remuneration, performance-based remuneration schemes, pension arrangements, and termination payments. Proposals considering performance-based remuneration schemes should be accompanied with recommendations on the related objectives and evaluation criteria, with a view to properly aligning the pay of executive director and members of the management bodies with the long-term interests of the shareholders and the objectives set by the collegial body; • Make proposals to the collegial body on the individual remuneration for executive directors and member of management bodies in order their remunerations are consistent with company's remuneration policy and the evaluation of the performance of these persons concerned. In doing so, the committee should be properly informed on the total compensation obtained by executive directors and members of the management bodies from the affiliated companies; • Ensure that remuneration of individual executive directors or members of management body is proportionate to the remuneration of other executive directors or members of management body and other staff members of the company; • Periodically review the remuneration policy for executive directors or members of management body, including the policy regarding share-based remuneration, and its implementation; • Make proposals to the collegial body on suitable forms of	No	There is no Remuneration committee in the Company. These functions in the Company are performed by the Collegial Management Body – the Board.

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. 4.13.4. The remuneration committee should report on the exercise of its functions to the shareholders and be present at the annual general meeting for this purpose.		

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

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

Principle V: The working procedure of the company's collegial bodies

The working procedure of supervisory and management bodies established in the company should ensure efficient operation of these bodies and decision-making and encourage active co-operation between the company's bodies.

5.1. The company's supervisory and management bodies (hereinafter in this Principle the concept 'collegial bodies' covers both the collegial bodies of supervision and the collegial bodies of management) should be chaired by chairpersons of these bodies. The chairperson of a collegial body is responsible for proper convocation of the collegial body meetings. The chairperson should ensure that information about the meeting being convened and its agenda are communicated to all members of the body. The chairperson of a collegial body should ensure appropriate conducting of the meetings of the collegial body. The chairperson should ensure order and working atmosphere during the meeting.	Yes	The Board implements this recommendation.
5.2. It is recommended that meetings of the company's collegial bodies should be carried out according to the schedule approved in advance at certain intervals of time. Each company is free to decide how often to convene meetings of the collegial bodies, but it is recommended that these meetings should be convened at such intervals, which would guarantee an interrupted resolution of the essential corporate governance issues. Meetings of the company's supervisory board should be convened at least once in a quarter, and the company's board should meet at least once a month[12].	Yes	The Company Board organizes meetings not less than once a month.
5.3. Members of a collegial body should be notified about the meeting being convened in advance in order to allow sufficient time for proper preparation for the issues on the agenda of the meeting and to ensure fruitful discussion and adoption of appropriate decisions. Alongside with the notice about the meeting being convened, all the documents relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body are present or certain issues of great importance to the company require immediate resolution.	Yes	The members of the Board are informed about the future meeting in advance, the material for the discussion is handed in the fixed time.
5.4. In order to co-ordinate operation of the company's collegial bodies and ensure effective decision-making process, chairpersons of the company's collegial bodies of supervision and management should closely co-operate by co-coordinating dates of the meetings, their agendas and resolving other issues of corporate governance. Members of the company's board should be free to attend meetings of the company's supervisory board, especially where issues concerning removal of the board members, their liability or remuneration are discussed.	No	There is only the Board in the Company.
Principle VI: The equitable treatment of shareholders and shareholder rights		

[12] 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.

The corporate governance framework should ensure the equitable treatment of all shareholders, including minority and foreign shareholders. The corporate governance framework should protect the rights of the shareholders.		
6.1. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all their holders.	Yes	The authorized capital of the Company consists of the ordinary registered shares that give the same voting rights to all the shareholders.
6.2. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.	Yes	The Company gives the thorough information in the issuer's annual and half-year reports, that helps the investor to make the right conclusion concerning the acquisition of the shares. The information is published in the information system of the Vilnius Stock Exchange.
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.[13] All shareholders should be furnished with equal opportunity to familiarize with and participate in the decision-making process when significant corporate issues, including approval of transactions referred to above, are discussed.	No	The Company regulations foresee the list of the Board decisions that can be made without the consent of the meeting. The possibility to get acquainted and to take part in making important decisions to the Company is not given to all the shareholders.
6.4. Procedures of convening and conducting a general shareholders' meeting should ensure equal opportunities for the shareholders to effectively participate at the meetings and should not prejudice the rights and interests of the shareholders. The venue, date, and time of the shareholders' meeting should not hinder wide attendance of the shareholders.	Yes	The announcement about the venue and date of the General Meeting is published in the information system of the NASDAQ OMX Vilnius, in the paper "Lietuvos Rytas" and posted in the Company website. The Manager of the Company and the Board permit the shareholders to get acquainted with the Company papers related to the agenda of the General Meeting, the terms and order foreseen in the Law on Companies of the Republic of Lithuania and in the Company Regulations.

