AB Vilkyškių Pieninė

Separate annual accounts for 2007

Contents

Company details

AB Vilkyškių Pieninė

Telephone:	+370 441 55330
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Company code:	277160980
Registered:	1993 05 18

Board of Directors

Gintaras Bertašius (Chairman)
Sigitas Trijonis
Rimantas Jancevičius
Ramūnas Šniepis

Management

Gintaras Bertašius, General Director

Auditor

KPMG Baltics, UAB

Banks

AB SEB Bankas
AB Bankas Snoras
AB Bankas Hansabankas
AB Šiaulių Bankas

Management's statement on the annual accounts

The Board of Directors and the Management have today discussed and authorized for issue the annual accounts and the annual report and have signed them on behalf of the company.

The annual accounts have been prepared in accordance with International Financial Reporting Standards as adopted by European Union. We consider that the accounting policies used are appropriate.

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

Vilkyškiai, 20 March 2008

Management:

Gintaras Bertašius
General Director

KPMG

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Independent auditor's report to the shareholders of AB Vilkyškių Pieninė

We have audited the accompanying separate financial statements of AB Vilkyškių Pieninė (the Company), which comprise the separate balance sheet as at 31 December 2007, and the separate income statement, the separate statement of changes in equity and the separate cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, set out on pages 5-34.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the separate financial statements give a true and fair view of the separate financial position of the Company as at 31 December 2007, and of its separate financial performance and its separate cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on legal and other regulatory requirements

Furthermore, we have read the Annual Report for the year 2007 set out on pages 35-82 of the Annual Accounts and have not noted any material inconsistencies between the financial information included in the report and the separate financial statements for the year ended 31 December 2007.

Klaipėda, 20 March 2008
KPMG Baltics, UAB

Leif René Hansen
Danish State Authorised
Public Accountant

Rokas Kasperavičius
Certified Auditor

Income statement

For the year ended 31 December

Thousand Litas	Notes	2007	2006
Revenue	1	132 030	111 551
Cost of sales		-110 787	-98 775
Gross profit		21 243	12 776
Other operating income, net		59	76
Distribution expenses		-1 789	-1 652
Administrative expenses	2	-5 886	-5 182
Operating profit before financing costs		13 627	6 018
Financial income		93	91
Financial expenses		-1 401	-985
Net financing costs	3	-1 308	-894
Profit before tax		12 319	5 124
Income tax expense	4	-2 304	-1 040
Profit for the year		10 015	4 084
Earning per share (Litas)		1.07	0.44
Diluted earning per share (Litas)		1.07	0.44

The notes, set out on pages 10 to 34, are an integral part of the financial statements.

Balance sheet

As at 31 December

Thousand Litas	Notes	2007	2006
Assets			
Property, plant and equipment	5	42 726	36 567
Intangible assets	6	41	28
Investment in subsidiary	7	1 381	1 381
Long-term receivables	8	1 419	551
Total non-current assets		45 567	38 527
Inventories	9	16 356	13 434
Receivable amounts	10	12 163	10 704
Cash and cash equivalents	11	1 022	832
Total current assets		29 541	24 970
Total assets		75 108	63 497
Equity			
Share capital	12	9 353	9 353
Reserves		9 352	9 683
Retained earnings		13 521	5 156
Total equity		32 226	24 192
Liabilities			
Interest-bearing loans and leasing liabilities	13	16 061	16 656
Capital grants	14	3 608	1 441
Deferred tax liabilities	15	2 626	2 793
Total non-current liabilities		22 295	20 890
Interest-bearing loans and leasing liabilities	13	8 509	4 945
Income tax payable		1 175	359
Trade and other amounts payable	16	10 903	13 111
Total current liabilities		20 587	18 415
Total liabilities		42 882	39 305
Total equity and liabilities		75 108	63 497

The notes, set out on pages 10 to 34, are an integral part of the financial statements.

Cash flow statement

For the year ended 31 December

Thousand Litas	Notes	2007	2006
Cash flows from operating activities			
Net profit		10 015	4 084
Adjustments:			
Depreciation	5	3 569	2 597
Amortisation	6	28	191
Capital grants recognised as income	14	-2	-140
Impairment of non-current assets		0	46
Result of disposal of tangible non-current assets		0	-2
Interest expenses, net	3	1 308	894
Income tax expense	4	2 304	1 040
Cash flows from ordinary activities before changes in the working capital		17 222	8 710
Change in inventories		-2 922	-5 007
Change in long-term receivable amounts		-868	0
Change in receivable amounts		-571	-2 605
Change in trade and other payable amounts		-1 508	6 000
		11 353	7 098
Paid / received interest, net		-1 332	-915
Income tax paid		-1 579	-1 792
Net cash flows from operating activities		8 442	4 391
Cash flows from investing activities			
Acquisition of tangible non-current assets	5	-6 892	-6 331
Acquisition of intangible assets	6	-41	-23
Proceeds on sale of tangible non-current assets		0	264
Acquisition of subsidiary	7	0	-1 031
Issue of loans		0	-489
Interest received		24	21
Net cash flow from investing activities		-6 909	-7 589

Cash flow statement (continued)

For the year ended 31 December

Thousand Litas	Notes	2007	2006
Cash flows from financing activities			
Loans received		10 067	11 828
Repayment of loans		-8 320	-6 233
Payment of finance lease liabilities		-1 614	-1 106
Dividends paid		-2 757	-1 800
Capital grants received		1 281	300
Net cash from financing activities		-1 343	2 989
Change in cash and cash equivalents		190	-209
Cash and cash equivalents at 1 January		832	1 041
Cash and cash equivalents at 31 December		1 022	832

The notes, set out on pages 10 to 34, are an integral part of the financial statements.

Statement on changes in equity

Thousand Litas	Notes	Share capital	Revaluation reserve	Compulsory reserve	Retained earnings	Total equity
At 1 January 2006		9 353		705	3 786	13 844
Net profit for 2006					4 084	4 084
Revaluation of land and buildings*			8 764			8 764
Transfer to reserves				214	-214	0
Dividends					-2 500	-2 500
At 31 December 2006		9 353	8 764	919	5 156	24 192
At 1 January 2007		9 353	8 764	919	5 156	24 192
Net profit for 2007					10 015	10 015
Decrease of revaluation reserve			-347		423	76
Transfer to reserves				16	-16	0
Dividends					-2 057	-2 057
At 31 December 2007	12	9 353	8 417	935	13 521	32 226

The notes, set out on pages 10 to 33, are an integral part of the financial statements.

* The revaluaton of land and buildings is presented net of deferred tax which amounted to Litas 1 564 thousand.

Notes to financial statements

1. Background information

AB Vilkyškių Pieninė (hereinafter – the Company) was established in 1993. The Company does not have any branches or representative offices.

AB Vilkyškių Pieninė is listed on the Vilnius Stock Exchange. The Company's shares are owned by the following shareholders:

Shareholder	Shares	Nominal value in Litas	Total value in Litas
Gintaras Bertašius	6 016 506	1	6 016 506
Hansabank clients	673 602	1	673 602
SEB clients	467 650	1	467 650
Others	2 195 242	1	2 195 242
Total	**9 353 000**	**1**	**9 353 000**

The Company is engaged in production and sales of different types of cheese. Also, the Company sells whey, raw milk and cream and butter.

Operations are carried out in the main production buildings, located in Vilkyškiai, Pagėgiai region. The Company also has a production workshop in Tauragė as well as a milk purchase and processing centre in Eržvilkas, Jurbarkas region.

As at 31 December 2007 the Company had 371 employees (2006 : 502 employees).

The Company has a subsidiary UAB Modest, which is a milk processing company. The Company holds 87% voting rights of the subsidiary.

2. Significant accounting policies

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) that have been adopted by the European Union.

Basis of preparation

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

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

The financial statements have been prepared on the going concern basis.

Significant accounting policies (continued)

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

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

Changes in Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Functional and presentation currency

These financial statements are presented in Litas (LTL), which is the Company's functional currency. Except as indicated, the financial information presented in Litas has been rounded to the nearest thousand.

Foreign currency

Transactions in foreign currencies are translated 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 Litas at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

Non-derivative financial instruments

Non-derivative financial instruments include trade receivables and other receivables, cash and cash equivalents, loans, payable to suppliers and other payable amounts.

Cash and cash equivalents comprise cash balances and call deposits.

Non-derivative financial instruments are initially stated at fair value including all costs directly attributable to the transaction (except for instruments recognised at fair value in the income statements). After initial recognition non-derivative financial instruments are evaluated as stated further.

Significant accounting policies (continued)

Financial instruments are recognised in the accounting at the date of transaction. The company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Receivables are non-derivative financial assets and are not listed in an active market. They are included under current assets, except for amounts having a longer term than 12 months. Initially loans issued and amounts receivable are stated at fair value. After initial recognition the loans and receivables are stated at amortised cost applying the effective interest rate method, less impairment losses, if any. Short-term receivables are not amortised.

Loans, borrowings and other financial liabilities are accounted for at amortised cost applying the effective interest rate method. Short-term liabilities are not amortised.

Derivative financial instruments

The Company has entered into an interest rate swap transaction with a bank. The transaction is accounted for at fair value and changes in the fair value are recognised in the income statement. This financial instrument is not considered as a hedging transaction.

Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment, are stated at cost less accumulated depreciation and impairment losses. The cost includes expenditure directly related to acquisition of assets.

When parts of property, plant and equipment have different useful lifetimes, they are accounted for as separate items of property, plant and equipment (major compound parts).

Buildings are recorded at revaluated amounts, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which is determined using fair value at the balance sheet date. The fair value of the buildings is determined by appraisals undertaken by certified independent appraisers. The depreciation of buildings is calculated on a straight-line basis over the estimated useful economic lives of assets. The revaluation reserve for buildings is being reduced in conformity with depreciation of certain assets.

In the case of revaluation, when the estimated fair value of an asset is lower than its carrying amount, the carrying amount of this asset is immediately reduced to the amount of fair value and such impairment is recognised as an expense. However, such impairment is deducted from the amount of increase of the previous revaluation of this asset accounted for in the revaluation reserve, to the extent it does not exceed the amount of such increase.

Significant accounting policies (continued)

In the case of revaluation, when the estimated fair value of an asset is higher than its carrying amount, the carrying amount of this asset is increased to the amount of fair value and such increase is recorded in the revaluation reserve of property, plant and equipment under the capital caption. However such an increase in value is recognised as income to the extent it does not exceed the decrease of previous revaluation recorded under capital.