[13] 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 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.

6.5. If is possible, in order to ensure shareholders living abroad the right to access to the information, it is recommended that documents on the course of the general shareholders' meeting should be placed on the publicly accessible website of the company not only in Lithuanian language, but in English and /or other foreign languages in advance. It is recommended that the minutes of the general shareholders' meeting after signing them and/or adopted resolutions should be also placed on the publicly accessible website of the company. Seeking to ensure the right of foreigners to familiarize with the information, whenever feasible, documents referred to in this recommendation should be published in Lithuanian, English and/or other foreign languages. Documents referred to in this recommendation may be published on the publicly accessible website of the company to the extent that publishing of these documents is not detrimental to the company or the company's commercial secrets are not revealed.	Yes	The information, provided in these recommendations is posted in the information system of the NASDAQ OMX Vilnius, website www.nasdaqomx.com and website of the Company Group ALITA AB www.alita.lt, published in the paper "Lietuvos Rytas". The Lithuanian language is used in the press and English is used in the information system of the NASDAQ OMX Vilnius.
6.6. Shareholders should be furnished with the opportunity to vote in the general shareholders' meeting in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.	Yes	The Company makes it possible for the shareholders to vote by filling up a general voting bulletin in absentia, as it is foreseen by the Law on Companies of the Republic of Lithuania.
6.7. With a view to increasing the shareholders' opportunities to participate effectively at shareholders' meetings, the companies are recommended to expand use of modern technologies by allowing the shareholders to participate and vote in general meetings via electronic means of communication. In such cases security of transmitted information and a possibility to identify the identity of the participating and voting person should be guaranteed. Moreover, companies could furnish its shareholders, especially shareholders living abroad, with the opportunity to watch shareholder meetings by means of modern technologies.	Not applicable	The Company does not follow this regulation. There was no need and request of the shareholders.
Principle VII: The avoidance of conflicts of interest and their disclosure **The corporate governance framework should encourage members of the corporate bodies to avoid conflicts of interest and assure transparent and effective mechanism of disclosure of conflicts of interest regarding members of the corporate bodies.**		
7.1. Any member of the company's supervisory and management body should avoid a situation, in which his/her personal interests are in conflict or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory and management body should, within reasonable time, inform other members of the same collegial body or the company's body that has elected him/her, or to the company's shareholders about a situation of a conflict of interest, indicate the nature of the conflict and value, where possible.	Yes	The members of the Company Board follow these recommendations.

7.2. Any member of the company's supervisory and management body may not mix the company's assets, the use of which has not been mutually agreed upon, with his/her personal assets or use them or the information which he/she learns by virtue of his/her position as a member of a corporate body for his/her personal benefit or for the benefit of any third person without a prior agreement of the general shareholders' meeting or any other corporate body authorized by the meeting.	No	There were no such cases. The order of making these agreements is not regulated in the Company.
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.	No	There were no such cases. The order of making these agreements is not regulated in the Company.
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.	No	We follow these regulations only in these cases when the Board is discussing the problems of the payment of a member, Company Manager.
Principle VIII: Company's remuneration policy **Remuneration policy and procedure for approval, revision and disclosure of directors' remuneration established in the company should prevent potential conflicts of interest and abuse in determining remuneration of directors, in addition it should ensure publicity and transparency both of company's remuneration policy and remuneration of directors.**		
8.1. A company should make a public statement of the company's remuneration policy (hereinafter the remuneration statement) which should be clear and easily understandable. This remuneration statement should be published as a part of the company's annual statement as well as posted on the company's website.	No	The Company does not make a public statement of the Company's remuneration policy because it is the internal and confidential document of the Company. The general information on the average sizes of the payments of the separate groups of the workers and the total sum of the payoffs to the Company managers is stated in the Annual Report openly.
8.2. Remuneration statement should mainly focus on directors' remuneration policy for the following year and, if appropriate, the subsequent years. The statement should contain a summary of the implementation of the remuneration policy in the previous financial year. Special attention should be given to any significant changes in company's remuneration policy as compared to the previous financial year.	No	The Company Board does not follow this regulation.

8.3. Remuneration statement should leastwise include the following information: • Explanation of the relative importance of the variable and non-variable components of directors' remuneration; • Sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration; • An explanation how the choice of performance criteria contributes to the long-term interests of the company; • An explanation of the methods, applied in order to determine whether performance criteria have been fulfilled; • Sufficient information on deferment periods with regard to 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; • Sufficient information on the policy regarding termination payments; • Sufficient information with regard to vesting periods for share-based remuneration, as referred to in point 8.13 of this Code; • Sufficient information on the policy regarding retention of shares after vesting, as referred to in point 8.15 of this Code; • Sufficient information on the composition of peer groups of companies the remuneration policy of which has been examined in relation to the establishment of the remuneration policy of the company concerned; • A description of the main characteristics of supplementary pension or early retirement schemes for directors; • Remuneration statement should not include commercially sensitive information.	No	The Company Board does not follow this regulation. According to legal requirements, the Company announces in the periodic reports only total remuneration amount of the managers and senior management of the Company. The Company considers remuneration system and other payments related to employments relationships to be information non-declared in public. It regards the mentioned information as information containing trade secrets.
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	The Company Board does not follow this regulation.

8.5. 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 8.5.1 to 8.5.4 for each person who has served as a director of the company at any time during the relevant financial year. 8.5.1. The following remuneration and/or emoluments-related information should be disclosed: • The total amount of remuneration paid or due to the director for services performed during the relevant financial year, inclusive of, where relevant, attendance fees fixed by the annual general shareholders meeting; • The remuneration and advantages received from any undertaking belonging to the same group; • The remuneration paid in the form of profit sharing and/or bonus payments and the reasons why such bonus payments and/or profit sharing were granted; • If permissible by the law, any significant additional remuneration paid to directors for special services outside the scope of the usual functions of a director; • Compensation receivable or paid to each former executive director or member of the management body as a result of his resignation from the office during the previous financial year; • Total estimated value of non-cash benefits considered as remuneration, other than the items covered in the above points. 8.5.2. As regards shares and/or rights to acquire share options and/or all other share-incentive schemes, the following information should be disclosed: • The number of share options offered or shares granted by the company during the relevant financial year and their conditions of application; • The number of shares options exercised during the relevant financial year and, for each of them, the number of shares involved and the exercise price or the value of the interest in the share incentive scheme at the end of the financial year; • The number of share options unexercised at the end of the financial year; their exercise price, the exercise date and the main conditions for the exercise of the rights; • All changes in the terms and conditions of existing share options occurring during the financial year. 8.5.3. The following supplementary pension schemes-related information should be disclosed: • When the pension scheme is a defined-benefit scheme, changes in the directors' accrued benefits under that scheme during the relevant financial year; • When the pension scheme is defined-contribution scheme, detailed information on contributions paid or payable by the company in respect of that director during the relevant financial year. 8.5.4. The statement should also state amounts that the company or any subsidiary company or entity included in the consolidated annual financial report 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.	No	The Company Board does not follow this regulation.