Subsequent costs

The cost of replacing part of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

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

Land and buildings	10-40 years
Machinery and equipment	5-15 years
Other tangible non-current assets	3-7 years

The useful lives, residual values and depreciation methods of assets are reviewed at each balance sheet date.

Intangible assets

The Company‘s intangible asets are stated at cost less accumulated amortisation and impairment loss. Amortisation is charged to the income statement on a straight-line basis over the 3 years. .

Trade and other receivable amounts

Trade and other receivable amounts are stated at amortised cost less impairment losses.

Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Significant accounting policies (continued)

The cost of other inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

Impairment

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost the reversal is recognised in profit or loss.

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tac discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Significant accounting policies (continued)

Dividends

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

Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Interest-bearing loans and borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost on an effective interest rate basis.

Trade and other payables

Trade and other payables are stated at amortised cost.

Leased assets

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

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

Revenue

Revenue from sales of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods. Transfer of risks and rewards vary depending on the individual terms of the contract of sale.

Significant accounting policies (continued)

Distribution and administrative costs

Distribution and administrative costs comprise costs related to administration, management, office expenses and etc., including depreciation and amortisation.

Other operating income and costs

Other operating income and charges comprise gain or loss from disposal of non-current assets as well as other income and costs not related to the primary activity.

Financial and investing income and expenses

Financial income and expenses comprise interest receivable and payable, realised and unrealised exchange gains and losses regarding debtors and creditors denominated in foreign currencies.

Interest income is recognised in the income statement when earned. Financial lease interest costs are recognised in the income statement applying the effective interest rate method.

Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement, except for cases when it refers to items diretly stated under equity. In such cases the income tax is recognised in equity.

Current income tax is a tax payable on the taxable income using tax rates applicable on the balance sheet date and income tax adjustements related to prior years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The deferred tax is not calculated on temporary differences arising at the moment of initial recognition of assets and liabilities, when these differences do not affect neither tax carried in the financial reporting nor taxable profit. The deferred tax is estimated applying tax rates which will be enacted when the mentioned temporary differences will be realised using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset should only be recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. The deferred tax is reviewed at each balance sheet date and reduced by an amount of tax benefit which is expected not to be realised.

Significant accounting policies (continued)

Earnings per share

The Company provides information on basic earnings per share and diluted earnings per share. Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the company by the weighted number of ordinary shares outstanding during the year. Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. During the financial year the Company did not issue any potential ordinary shares.

Segment reporting

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

Financial risk factors

In its activities the Company is exposed to various financial risks: market risk (including foreign exchange risk, interest risk, fair value and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Company's management pays the greatest attention to unpredictability of financial markets and aims to decrease its eventual impact on the Company's financial performance. From time to time the Company can use a derivative financial instrument in order to hedge certain risks.

a) Market risk

(i) currency exchange risk

The Group is not exposed to a significant currency exchange risk, because its sales, purchases and borrowing costs are mainly denominated in Litas and Euro (Litas is pegged to Euro at a fixed exchange rate of 3,4528 LTL / EUR).

(ii) fair value interest rate risk

In general, the Company‘s income and cash flows from ordinary activity are not dependent on changes in the market interest rate. The Company has not been granted nor issued itself any loans with a fixed interest rate. However, the management is of the opinion that the fair value of such loans does not significantly differ from the carrying amount as at 31 December 2007 as the applied interest rate (5-7%) is close to market interest rate.

Significant accounting policies (continued)

(iii) price risk

The prices of milk and milk products vary depending on the situation in the market. The Company seeks to minimize an impact of the mentioned fluctuations by diversifying production and striving for economy of scale.

b) Credit risk

The Company has established procedures ensuring that sales are performed to clients having a proper crediting history without exceeding the limit of credit risk set by the management. The Company did not have any concentration of significant credit risk at the balance sheet date.

c) Liquidity risk

A conservative management of liquidity risk enables to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of committed credit facilities.

d) Interest rate risk

The Company's borrowings are subject to variable interest rates, related to LIBOR and varying from LIBOR+1.2% to LIBOR+1.9%. The average effective interest rate in 2007 was 5.42% (2006 – 4.44%).

If the average annual interest rate applicable on the Company‘s liabilities with the variable interest rate have increased (or decreased) by 1%, the interest costs for the year ended 31 December 2007 and the profit for the year would have decreased (or increased) by approximately 210 thousand Litas (2006 – 190 thousand Litas).

The Company has enetered into an interest rate swap transaction with a bank. By this transaction the Company partly hedges from significant interest rate fluctuations. The fair value of the swap transaction amounts to 81 thousand Litas and is recognised under amounts receivable.

Capital management

The purpose of the Board policy – to keep the owner’s equity over borrowings at the level to hold investors, creditors and market in the trust and to have the possibilities of business development in the future. The board keeps track on rates of return and makes proposals on dividend payment to shareholders of the Company taking into consideration the Company financial results and strategic plans.

Significant accounting policies (continued)

New Standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2007, and have not been applied in preparing these financial statements:

- *Amendment to IFRS No. 2 Share-Based Payments (effective as of 1 January 2009).* Amendment to the Standard provides the definition of the terms „conditions of transfer of ownership rights“ and „conditions of transfer of non-ownership rights“. On the basis of the amendment to the Standard, failure to comply with the “conditions of transfer of ownership rights” shall be treated as cancelling of share-based payments. The Company does not have any share-based payment plans, therefore, amendment to IFRS No. 2 is not relevant to the Company's business operation.
- *Amendment to IFRS No. 3 Business Combinations (effective for periods starting on or after 1 July 2009).* The Standard's scope of application was amended and the description of the purpose was expanded. The amendment of IFRS 3 will be important for future business combinations of the Company (if any).
- *IFRS No. 8 Operating Segments (effective as of 1 January 2009).* This standard sets forth the requirements for revealing of information on segments as to components used by the management in decision making. Operating segments are the entity’s components, information on which is assessed on a regular basis by the decision maker and used for allocation of resources and evaluation of performance. The Company has not yet performed analysis of the effect that the new Standard may have on the Company.
- *Amendment to IAS No. 1 Presentation of Financial Statements (effective as of 1 January 2009).* Considering the present amendment to the Standard, information provided in financial statements is to be based on general characteristics. The amendment also specifies the manner of presenting of a detailed report on income. At the time being, the Company is analyzing the influence of the present amendment on the manner of presenting of financial statements.
- *IAS No. 23 Borrowing Costs (revised in March, 2007) (effective as of 1 January 2009).* The revised standard shall apply to the borrowing costs which are related to certain criteria meeting assets and the date of start of capitalization. The Company has not yet performed analysis of the effect that the new Standard may have on the Company.
- *Amendment to IAS No. 27 Consolidated and Individual Financial Statements (effective for annual periods starting on or after 1 July 2009).* The amendment to the Standard replaced the term “minority interest” with “non-controlling block of shares” which is defined a subsidiary’s equity capital which is neither directly nor indirectly attributed to the parent company. The amendment to the Standard also alters the accounting of the loss of non-controlling block of shares, subsidiary’s control as well as distribution of profit or loss between the controlling and non-controlling blocks of shares. Application of amendments to the standard will have no significant impact on financial statement.

Significant accounting policies (continued)

- *IFRIC 11 IFRS No. 2 Group and Treasury Share Transactions (effective for annual periods starting on or after 1 March 2007).* The interpretation requires to account the share-based payment agreements under which a company receives goods or services as a compensation for ownership instruments as settlement of share-based payments for ownership instruments irrespective of the manner the required ownership instruments are acquired. The interpretation also specifies if share-based payment agreements when the company's goods- and service-vendors are provided with the parent company's ownership instruments are to be accounted as those paid in cash or as assets to be included into financial statement. IFRIC 11 does not apply to the Company's business activity because the Company has no share-based payment transactions.

- *FRIC 12 Service Concession Agreements (effective as of 1 January 2008).* The interpretation is meant for private sector enterprises which apply the issues of service concession acknowledgment and assessment. IFRIC 12 is not relevant to transactions of the Company as it has not entered into such agreements.

- *IFRIC 13 Customer Loyalty Programs (effective for annual periods starting on or after 1 July 2008).* The interpretation provides how companies which grant loyalty award credits to customers buying other goods or services should account their obligations to provide services or goods free of charge or at a discount ("award") to the clients who cover the award credits. Such companies are required to allot a part of the proceeds form the initial sale to award credits and to acknowledge the proceeds as income only after they fulfill their obligations. In the Company's opinion, the interpretation will not have significant effect on financial statements.

- *IFRIC 14 IAS 19 - Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective for annual periods starting on or after 1 July 2008).* The interpretation establishes 1) when refunds and reduction of future contributions are to be applied according to paragraph 58 of IAS 19; 2) how minimum funding requirements can influence the possibility of reducing of future contributions; and 3) when minimum funding requirements can influence the appearance of new obligations. Subject to IFRIC 14, an employer does not have to account any additional obligations, except for the cases when contributions which are made following the minimum funding requirements cannot be refunded to the company. Application of this interpretation shall have no significant impact on the Company.

1. Segment reporting

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

When presenting information on the basis of geographical segments, income from segments is recognised according to a geographical location of the client. Assets of segments are allocated as per geographical location of assets.

Segment results for 2007 by geographical segments are as follows:

Thousand Litas	Countries of European Union except Lithuania	Lithuania	Russia	Other countries	Total
Incomes	69 594	48 123	14 279	34	132 030
Segment result	10 912	9 861	468	2	21 243
Not allocated costs					-7 675
Operating result					13 627
Financial items, net					-1 308
Result before tax					12 319
Income tax expenses					-2 304
Net result for the year					10 015
Segment receivables	1 072	8 992	2 098	1	12 163
Not allocated assets		62 945			62 945
Total assets	1 072	71 937	2 098	1	75 108
Not allocated liabilities					42 882
Not allocated cash flows from ordinary activities					8 442
Not allocated cash flows from investing activities					-6 909
Not allocated cash flows from financing activities					-1 343
Net cash flows					190
Not allocated acquisitions of non-current assets					-6 933

Segment results for 2006 by geographical segments are as follows:

Thousand Litas	Countries of European Union except Lithuania	Lithuania	Russia	Other countries	Total
Income	63 559	30 545	17 310	137	111 551
Segment result	5 337	4 970	2 445	24	12 776
Not allocated costs					-6 758
Operating result					6 018
Financial items, net					-894
Result before tax					5 124
Income tax expenses					-1 040
Net result for the year					4 084
Segment receivables	1 581	8 213	880	0	10 704
Not allocated assets		52 793			52 793
Total assets	1 581	61 006	880	0	63 497
Not allocated liabilities					39 305
Not allocated cash flows from ordinary activities					4 391
Not allocated cash flows from investing activities					-7 589
Not allocated cash flows from financing activities					2 989
Net cash flows					-209
Not allocated acquisitions of non-current assets					6 354

2. Administrative expenses

Thousand Litas	2007	2006
Staff costs	1 743	1 543
Repair	1 537	1 395
Depreciation and amortisation	352	513
Taxes, except for income tax	225	315
Insurance	319	213
Bank fees	176	180
Consulting	324	369
Other	1 210	654
Total	5 886	5 182

3. Net financing costs

Thousand Litas	2006	2005
Finance income		
Interest	93	91
Total financial income	93	91
Finance costs		
Interest	1 282	912
Foreign exchange losses	70	65
Other	49	8
Total financial costs	1 401	985
	-1 308	-894

4. Income tax expense

Recognised in the income statement

Thousand Litas	2007	2006
Current income tax expense	-2 395	-1 113
Deferred tax expense	91	73
Total income tax expense recognised in the income statement	-2 304	-1 040

Reconciliation of effective tax rate

Thousand Litas	2007	2006
Profit before tax	12 319	5 124
Non-deductible expenses (income)	481	350
Taxable profit	12 800	5 474
Tax rate	18%	19%
Income tax for the year	-2 304	-1 040

Non-deductible expenses

Thousand Litas	2007	2006
Forfeits, bad receivable	359	199
Other	122	151
Total non-deductible expenses	481	350

Influence of change in temporary differences

Thousand Litas	2007	2006
Vacation reserve	-36	21
Tangible non-current assets	127	52
Total	91	73

5. Property, plant and equipment

Thousand Litas	Land and buildings	Machinery and equipment	Other tangible assets	Construction in progress	Total
Cost					
Balance as at 1 January 2006	10 450	19 600	7 281	776	38 107
Acquisitions	462	3 765	2 581	988	7 796
Revaluation	8 158				8 158
Disposals	0	-377	-485	0	-862
Reclassification	-1 089	96	1 914	-921	0
Balance as at 31 December 2006	17 981	23 084	11 291	843	53 199
Balance as at 1 January 2007	17 981	23 084	11 291	843	53 199
Acquisitions	446	7 402	1 045	2 365	11 258
Disposals		-1 632	-257		-1 889
Reclassification	2	3 639	-1 859	-1 782	0
Balance as at 31 December 2007	18 429	32 493	10 220	1 426	62 568
Depreciation and impairment					
Balance as at 1 January 2006	1 858	10 926	3 836		16 620
Depreciation for the year	430	1 499	809		2 738
Disposals		-377	-224		-601
Reclassification	-163	-386	549		0
Revaluation	-2 125				-2 125
Balance as at 31 December 2006	0	11 662	4 970	0	16 632
Balance as at 1 January 2007	0	11 662	4 970	0	16 632
Depreciation for the year	833	1 723	1 013		3 569
Disposals		-112	-247		-359
Reclassification	-214	112	102		0
Balance as at 31 December 2007	619	13 385	5 838	0	19 842
Carrying amounts					
As at 1 January 2006	8 592	8 674	3 445	776	21 487
As at 31 December 2006	17 981	11 422	6 321	843	36 567
As at 1 January 2007	17 981	11 422	6 321	843	36 567
As at 31 December 2007	17 810	19 108	4 382	1 426	42 726

Pledges

To secure bank loans, the Company has pledged its non-current assets with a book value of 18,829 thousand Litas as at 31 December 2007 (2006.: 23 860 thousand Litas) (note 13).

Leased property, plant and equipment

The Company has acquired transport vehicles and equipment by way of finance leasing. The carrying amount of the leased assets amounted to 3,666 thousand Litas as at 31 December 2007 (2006: 2 479 thousand Litas). The leasing liabilities are secured by pledging the leased assets (note 13).

Depreciation

Depreciation is recorded in the following items :

Thousand Litas	2007	2006
Production cost	3 218	2 413
Sales and administrative expenses	351	325
Total	3 569	2 738

Valuation of buildings

The Company performed valuation of buildings as at 31 December 2006 and recorded valuation results in the financial statements. The market value of the buildings as determined by asset valuators was higher than the carrying amount by 10,283 tLitas. The value increase amounting to 10,328 tLitas was recognised under equity, the impairment of 45 tLitas was recorded in the income statement.

6. Intangible assets

Thousand Litas	Software	Total
Cost		
Balance as at 1 January 2006	563	563
Acquisitions	23	23
Balance as at 31 December 2006	586	586
Balance as at 1 January 2007	586	586
Acquisitions	41	41
Balance as at 31 December 2007	627	627
Amortisation and impairment		
Balance as at 1 January 2006	367	367
Amortisation for the year	191	191
Balance as at 31 December 2006	558	558
Balance as at 1 January 2007	558	558
Amortisation for the year	28	28
Balance as at 31 December 2007	586	586
Carrying amounts		
As at 1 January 2006	196	196
As at 31 December 2006	28	28
As at 1 January 2007	28	28
As at 31 December 2007	41	41

Amortisation charge is included in operating expenses.

7. Investment in subsidiary

Thousand Litas	2007	2006
Acquisition cost of UAB Modest shares	1 381	1 381
	1 381	1 381

In 2006 the Company in several steps acquired a 89% shareholding of UAB Modest. The control acquisition date is 3 January 2006, when a shareholding of 80% was acquired. In 2007 the share capital of UAB Modest was increased resulting to a decrease of the Company‘s share to 87%.

UAB Modest is a milk processing company, which produces cheese, cottage cheese, sour cream and other milk products. The key financial figures of UAB Modest are as follows:

Thousand Litas	2007	2006
Assets	5 187	2 111
Equity	314	210
Net profit (loss)	0	-210

Allocation of the acquisition price of the shares:

Thousand Litas	
Net assets acquired	348
Goodwill	1 033
Acquisition price	1 381

8. Long-term receivables

Thousand Litas	2007	2006
Loan issued to subsidiary	489	489
Prepayments to related parties	842	0
Long-term receivables from farmers	88	62
Total	1 419	551

The loan issued to UAB Modest will be repaid after 2008. The loan bears annual interest of 3.5%.

A prepayment to a related party UKB Šilgaliai made in 2006 was classified as a short-term receivable and amounted to 136 tLitas. In 2007 the agreement was amended based on which the prepayment must be fully covered until 31 December 2012. Starting from 2009, the prepayment will be covered by milk supplied by UAB Šilgaliai. The outstanding balance of the prepayment bears an annual interest of 5%.

9. Inventories

Thousand Litas	2007	2006
Raw materials	1 013	571
Finished production	10 180	11 633
Spare parts and auxiliary materials	5 163	1 230
Total	16 356	13 434

Raw materials comprise raw milk and other materials used in production.

As at 31 December 2007 and 31 December 2006 the Company did not have any inventories stated at net realisable value.

As at 31 December 2007 inventories with the book value up to 7,250 thousand Litas (2006 : 3,700 thousand Litas) were pledged to secure the bank loans (note 13).

10. Receivable amounts

Thousand Litas		2007	2006
Trade receivable		7 018	5 722
Capital grants receivable	a)	2 169	1 281
Prepayment to the General Director	b)	959	0
Prepayments	c)	366	1 254
Export compensations receivable	d)	2	1 550
Receivable taxes		685	458
Other receivable		964	439
		12 163	10 704

a) Capital grants receivable are related to realisation of BPD program for modernisation of production. The Company fulfilled all the conditions to receive the grant. It is expected that the grant will be received in the first half of 2008.

b) Prepayment to the General Director was made for acquisition of movable and non-movable assets.

c) Prepayments mainly comprise advance payments to farmers for milk.

d) Export compensations are granted for cheese and butter which are exported to certain not EU countries. Compensations receivable are recognised as income on an accrual basis after the export of goods is carried out. In 2007 income from export compensations amounting to 648 thousand Litas is recorded under sales income (2006 : 2,691 thousand Litas). Payment of export compensations was stopped in the first half of 2007.

11. Cash and cash equivalents

Thousand Litas	2007	2006
Cash at bank	902	26
Cash in hand	120	806
	1 022	832

12. Share capital

As at 31 December 2007 the share capital comprised 9 353 000 ordinary shares at a norminal value of 1 Litas each. There were no new issues during 2007. 2 055 780 shares are pledged to financial institutions.

Holders of ordinary shares have at the shareholders meeting one voting right for one share and the right to dividends, which are announced from time to time, and to participate in capital on a winding up.

Legal reserve

Following the legislation, annual allocation to the legal reserve should amount to at least 5% of the net profit until the reserve makes up 10% of the share capital. The reserve can not be distributed. The legal reserve was fully established as at 31 December 2007.