8.6. Where the remuneration policy includes variable components of remuneration, companies should set limits on the variable component(s). The non-variable component of remuneration should be sufficient to allow the company to withhold variable components of remuneration when performance criteria are not met.	No	The Company Board does not follow this regulation.
8.7. Award of variable components of remuneration should be subject to predetermined and measurable performance criteria.	No	The Company Board does not follow this regulation.
8.8. Where a variable component of remuneration is awarded, a major part of the variable component should be deferred for a minimum period of time. The part of the variable component subject to deferment should be determined in relation to the relative weight of the variable component compared to the non-variable component of remuneration.	No	The Company Board does not follow this regulation.
8.9. Contractual arrangements with executive or managing directors should include provisions that permit the company to reclaim variable components of remuneration that were awarded on the basis of data which subsequently proved to be manifestly misstated.	No	There is no such practice in the Company.
8.10. Termination payments should not exceed a fixed amount or fixed number of years of annual remuneration, which should, in general, not be higher than two years of the non-variable component of remuneration or the equivalent thereof.	No	There is no such practice in the Company.
8.11. Termination payments should not be paid if the termination is due to inadequate performance.	No	There is no such practice in the Company.
8.12. The information on preparatory and decision-making processes, during which a policy of remuneration of directors is being established, should also be disclosed. Information should include data, if applicable, on authorities and composition of the remuneration committee, names and surnames of external consultants whose services have been used in determination of the remuneration policy as well as the role of shareholders' annual general meeting.	No	There is no such practice in the Company.
8.13. Shares should not vest for at least three years after their award.	Not applicable	There is no such practice in the Company.
8.14. Share options or any other right to acquire shares or to be remunerated on the basis of share price movements should not be exercisable for at least three years after their award. Vesting of shares and the right to exercise share options or any other right to acquire shares or to be remunerated on the basis of share price movements, should be subject to predetermined and measurable performance criteria.	Not applicable	There is no such practice in the Company.

8.15. After vesting, directors should retain a number of shares, until the end of their mandate, subject to the need to finance any costs related to acquisition of the shares. The number of shares to be retained should be fixed, for example, twice the value of total annual remuneration (the non-variable plus the variable components).	Not applicable	There is no such practice in the Company.
8.16. Remuneration of non-executive or supervisory directors should not include share options.	Not applicable	There is no such practice in the Company.
8.17. Shareholders, in particular institutional shareholders, should be encouraged to attend general meetings where appropriate and make considered use of their votes regarding directors' remuneration.	Not applicable	There is no such practice in the Company.
8.18. Without prejudice to the role and organization of the relevant bodies responsible for setting directors' remunerations, the remuneration policy or any other significant change in remuneration policy 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	There is no such practice in the Company.
8.19. Schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements should be subject to the prior approval of shareholders' annual general meeting by way of a resolution prior to their adoption. The approval of scheme should be related with the scheme itself and not to the grant of such share-based benefits under that scheme to individual directors. All significant changes in scheme provisions should also be subject to shareholders' approval prior to their adoption; the approval decision should be made in shareholders' annual general meeting. In such case shareholders should be notified on all terms of suggested changes and get an explanation on the impact of the suggested changes.	No	There is no such practice in the Company.
8.20. The following issues should be subject to approval by the shareholders' annual general meeting: • Grant of share-based schemes, including share options, to directors; • Determination of maximum number of shares and main conditions of share granting; • The term within which options can be exercised; • The conditions for any subsequent change in the exercise of the options, if permissible by law; • All other long-term incentive schemes for which directors are eligible and which are not available to other employees of the company under similar terms. Annual general meeting should also set the deadline within which the body responsible for remuneration of directors may award compensations listed in this article to individual directors.	No	There is no such practice in the Company.

8.21. 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.	No	There is no such practice in the Company.
8.22. Provisions of Articles 8.19 and 8.20 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.	No	There is no such practice in the Company.
8.23. Prior to the annual general meeting that is intended to consider decision stipulated in Article 8.19, the shareholders must be provided an opportunity to familiarize with draft resolution and project-related notice (the documents 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.	No	There is no such practice in the Company.

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 Board tries to assure the rights of all the interested that are protected by the law.