13. Interest bearing loans and borrowings

The Company's interest bearing loans and borrowings are as follows:

Credit institution	Ref.	Loan amount	Interest rate	Balance at 31 12 2007	Balance at 31 12 2006
AB SEB bankas	a)	11 998	6month.LIBOR+1,3%	9 368	10 998
AB Snoro bankas	b)	2 072	6month LIBOR+1,55%	1 246	1 692
AB Snoro bankas	b)	2 758	6month LIBOR+1,55%	2 175	0
AB SEB bankas	c)	7 078	6month LIBOR+1,3%	4 536	3 972
AB SEB bankas credit facility	d)	7 009	6month.LIBOR+1,3%	4 506	3 307
Nordic Environment Finance Corporation (NEFCO)		691	3%	0	115
Finance lease liabilities				2 739	1 517
Total liabilities				24 570	21 601
Less: current part				-8 509	-4 945
Liabilities payable after one year				16 061	16 656

a) The loan (3,475 tEUR) was used to re-finance the previously received loans from AB SEB Bankas and AB Bankas Snoras as well as for working capital needs. The loan is repayable in equal monthly instalments, except for January and February. The loans matures on 26 December 2011. The Company has pledged to maintain the ratios of 6 million Litas EBITDA and 1.2 interest coverage. To secure the bank loan, the Company has pledged its assets (note 6), inventories (note 10), cash at bank, trade marks and shares in the Company (nominal value 7,780,756 LTL) pledged by the shareholders.

b) Two credit facilities (in total amounting to 1,240 thousand EUR) are used for working capital need. The maturity date is 24 January 2011. The liability is secured by the secondary pledge of non-current assets, the land rent rights and cash at bank.

c) The loan agreement was concluded on 11 February 2006. The funds received are used for acquisition of new equipment used in whey processing, production of cheese, expansion of capacities of the workshop for acceptance of milk. It is expected to receive a grant from the Structural Funds of EU, amounting to 2,189 tLitas, which will be used for partial repayment of the loan. To the secure the loan the Company pledged its movable and not movable assets. The loan is repayable in equal parts and matures on 20 December 2012. The Company took an obligation to maintain the annual EBITDA ratio not less than 10 million Litas in 2006 and 9 million Litas in subsequent periods.

d) According to the agreement, dated 14 June 2006, the Company was granted a credit facility of 1,160 tEUR for working capital needs. The credit limit must be fully repaid before 20 June 2008. To secure the liability the Company has pledged its real estate and equipment.

Maturity of loans:

Thousand Litas	**2007**	**2006**
Within 1 year	7 689	4 243
From 1 to 5 years	14 142	15 841
After 5 years		
Total	21 831	20 084

An effective annual interest rate applied on all loans in 2007 was 5.42% (2006 : 4.44%).

Finance lease liabilities

Finance lease is settled as follows:

Thousand Litas	**Minimum lease payments**	**Interest**	**Present value of minimum lease payments**	**Minimum lease payments**	**Interest**	**Present value of minimum lease payments**
	31 December 2007			**31 December 2006**		
Within 1 year	935	115	820	753	51	702
From 1 to 5 years	2 079	160	1 919	858	43	815
After 5 years	0	0	0	0	0	0
Total	**3 014**	**275**	**2 739**	**1 611**	**94**	**1 517**

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

Leasing interest is variable, denominated in EUR LIBOR (6 or 12 months) plus 1.2%-1.9% margin.

14. Capital grants

Thousand Litas	2007	2006
Carrying amount in the beginning of the period	1 441	0
Grants received	0	300
Accrued grants receivable (note 10)	2 169	1 281
Recognised as income during the period	-2	-140
Balance at the end of the period	3 608	1 441

15. Deferred tax assets and liabilities

Deferred tax assets and liabilities calculated applying a 15% tax rate (2006: 15-18%), are attributed to the following items:

Thousand Litas	Assets		Liabilities		Net value	
	2007	2006	2007	2006	2007	2006
Tangible non-current assets	0	0	2 771	2 975	2 771	2 975
Vacation reserve	-145	-182	0	0	-145	-182
Deferred tax (asset) / liabilities	-145	-182	2 771	2 975	2 626	2 793

Deferred tax liability related to revaluation of non-current assets, which was recognised in equity, amounted to 1,487 thousand Litas. A decrease in the deferred tax liability of 91 thousand Litas was recorded in the income statement

16. Trade and other amounts payable

Thousand Litas	2007	2006
Payable to suppliers	8 559	10 694
Salaries	1 672	1 214
Dividends	0	700
Other	672	503
Total	10 903	13 111

17. Related parties

Transactions with related parties are as follows:

Thousand Litas	2007		2006	
	Sales	**Purchases**	**Sales**	**Purchases**
ŪKB Šilgaliai	1	947	0	971
UAB Modest	203	647	95	188
Total	204	1 594	95	1 159

Thousand Litas	31 December 2007		31 December 2006	
	Receivable amounts	**Payable amounts**	**Receivable amounts**	**Payable amounts**
ŪKB Šilgaliai	947	0	136	0
UAB Modest	0	0	31	15
UAB Modest (loan)	489	0	489	0
Total	1 436	0	656	15

UKB Šilgaliai is a supplier of milk.. The major shareholder of the Company and persons related to him have ownership rights to participating part in UAB Šilgaliai.

UAB Modest is a subsidiary.

Salaries to management is included in administrative costs under caption “staff costs” (note 2):

Thousand Litas	2007	2006
Salaries to management	485	471

Amounts payable to management as at 31 December 2007 amount to 158 thousand Litas (2006: 105 thousand Litas).

Outstanding loans and prepayments issued to management are recognised under receivable amounts:

Thousand Litas	2007	2006
Prepayments to management (note 10)	959	0

18. Fair value of financial instruments

Fair value of financial instruments is defined in accordance with the IAS 39 *Financial instruments: disclosure and presentation.* Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties on an arm's length transaction, other than in forced or liquidation sale. As the trading of the major part of the Company's financial assets is not developed, determination of the fair value should be based on assumptions supported by present economic conditions and by risk inherent to a spesific financial isntrument.

Fair value of financial instruments as at 31 December 2007 could be specified as follows:

Thousand Litas	Book value	Fair value
Long-term receivables	1 419	1 419
Receivable amounts	12 163	12 163
Cash and cash equivalents	1 022	1 022
Total	**14 604**	**14 604**

Fair value of financial liabilities as at 31 December 2007 could be specified as follows:

Thousand Litas	Book value	Fair value
Loans and finance lease liabilities	24 570	24 570
Payable amounts	12 078	12 078
Total	**36 648**	**36 648**

Financial liabilities to banks and leasing companies are related to a variable interest rate; therefore the book value is equal to the fair value. The management is of the opinion that the fair value interest risk of financial assets and liabilities as at 31 December 2007 was minimum as the major part of the financial instruments is related to variable interest rate.

19. Earnings per share

	2007	**2006**
Number of issued shares calculated based on weighted average method	9 353	9 353
Net profit, attributable to ordinary shareholders, in tLitas	10 015	3 905
Basic earnings per share, in Litas	1,07	0,44

The diluted earnings per share are the same as basic earnings per share.

20. Post balance sheet events

On 25 January 2008 the Board of AB Vilkyškių Pieninė made a decision regarding acquisition of the 99.09% shareholding of AB Kelmės Pieninė. On 31 January 2008 the Company signed a share purchase agreement and applied to the Competition Authority for a permission to acquire the mentioned shares. It is expected that the purchase transaction will be completed by 21 April 2008.

On 7 March 2008 the general shareholders meeting decided to increase the share capital by issuing 2,590,000 new shares. The priority right for acquisition of the new shares by the existing shareholders has been cancelled.

ANNUAL REPORT OF VILKYSKIU PIENINE AB
FOR THE YEAR 2007

I. Letter of Director General G. Bertasius of Vilkyskiu pienine AB to the investors

Year 2007 was especially successful to the Company. The name of the company as well as its production is becoming more and more popular both in Lithuania and in export markets. I could denote the fact that shares of Vilkyskiu pienine AB started being quoted in the Official List of Vilnius Stock Exchange is one of the most important events of the year, which evidences that perspectives of Vilkyskiu pienine AB have been evaluated better both by Lithuanian and foreign investors.

I do believe that the quotation of shares of our company in the Official List of Vilnius Stock Exchange shall increase the liquidity of shares and the value of the company itself. Moreover, in autumn 2007 we concluded the contract on market making with Financial Broker Company Orion Securities UAB. Our company is the first among all companies, whose shares are quoted in Vilnius Stock Exchange, the shares of which are provided with market making service.

The company further had been expanding its activity and in June opened a modern whey processing workshop. Investments provided the company with possibility to increase the effectiveness of production and production quality control, moreover, it allowed effective reduction of waste. The newly opened whey processing workshop is almost fully automated with only one employee. The total number of employees of Vilkyskiu pienine AB is 426, and together with the employees of Modest UAB, which is owned by Vilkyskiu pienine AB, the total number of employees amounts to 469.

The managers of the company as well as its shareholder are exhilarated of the company's profit earned in 2007. The main cause for the increase of company's sales and profit was significant boost of prices in export market, especially in Western Europe. Our company exports more than 62% of its production to Germany, Italy, Finland, to other countries of the European Union, and to Russia.

We are also delighted by the expansion in the assortment of products produced by Vilkyskiu pienine AB. In 2006 we started producing "Mozzarella" type cheeses, which are popular all over the world, and in 2007 the company introduced hard cheese "Zalgiris". At present our company offers cheeses of 56 titles, which have been evaluated by Lithuanian gourmands in the Championship of Cheese Dishes, initiated by Vilkyskiu pienine AB.

The company has stepped in the year 2008 being renewed, expanded and full of ambitious future plans. In 2007 Modest UAB renewed the specialized transport fleet of milk and dairy products. This year the office of Modest UAB has been transferred into Taurage cheese production workshop of Vilkyskiu pienine AB. There we plan to modernize production processes by launching new technologies of milk processing and modern production-packaging line of "Mozzarella" cheese, which is the main product produced by the company. Thus we will implement the strategy of the Group of Companies of AB Vilkyskiu pienine AB due to higher value added products production. Company's position in the market will be reinforced also by the acquisition of Kelmes pienine AB, thus the company will continue developing and expanding.

Gintaras Bertasius

II. General information about the issuer

1. Accounting period for which the annual report has been prepared

Year 2007

2. Main data about the Issuer

Vilkyskiu pienine AB

Name of the Issue	Public Company Vilkyskiu pienine (hereinafter referred as to the Company or Issuer)
Authorized capital	LTL 9 353 000
Registered office	Vilkyskiai, Pagegiai municipality
Telephone number	8-441 55330
Fax number	8-441 55242
E-mail address	centras@cheese.lt
Legal – organizational form	public company
Date and place of registration	The 10th of May 1993
Date and place of re-registration	The 10th of December 2005, Taurage subsidiary of Public Institution Center of Registers
Registration No.	060018
Code in the Register of Enterprises	277160980
Internet address	http://www.cheese.lt; http://www.suris.lt

3. Nature of the Issuer‘s core business

Core business of Vilkyskiu pienine AB is the production of cheeses.

The Company also produces butter, scalded cream, butter blends, melted cheeses and other cheese products. The Company also processes whey.

4. Contracts with intermediaries of the public circulation of securities

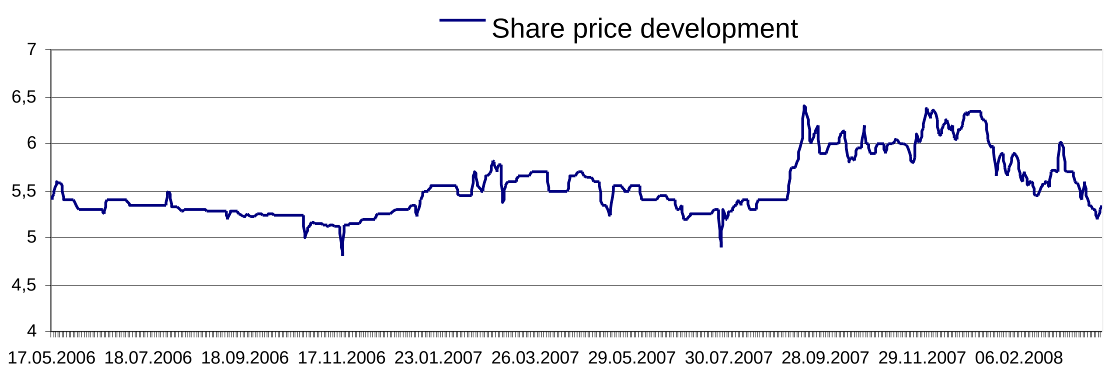
Vilkyskiu pienine AB has entered into the contract of service with Financial Broker Company Orion Securities UAB (address: A. Tumeno g. 4, B korp., LT-01109, Vilnius) on the record of shareholders of Vilkyskiu pienine AB and on the management of services related with the accounting of securities.

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

5. Trading in the Issuer's securities on the regulated markets

Trading in ordinary registered shares of Vilkyskiu pienine AB on Vilnius Stock Exchange:

	Price (in litas)		Turnover (in litas)	
Period	Highest	Lowest	Biggest	Smallest
17/05/2006 – 31/09/2006	5.60	4.60	647,808	0.00
01/10/2006 – 31/12/2006	5.30	4.76	360,722	0.00
01/01/2007 – 30/03/2007	5.82	5.20	126,233	0.00
01/04/2007 – 30/06/2007	5.70	5.01	380,555	0.00
01/07/2007 – 30/09/2007	6.50	4.80	3,621,100	0.00
01/10/2007 – 31/12/2008	6.70	5.75	637,638	0.00
01/01/2008 – 31/03/2008	6.40	5.00	1,507,303	0.00



III INFORMATION ABOUT THE ISSUER'S ACTIVITIES

6. Legal basis for the Issuer's activities

In conducting its business Vilkyskiu pienine AB follows the legislation of the Republic of Lithuania, government's resolutions and regulatory enactments, which regulates the activity of companies, Law on Securities Market of the Republic of Lithuania, and Articles of Association.

7. Membership of the Issuer in the associated structures

Vilkyskiu pienine AB and Modest UAB are the members of Lithuanian Milkmen Association Pieno centras.

8. Brief description of the Issuer‘s history

The history of Vilkyškiai dairy was renewed on the 10th of May 1993 when public company Vilkyskiu pienine was established in the dairy premise, which was build in 1934. The old dairy had continued its production till 1985. During the period of dairy's closure all equipment were disassembled. The buildings were privatized and the owners of the dairy brought the first machinery from Eastern Germany where the restructurization of milk industry took place at that time.

The company had no start up capital. The company started operating as the owners of the company purchased the buildings. The company borrowed the needed working capital from banks.

Material events in the history of the Issuer

On the 2nd of November **1993** water tower, boiler-house and separation workshop were rebuilt. Since then the company started separating milk.

On the 15th of June **1994** cheese workshop started operating. The company started producing fat-free fermented cheese „Peptatas“.

In the beginning of June **1995** butter workshop was launched.

Afterwards the development of the company has accelerated. In 1997 the cheese workshop of the company started producing "Tilzes" type fermented cheese and in February 1998 "Gouda" type fermented cheese.

In **1997** LTL 2.87 million were invested into the company, LTL 0.5 million of which where used for renovation works. The company built the following: a modern boiler-house of Danish company BWE, a modern freezing chamber of Dutch company, where 400 tones of production can be stocked and warehoused, and a substation. The company also installed a computer network.

In **1998** nearly LTL 1.5 million were invested into motor transport, buildings, milk refrigerators, production equipment, new cheese workshop and other main installations.

In **1999** nearly LTL 8.5 million were invested. Almost all investment was used for the implementation of the project of new cheese production workshop ("Tetra Pak Tebel").

In the same year the company started producing fermented cheese "Zemaiciu", butter blend "Saules vaises" and fermented cheese "Tilziukas" with spice additives. That cheese won the golden medal at the international exhibition AgroBalt'1999 and became Lithuanian product of the year.

In **2000** the company started producing fermented cheese of "Maasdam" type. In 2001 cheese "Maasdam" won the golden medal at the international exhibition "AgroBalt“. Moreover, in 2000-2001 attractive inexpensive fermented cheeses "Kursiukas", "Taupa" and "Sumustiniu" were offered to the consumers. During the period of fourteen years of company's operation, the company has created entire necessary service infrastructure (mechanical workshop, automobile centre (50 automobiles), milk freezing equipment, zone of raw material purchase), has changed or additionally bought all the equipment of the dairy, has built new workshops. In 2000 LTL 3.84 million were invested into the construction of new workshops and into the major repairs. The company finished installing new fully computerized and automated technological line of cheese production, the installation of which provided the company with the possibility to produce western standards corresponding production and to export it to the European Union. In May of the same year the company received Export Licence to the European Union.

In June **2001** the company acquired Taurage workshop form Mažeikiai subsidiary of Pieno zvaigzdes AB. Taurage workshop is situated about 20 km form Vilkyskiai town. This workshop was built in 1965 as a creamery and it satisfied all raised requirements. The workshop is consisted of milk collection division, milk separation division, two cheese workshops, ripening workshop, prewrap workshop, mechanical workshop, automobile centre for the transportation of milk, raw milk zone as well as all other necessary service infrastructure – refrigeration, steam and air. The company started building ripening workshop and cleaning equipment.

In the end of the year 2001 the company started producing mould cheese in Tauragė workshop.

In **2003** the company reconstructed freezing chamber.

In **2004** the company carried out roof reconstruction and renovation of buildings. In 2003 - 2004 the company additional invested in the infrastructure of milk production. The company built new stations of milk purchase and bought modern transport for milk transportation. In 2004 the company built new modern waster water treatment plant of Dutch company "New Water Technology", which corresponds with the EU requirements. In the same year the company invested in the equipment of cheese packing and wrapping. Ammonia freezing compressor was reconstructed.

In **2005** the company reconstructed the boiler-house of Taurage workshop by changing the type of fuel.

In January **2006** the Issuer acquired 80.25 percent of Modest UAB shares. According to the decision No. 1S-3 made by the Competition Board on 12/11/2006, the Issuer has a right to acquire up to 100 percent of Modest UAB shares.

At present the Issuer owns 87 percent of Modest UAB shares in total. 9 353 000 ordinary registered shares of Vilkyskiu pienine AB have been quoted in the Current Trade List of Vilnius Stock Exchange since the 17^{th} of May 2006. Since 01/01/2008 the shares are quoted in the Official Trade List of Vilnius Stock Exchange.

In June **2007** up-to-date whey processing workshop of Vilkyskiu pienine AB started operating. Vilkyskiu pienine AB received the support of LTL 3.45 million from the European Union Structural Funds for the modernization of cheese production workshop and whey processing project. Investments provided the company with possibility to increase far better the effectiveness of production and production quality control, moreover, it allowed effective reduction of waste.

9. The activity of the Issuer

The main activity of the Issuer is production of fermented, melted and smoked cheese products, production of butter and processing of whey. The Issuer specializes in the production of fermented cheeses. Butter, butter blends, cream and melted cheeses are produced so that the Issuer could rationally use the remained raw materials and intermediate products of production process.

Cheeses are produced according to the old Lithuanian ("Tilze" – *Tilsit* type cheese), worldwide ("Maasdam", „Gouda", „Edam") and original ("Prusija" – *Prussia*) recipes. Cheeses "Tilziukas" with spice additives (in 1999) and "Maasdam" (in 2001) won gold medals of the best product of the year at the international exhibition "AgroBalt".

After the investment in the automation of production in 2006, the productive capacity of the Issuer in Vilkyskiai workshop (excluding Modest UAB) increased up to 31 tone of cheese per twenty four hours. Taurage workshop is capable to produce 10 tones of cheese per twenty four hours. However, maximum productive capacity is limited by the lack of raw milk in winter season (in winter the amount of purchased milk is several times lower that in summer).

In total Vilkyskiu pienine AB produces even 11 types of cheeses of 56 different titles plus butter and butter blends of 7 titles.

After 2002 year crisis in milk sector the volumes of milk purchase and production of the Issuer have been increasing rapidly. Lithuania's membership in the EU highly accelerated the increase. Tables bellow summarizes key indicators of production and trade volumes of the Issuer.