9.2. The corporate governance framework should create conditions for the stakeholders to participate in corporate governance in the manner prescribed by law. Examples of mechanisms of stakeholder participation in corporate governance include: employee participation in adoption of certain key decisions for the company; consulting the employees on corporate governance and other important issues; employee participation in the company's share capital; creditor involvement in governance in the context of the company's insolvency, etc.	Yes	The interested can take part in the Company management as far as the laws of The Republic of Lithuania allow.
9.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.	Yes	The regulation is followed as far as it is allowed by the laws of the Republic of Lithuania.

Principle X: Information disclosure and transparency

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

10.1. The company should disclose information on: • The financial and operating results of the company; • Company objectives; • Persons holding by the right of ownership or in control of a block of shares in the company; • Members of the company's supervisory and management bodies, chief executive officer of the company and their remuneration; • Material foreseeable risk factors; • Transactions between the company and connected persons, as well as transactions concluded outside the course of the company's regular operations; • Material issues regarding employees and other stakeholders; • Governance structures and strategy. This list should be deemed as a minimum recommendation, while the companies are encouraged not to limit themselves to disclosure of the information specified in this list.	Yes, except item 4	The information, provided in these recommendations, except item 4, is disclosed in these sources: in the Annual Report, Consolidated Financial Accountability and in its Explanatory Note, in the Reports about the essential events. This information is posted in the website of the NASDAQ OMX Vilnius www.nasdaqomx.com, in the website of the Company Group ALITA AB www.alita.lt
10.2. It is recommended to the company, which is the parent of other companies, 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.	Yes	The consolidated results of the activities of the Company group are disclosed.
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.	Yes	The information on the qualification and the long-lived experience in the management of the members of the collegial body is disclosed in the Annual Report. The payment policy is not disclosed openly because it is the internal and confidential Company document. The general information on the average sizes of the payments and the total sum of the payoffs to the Company managers is stated in the Annual Report openly.

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.	No	There is no such practice in the Company.
10.5. Information should be disclosed in such a way that neither shareholders nor investors are discriminated with regard to the manner or scope of access to information. Information should be disclosed to all simultaneously. It is recommended that notices about material events should be announced before or after a trading session on the Vilnius Stock Exchange, so that all the company's shareholders and investors should have equal access to the information and make informed investing decisions.	Yes	The vital information is published in the website of the NASDAQ OMX Vilnius in Lithuanian and English, in the Company website in Lithuanian, in the paper "Lietuvos Rytas" in Lithuanian.
10.6. Channels for disseminating information should provide for fair, timely and cost-efficient or in cases provided by the legal acts free of charge access to relevant information by users. It is recommended that information technologies should be employed for wider dissemination of information, for instance, by placing the information on the company's website. It is recommended that information should be published and placed on the company's website not only in Lithuanian, but also in English, and, whenever possible and necessary, in other languages as well.	Yes	The vital information is published in the Company website www.alita.lt in Lithuanian and English.
10.7. It is recommended that the company's annual reports and other periodical accounts prepared by the company should be placed on the company's website. It is recommended that the company should announce information about material events and changes in the price of the company's shares on the Stock Exchange on the company's website too.	Yes	All the essential events of 2009, the Annual Report and the Financial Account were posted in the website of the Company.
Principle XI: The selection of the company's auditor **The mechanism of the selection of the company's auditor should ensure independence of the firm of auditor's conclusion and opinion.**		
11.1. An annual audit of the company's financial reports and interim reports should be conducted by an independent firm of auditors in order to provide an external and objective opinion on the company's financial statements.	Yes	The independent auditor carries out the audit of the Company interim financial accountability, the Company annual financial accountability and the audit of the annual report.
11.2. It is recommended that the company's supervisory board and, where it is not set up, the company's board should propose a candidate firm of auditors to the general shareholders' meeting.	Yes	The Company Board proposes a candidate firm of auditors to the General Meeting.
11.3. It is recommended that the company should disclose to its shareholders the level of fees paid to the firm of auditors for non-audit services rendered to the company. This information should be also known to the company's supervisory board and, where it is not formed, the company's board upon their consideration which firm of auditors to propose for the general shareholders' meeting.	Not applicable	The audit firm of the Company did not provide any non-audit services to the Company and so it did not receive any payment for it from the Company.