Purchase of raw milk (recalculated into base fatness)	2003	2004	2005	2006	2007
Purchased milk, in tons	69,809	88,100	94,852	122,016	101,589
Purchased milk, in thousand LTL	28,608	46,491	56,180	73,134	73,153
Price of purchased milk, in LTL/t	409.8	527.7	592.3	599.4	720.1

Within the period of last five years the distribution of production Vilkyskiu pienine AB according to product type was as follows:

Amount of produced products, expressed in tons	2003	2004	2005	2006	2007
Fermented cheese	5,974	7,489	8,293	10,204	8,120
Butter	1,450	1,555	1,247	587	630
Cream	-	551	2,090	4,831	5,499

Within the period of last five years the distribution of sold production of Vilkyskiu pienine AB according to product type was as follows:

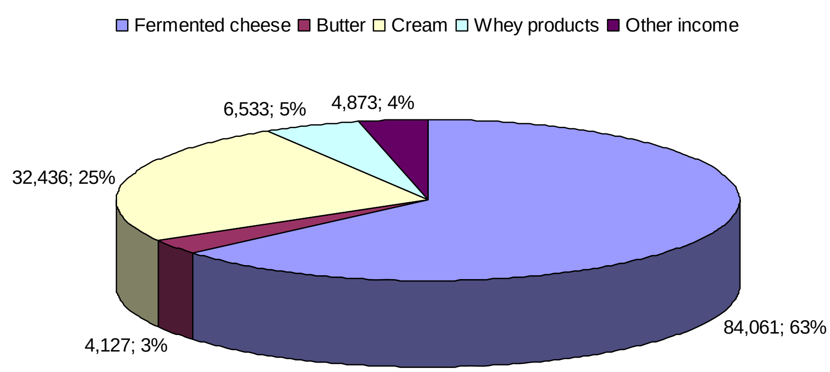
Amounts of sold production, expressed in tons	2003	2004	2005	2006	2007
Fermented cheese	6,385	7,338	7,968	9,471	8,443
Butter	1,297	1,547	1,379	607	600
Cream	-	551	2,090	4,831	5,564

Within the period of last five years income of Vilkyskiu pienine AB from sold production according to product type distributed as follows:

Income on sold production, expressed in LTL thousand	2003	2004	2005	2006	2007
Fermented cheese	46,774	63,038	71,391	86,491	84,061
Butter	6,749	9,278	8,287	3,502	4,127
Cream	-	2,630	8,893	19,454	32,436
Whey products					6,533
Other income	475	156	3,138	2,105	4,873
Total income	**53,998**	**75,102**	**91,709**	**111,552**	**132,030**

Within the period last five years average prices of main production of Vilkyskiu pienine AB according to product type, expressed in Litas per tone, were as follows:

Average prices of sold production, LTL/t	2003	2004	2005	2006	2007
Fermented cheese	7,398	8,606	8,959	9,132	9,968
Butter	5,200	5,997	6,703	5,762	6,878
Cream	-	4,773	4,255	4,027	5,830



Vilkyskiu pienine AB constantly invests in the creation of new products and in the development of existing ones.

On the 22nd of February 2006 Secretary of the State of the Ministry of Agriculture signed the decree on the basis of which Vilkyskiu pienine AB was provided with the support of LTL 3.45 million from the Structural Funds of the European Union. The support will be used for the project “Implementation of EU Requirements and Modernization of Production Base”.

The company finished the first stage of the project, which is the modernization of cheese production technologies, in 2006. During the period of modernization, which lasted for more than a half of the year, the workshop of Vilkyškiai dairy has been expanded highly: the company equipped two new cheese production machines, three new pressing lines, a buffer container, and a new washing station of technological lines of cheese. Salting workshop and the processes of shipment and discharge from container have been automated as well. As the company finished the modernization of the creamery, the maximum productive capacity of the company increased from 10 to 14 tones of cheese per year.

In the beginning of 2007 the company implemented the second stage of modernization – the project of whey processing. While implementing the second stage of the EU supported project, the remaining part of investment was used for the acquisition of whey processing equipment.

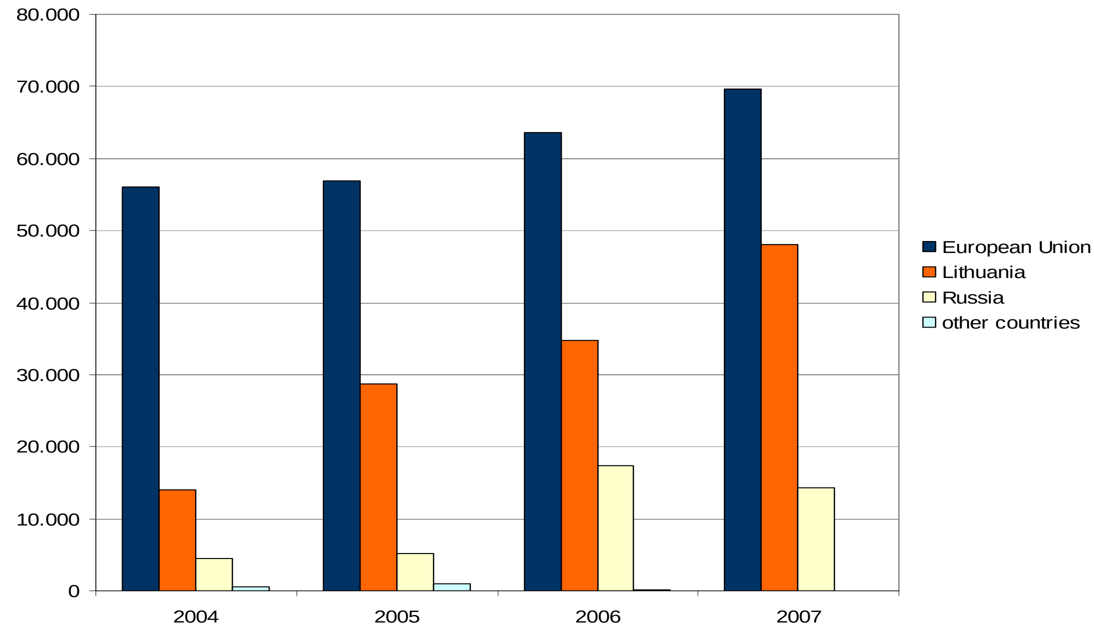
In the beginning of 2006 the company acquired the controlling block of shares of Modest UAB. At present Vilkyskiu pienine AB owns 87% of shares of Modest UAB in total. This capacitated the Issuer to supplement its assortment with "Mozzarella" type cheese.

In June 2007 up-to-date whey processing workshop of Vilkyskiu pienine AB started operating. Total value of whey processing workshop of Vilkyskiu pienine AB amounts to more than LTL 8 million. Vilkyskiu pienine AB received the support of LTL 3.45 million from the European Union Structural Funds for the modernization of cheese production workshop and whey processing project. The first part of support of LTL 1.2 million was received in 2007, and the remaining part of support will be received by the middle of the year 2008. Investments provided the company with possibility to increase the effectiveness of production and production quality control, moreover, it allowed effective reduction of waste. Until now the company had not processed whey by itself. The newly opened whey processing workshop is almost fully automated, only two employees work there.

10. Sale markets

Income of Vilkyskiu pienine AB within the period of last 4 years according to the regions distributed as follows:

Sale results of the year 2007 according to the geographical segments				
Income expressed in LTL thousand	**2004**	**2005**	**2006**	**2007**
European Union	56,059	56,863	63,559	69,594
Lithuania	13,998	28,718	30,545	48,123
Russia	4,440	5,148	17,310	14,279
Other countries	605	980	137	34
Total	**75,102**	**91,709**	**111,551**	**132,030**



Vilkyškių pieninė AB sells its production in Russian market by concluding long-term trade contracts. In the countries of the EU the major part of the production is sold on the basis of short-term trade contracts. In Lithuanian market validation period of contracts varies, but it is not shorter than one year.

11. Supply

The main raw material used for the production of products of Vilkyškių pieninė AB is raw cow milk. The major suppliers of milk are small and big farmers, agricultural companies and other companies of milk purchase. Vilkyškių pieninė AB usually purchases milk on the basis of typical milk purchase contracts, prepared by Vilkyškių pieninė AB itself. Contacts with milk suppliers are concluded for a period of one year or for a longer period.

The company purchases other raw materials mostly in Lithuania. The amount of raw material purchased form foreign countries is small. The company usually purchases equipment form foreign countries. Contracts usually are concluded for a period of one year. However, the company performs the accidental transactions as well. Sometimes Vilkyskiu pienine AB purchases raw milk form its direct competitors in Lithuania, including Marijampoles pieno konservai UAB, Rokiskio suris AB and Pieno zvaigzdes AB, Zemaitijos pienas.

12. Real estate and other main means

Statement of changes in long term assets owned by Vilkyskiu pienine AB:

Expressed in thousand litas	**Land and buildings**	**Machinery, equipment**	**Other tangible assets**	**Construction in progress**	**Total**
Cost price					
Balance on the 1st of January 2006	10 450	19 600	7 281	776	38 107
Acquisitions	462	3 765	2 581	988	7 796
Reappraisal	8 158				8 158
Sales	0	-377	-485	0	-862
Reclassifications	-1 089	96	1 914	-921	0

Balance on the 31st of December 2006	17 981	23 084	11 291	843	53 199
Balance on the 1st of January 2007	17 981	23 084	11 291	843	53 199
Acquisitions	446	7 402	1 045	2 365	11 258
Sales		-1 632	-257		-1 889
Reclassifications	2	3 639	-1 859	-1 782	0
Balance on the 31st of December 2007	18 429	32 493	10 220	1 426	62 568
Depreciation and loss on depreciation					
Balance on the 1st of January 2006	1 858	10 926	3 836		16 620
Depreciation per year	430	1 499	809		2 738
Transferred property		-377	-224		-601
Reclassifications	-163	-386	549		0
Reappraisal	-2 125				-2 125
Balance on the 31st of December 2006	0	11 662	4 970	0	16 632
Balance on the 1st of January 2007	0	11 662	4 970	0	16 632
Depreciation per year	833	1 723	1 013		3 569
Transferred property		-112	-247		-359
Reclassifications	-214	112	102		0
Balance on the 31st of December 2007	619	13 385	5 838	0	19 842
Residual values					
On the 1st of January 2006	8 592	8 674	3 445	776	21 487
On the 31st of December 2006	17 981	11 422	6 321	843	36 567
On the 1st of January 2007	17 981	11 422	6 321	843	36 567
On the 31st of December 2007	17 810	19 108	4 382	1 426	42 726

Real estate of Vilkyškių pieninė AB is as follows:

Type of buildings	Area, sq. m.
Main buildings:	
1. Building of production and administration	1884.72 sq. m
2. Cheese production workshop	373.1 sq. m
3. Cheese ripening workshop	1855.72 sq. m.
4. Cheese salting workshop	492.57 sq. m
5. Boiler-house building	48.4 sq. m
6. Substation building	57.2 sq. m
7. Mechanical control building (cleaning equipment)	121.75 sq. m
8. Freezing chamber	406.15 sq. m
Main buildings in Tauragė:	
1. Administrative building	779.02 sq. m
2. Production building	2665.81 sq. m
3. Concrete storehouse	500.35 sq. m
4.Mechanical workshop	721.49 sq. m
5. Transformation substation	83 sq. m
6. Skaudvile workshop (only milk collection station)	1217.69 sq. m
7. Freezing station	861.54 sq. m
Building of Erzvilkas dairy	**154.80 sq. m**

13. Risk factors related to the activity of the Issuer

The major risk factors related to the activity of the Group of Companies of Vilkyskiu pienine AB is as follows:

Risk factors related to Company's business

- The main Company's activity is milk processing (production of fermented cheese). The main factors creating business risk are possible changes in the raw material and product markets, as well as legal, political, technological and social changes, which are directly or indirectly related to the business of Vilkyskiu pienine AB and which are likely to affect Company's cash flows and operating results.

- The Company is specializing in the production of cheese. The largest part of its income is received from the sale of cheese and cheese products. Due to this reason company's income and profit is sensitive to negatives changes in demand and (or) in cheese prices in the market (market risk). The price of cheese can also be negatively affected by the competition in the international and in local cheese market.

- The main raw material of the company is cow milk. The amount of milk sold to the milk producers of the European Union for processing is limited by the national milk quotas. The limitation of raw material supply may influence the lack of raw material and the increase of raw material prices. These changes can negatively affect Company's cash flows and operating results.
- Production of fermented cheese is a time consuming process which can take from 1 to 3 months. Such production particularity does not allow reacting quickly to rapid changes in the cheese market and this can negatively affect Company's cash flows and operating results.
- Company's business (especially milk collection and its transportation together) is a labor intensive process. Shortage in labor force and growth in salaries can negatively affect Company's potential of growth and operating results.
- Company's credit risk is related to receivable amounts of trade. The risk that business partners would not meet their financial obligations is controlled by established procedures of control. Credit risk, related to assets held in banks, is limited because the Company works only with the largest Lithuanian banks (mainly with AB "SEB Vilniaus bankas"). On the 31st December 2007 ratio of all liabilities and all property was equal to 0.57. The interest rate of all major loans is related to EUR LIBOR ratio of interest rate. On the 31st of December 2007 the balance of financial loans was LTL 16 061. Loans are denominated in EUR. The loans are repaid in accordance with the schedule, no overdue payments are present.
- Risk of currency exchange. Operations with foreign currency are evaluated in LTL according to the exchange rate of operation date. Cash and liabilities denominated in foreign currency are evaluated in LTL applying exchange rate of the balance sheet formation date. Profit or loss from the currency exchange fluctuation is accounted in the profit (loss) statement. The main part of Company's income is received in EUR. The Company does not carry out such foreign currency transactions that could significantly affect Company's financial results due to exchange rate fluctuation.

Risk factors related to the Company's branch of industry

- Agricultural sector (including milk production) is highly regulated in the countries of the European Union. A price level of raw milk is regulated through limitation of its supply for processing and consuming, using interventional purchases of milk products and applying import duties for dairy products imported form non-EU countries, export subsidies for dairy products exported to non-EU countries, and invoking other interventional means. The World Trade Organization and other organizations, which support free trade, incite to reduce the level of regulation in the agricultural sector of the EU. The liberalization of milk sector can reduce price of raw milk and dairy products, reduce export subsidies of dairy products, increase import of dairy products, and increase competition in the market of dairy products among non-EU countries. These changes can negatively affect Company's cash flows and operating results.
- Dairy products are produced using raw materials of animal origin. Cattle infections (for example, mad cow disease) can negatively affect supply of raw milk for the production of dairy products and reduce the demand for dairy products because of fear of disease. Such changes can negatively affect Company's cash flows and operating results.

The structure of Company's loans and borrowings is as follows:

Credit institution	Ref.	Loan amount	Interest rate	Balance on 31/12/2007	Balance on 31/12/2006
AB SEB Vilniaus bankas	a)	11 998	6 months LIBOR+1.3%	9 368	10 998
AB Snoro bankas	b)	2 072	6 months LIBOR+1.55%	1 246	1 692
AB Snoro bankas	b)	2 758	6 months LIBOR+1.55%	2 175	0
Nordic Environment Finance Corporation (NEFCO)		691	3%	0	115
AB SEB Vilniaus bankas	c)	7 078	6 months LIBOR+1.3%	4 536	3 972
AB SEB Vilniaus bankas kredito linija	d)	7 009	6 months LIBOR+1.3%	4 506	3 307
Finance lease liabilities				2 739	1 517
Total liabilities				24 570	21 601
Less: short-term part				-8 509	-4 945
Total loans and borrowings repayable after the period of one year				16 061	16 656

Interest rate of all largest loans is related to EUR LIBOR ratio of interest rate. The loans are repaid in accordance with the schedule, no overdue payments are present.

Transaction of interest exchange has been concluded.

14. Termination or reduction of production, which has had a material impact on the Issuer's operating results within the last 2 fiscal (business) years

Vilkyskiu pienine AB has not faced with such termination or reduction of production within the last 2 years.

15. The main investments of Vilkyskiu pienine AB during the last 4 years:

In 2004 and in 2005 there were no big investments' projects which would exceed 10 percent of the authorized capital of the Issuer.

In 2006 the Issuer invested LTL 3,487.6 thousand in the modernization of cheese workshop, of which – LTL 2,927 thousand borrowed, and LTL 560.6 thousand - own asset.

In 2007 Vilkyskiu pienine AB invested about 7 million litas in whey processing workshop, 1.3 million litas in milk collection equipment and 0.5 million litas in packaging and vacuum equipment.

16. Patents, licences, contracts

On the 8th of May 2000 the company received Export Licence to the European Union which provided the company with the right to export its production to the European Union. The company has introduced quality management programme (Hazard Analysis Critical Control Points System).

On the 14th of October 2004 inspection due to the conformity with the requirements and certification of production to Russian market was carried out. Certification experts form Russian National Veterinary Inspectorate carried out the inspection. On the 18th of May 2004 Taurage workshop of Vilkyskiu pienine AB was issued EU veterinary certificate.

The company is constantly advised on the issues of product certification in Russia by O. B. Jarymova and L. N. Matiusheva (О.Б. Ярымова, Л.Н. Матюшева), who work in Kaliningrad Centre of Standardization, Metrology and Certification. The analysis of technological process and production shows whether the company works in compliance with rules, standards and requirements and whether the production produced by the company is safe.

In 2007 the main evaluation has been carried out in Vilkyskiu pienine AB in order to receive ISO Certificates of Quality Management and Food Safety Management. These certificates were presented in January 2008.

ISO 9001 Standard of Quality Management specifies requirements for quality management systems, including documentation requirements and requirements for processes of planning, management of recourses, product realization, measurement, analysis and improvement. This certificate demonstrates that a company is capable of managing and improving the quality of its supplied products and services, and its production meets with requirements of customers and law.

ISO 22000 Standard of Food Safety Management System demonstrates that food safety risk is identified, measured and controlled in the entire food management chain of Vilkyškių pieninė AB. This current certificate aims at ensuring food safety within the entire chain of food production and supply in order to ensure that food is safe at the time of human consumption. This standard is applied to all types of organizations within the food chain, i.e. for producers of food and food packages.

17. Litigation and arbitration

The processes of litigation and arbitration are not proceeded in Vilkyškių pieninė AB.

18. Competitors

According to the calculations of Vilkyskiu pienine AB, the company holds about 15 percent of Lithuania's cheese market, i.e. it takes the fourth place among the producers, after Rokiskio suris AB, Pieno zvaigzdes AB and Zemaitijos pienas AB.

In foreign markets Vilkyskiu pienine AB has to compete with local producers, whose advantage is lower transportation expenses. However, Vilkyskiu pienine AB compensates this fact by offering higher value added cheese assortment.

19. Dividends paid

Vilkyskiu pienine AB has no preferred shares, thus dividends are paid only for ordinary registered shares.

In 2002 and in 2003 dividends were not paid.

Dividends have been paid within the last 5 years as follows:

Dividends	2002	2003	2004	2005	2006
Dividends (in litas)	0	0	1,177,000	2,500,000	2,057,660
Amount of dividends per share * (in litas)	0	0	0.13	0.27	0.22
Number of shares	99,500	99,500	99,500	9,353,000	9,353,000

*This indicator has been calculated basing on the current number of Company's shares.

IV OTHER INFORMATION ABOUT THE ISSUER

20. Structure of the Issuer's authorized capital

Type of shares	Number of securities	Nominal value (in litas)	Total nominal value (in litas)	ISIN code
Ordinary registered shares	9 353 000	1.00	9 353 000	LT0000127508

21. Restrictions to transfer the securities

There are no restrictions to transfer the securities.

22. Shareholders

Total number of shareholders was 341 on the 31st of December 2007. The following were the major shareholders who had an ownership or hold more than 5 per cent of Company's share capital:

Shareholders	Shares	Nominal value in litas	Total value in litas
Gintaras Bertasius	6 016 506	1	6 016 506
Hansabank clients	673 602	1	673 602
SEB clients	467 650	1	467 650
Other small shareholders	2 195 242	1	2 195 242
Capital in total	**9 353 000**	**1**	**9 353 000**

23. Basic characteristics of shares issued into public circulation of securities

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

In December 2007, as the company submitted the request to Vilnius Stock Exchange, and company's securities were allowed to be included in the Official Trade List form since 1st of January.

The title of securities: Ordinary Registered Shares of Vilkyskiu pienine AB.

The number of securities: 9 353 000 units. Nominal value of one share is LTL 1.00.

In 2008 the authorized capital of the Company will be increased up to LTL 11,943 thousand.

Period		Price, LTL			Turnover, thou LTL			Total turnover		Capitalization, LTL
From	To	Max	Min	Last	Max	Min	Last	Units	LTL	
17/05/2006	20/04/2007	5.82	4.80	5.70	647.8	0	0	531 126	2 821 828	53 310 000
01/01/2007	31/03/2007	5.82	5.20	5.70	126.2	0	0	56 635	312 038.6	53 312 000
01/04/2007	30/06/2007	5.70	5.01	5.20	380.5	0	20.4	167 957	930 576.2	48 635 600
01/07/2007	30/09/2007	6.50	4.80	5.90	3.621.1	0	25.6	1 647 863	9 163 708.7	55 182 700
01/10/2007	31/12/2007	6.70	5.75	6.20	637.6	0	1.8	455 408	2 762 468.4	57 988 600

24. Shareholders who have special rights of control

There are no shares which would provide the shareholders with special rights of control.

25. Voting right restrictions

There are no restrictions of voting right.

26. Interagreements of shareholders which are known to the Issuer and due to which transfer of securities and voting right may be restricted

There are no interagreements of shareholders which are known to the Issuer and due to which transfer of securities and voting right may be restricted.

27. Employees

Average salary according to certain groups of employees is as follows:

Department	2005		2006		2007	
	Average number of employees	Average salary	Average number of employees	Average salary	Average number of employees	Average salary
The Management	32	2643.79	39	3070.39	45	3200.18
Operating personnel	59	818.79	51	1183.88	48	1460.24
Transport Department	67	854.89	66	1348.00	69	1703.25
Purchase of Raw Materials	104	361.15	108	942.14	112	825.05
Production Department	140	706.19	196	908.70	190	1215.97
Total:	**402**	**879.44**	**460**	**1220.75**	**464**	**1429.40**

28. Order of amendment of the Issuer's Articles of Association

The Issuer's Articles of Association can be amended during the General Meeting of the Shareholders. Decisions on the amendments of the Articles of Association are considered to be taken if 2/3 of votes of all shareholders are received.

29. Management Bodies of the Issuer

Structure of the Management Board is as follows:

Name, surname	Education, specialty	Position held in the Issuer	Start of cadence	End of cadence	Beginning of work in Vilkyskiu pienine AB
Gintaras Bertasius	Higher education, engineer - mechanic	Chairman of the Management Board, Director General	30/01/2006	30/01/2010	Since 1993, Vilkyskiu pienine AB
Sigitas Trijonis	Higher education, engineer - mechanic	Member of the Management Board, Technical Director	30/01/2006	30/01/2010	Since 1993, Vilkyskiu pienine AB
Rimantas Jancevicius	Further education, zoo - technician	Member of the Management Board, Stock Director	30/01/2006	30/01/2010	Since 1996, Vilkyskiu pienine AB
Ramunas Sniepis	Higher education, engineer	“Snoras“ Bank Director of Taurage Department	20/04/2007	30/01/2010	1997 “Litimpeks Bank” Director of Taurage Department, 1999 AB “Hermis Bank” Director of Taurage Department, 2000 - 2007 AB Bank “Snoras” Director of Taurage Department

Members of the Managing Bodies are as follows:

Name, surname	Education, specialty	Position held in the Issuer	Beginning of work*
Gintaras Bertasius	Higher education, mechanical engineering	Chairman of the Management Board, Director General	01/01/2006**
Birute Baziliene	Higher education, economics of accounting	Chief Accountant	27/04/1994
Sigita Montvilaite	Further education, accounting	Deputy Chief Accountant	14/12/2006
Rimantas Jancevicius	Further education, zoo-technician	Stock Director	02/01/1996
Sigitas Trijonis	Higher education, mechanical engineering	Member of the Management Board, Technical Director	01/09/1993
Arvydas Zaranka	Further education, technology of dairy products	Production Director	03/07/1995
Arminas Lunia	Higher education, chemical engineering	Sales Director	20/08/2007
Vilija Milaševiciute	Higher *education, economist*	*Economist – analytic*	01/05/2000
Rita Juodikiene	Higher *education, engineer of informatics management*	*Head of the IT Division*	23/09/2002
Vaida Bendikiene	Higher *education, pedagogics*	*Head of the Personnel Division*	25/10/2007
Ina Baltrusiene	Higher education, law	Lawyer	08/10/2007

* None of the labour contracts with the members of the Management Bodies is terminable.
** The employee has been appointed newly after the reorganization of the Issuer into public company, despite the Issuer has been working since 10/05/1993.

30. List of members of Management Bodies and Management Board of Vilkyškių pieninė AB

Name	Surname	Position held
Gintaras	Bertasius	Director General, Chairman of the Management Board
Sigitas	Trijonis	Technical Director, member of the Management Board
Rimantas	Jancevicius	Stock Director, member of the Management Board
Ramunas	Sniepis	Bank “Snoras” Director of Tauragė Department, member of the Management Board
Arvydas	Zaranka	Production Director
Arminas	Lunia	Sales Director
Birute	Baziliene	Chief Accountant

Information on participation in the activity of other companies:

Name	Surname	Position held	Other information - shares, participation in the activity of other companies	Number of shares owned in Vilkyškių pieninė AB
Gintaras	Bertasius	Director General, Chairman of the Management Board	Shareholder of Silgaliai ŪKB (1 share), Chairman of the Management Board of Modest UAB	6 016 506
Sigitas	Trijonis	Technical Director, member of the Management Board	has no other shares, does not participate in the activity of other companies	425 538
Rimantas	Jancevicius	Stock Director, member of the Management Board	has no other shares, does not participate in the activity of other companies	1 985
Ramūnas	Sniepis	Bank “Snoras” Director of Taurage Department, member of the Management Board	has no other shares, does not participate in the activity of other companies	-
Arvydas	Zaranka	Production Director	member of the Management Board of Modest UAB, has no other shares	1 923
Arminas	Lunia	Sales Director	has no other shares, does not participate in the activity of other companies	-
Birute	Baziliene	Chief Accountant	has no other shares, does not participate in the activity of other companies	12

31. Agreements the parties of which is the Issuer and which would enter into force on the change of Issuer’s control

There are no any Agreements the parties of which is the Issuer and which would enter into force on the change of Issuer’s control.

V Information concerning disclosure of compliance with the Governance Code of the companies

32. Announcement of Vilkyskiu pienine AB concerning disclosure of compliance with the Governance Code of the companies whose securities were traded on a regulated market in 2007

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

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
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 constantly presents information related with the development strategy and with the optimization of shareholder value via the information system of the Stock Exchange, on its website (www.suris.lt/investuotojams/), and via agency BNS.
1.2. All management bodies of a company should act in furtherance of the declared strategic objectives in view of the need to optimize shareholder value.	Yes	All management bodies of the company act in furtherance of the declared strategic objectives.

1.3. A company's supervisory and management bodies should act in close co-operation in order to attain maximum benefit for the company and its shareholders.	Yes	The company has set up the Management Board which acts for the interests of the company's shareholders, is responsible for the strategic management of the company, supervises the activity of the chief executive officer of the company, organizes meetings of the Management Board and cooperates with the management bodies of the company.
1.4. A company's supervisory and management bodies should ensure that the rights and interests of persons other than the company's shareholders (e.g. employees, creditors, suppliers, clients, local community), participating in or connected with the company's operation, are duly respected.	Yes	The company acts in compliance with the provisions that are set in this clause.
Principle II: The corporate governance framework **The corporate governance framework should ensure the strategic guidance of the company, the effective oversight of the company's management bodies, an appropriate balance and distribution of functions between the company's bodies, protection of the shareholders' interests.**		
2.1. Besides obligatory bodies provided for in the Law on Companies of the Republic of Lithuania – a general shareholders' meeting and the chief executive officer, it is recommended that a company should set up both a collegial supervisory body and a collegial management body. The setting up of collegial bodies for supervision and management facilitates clear separation of management and supervisory functions in the company, accountability and control on the part of the chief executive officer, which, in its turn, facilitate a more efficient and transparent management process.	No	The bodies of the company are a general shareholders' meeting, Management Board and chief executive officer (Director General). The company does not set up a supervisory board as a collegial management body. The Management Board is responsible for the supervision of company's activity and management.
2.2. A collegial management body is responsible for the strategic management of the company and performs other key functions of corporate governance. A collegial supervisory body is responsible for the effective supervision of the company's management bodies.	Yes	The functions that are indicated in this recommendation are implemented by the Management Board.
2.3. Where a company chooses to form only one collegial body, it is recommended that it should be a supervisory body, i.e. the supervisory board. In such a case, the supervisory board is responsible for the effective monitoring of the functions performed by the company's chief executive officer.	No	The company does not follow this recommendation, where a company chooses to form only one collegial body, as Management Board is the one collegial body. The company does not follow the Recommendation 2.3 of the Governance Code – at present the only collegial body of the company is a management body, not a supervisory one. The management body of the company implements the supervisory functions as well.

2.4. The collegial supervisory body to be elected by the general shareholders' meeting should be set up and should act in the manner defined in Principles III and IV. Where a company should decide not to set up a collegial supervisory body but rather a collegial management body, i.e. the board, Principles III and IV should apply to the board as long as that does not contradict the essence and purpose of this body.[1]	Yes	
2.5. Company's management and supervisory bodies should comprise such number of board (executive directors) and supervisory (non-executive directors) board members that no individual or small group of individuals can dominate decision-making on the part of these bodies.[2]	Yes	At present, in accordance with the Articles of Association, the Management Board of the company is composed of 6 members who are appointed for the period of four years. The number of members of the collegial body is sufficient to dominate decision-making.
2.6. Non-executive directors or members of the supervisory board should be appointed for specified terms subject to individual re-election, at maximum intervals provided for in the Lithuanian legislation with a view to ensuring necessary development of professional experience and sufficiently frequent reconfirmation of their status. A possibility to remove them should also be stipulated however this procedure should not be easier than the removal procedure for an executive director or a member of the management board.	Yes	In accordance with the Articles of Association, the members of the Management Board are appointed for the period of four years without limiting the number of their terms of office. The Articles of Association provides the company with the possibility to withdraw the whole Management Board or any of its members. The withdrawal of a member of the Management Board should be based on the legislation.
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	The company does not follow the Recommendation 2.7 because the head of the Management Board is Director General of the Company. The independence of supervision is guaranteed by the other five member of the Management Board.

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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	While electing the collegial body of the company, the shareholders may take the cognizance of comprehensive information about the candidates early enough before the meeting of the shareholders and during it as well.
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 company follows all provisions that are indicated in this recommendation, moreover, the company could additionally mention the document (such as the operating regulation of that body), if any, which determines the specific order of data exchange among the member of that collegial body. The company accumulates and discloses the entire information about the members of collegial body, their professional education, qualification and conflicts of interest, following the order set out in these recommendations, i.e. via publicly announced periodical reports of the company.
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 company could comprehensively comment the implemented practice (for instance, prior to the announcement of company's annual report to the shareholders, each member of collegial body informs the collegial body about the in-service trainings, relevant to their service on the collegial body, which she/he has attended within the last accounting year). During the meetings of the shareholders, curriculum vitae of candidates to become members of the Management Board are presented, which include such information as their education, professional background, etc. Information about the composition of the Management Board is set out in the reports of the company.
3.4. In order to maintain a proper balance in terms of the current qualifications possessed by its members, the collegial body should determine its desired composition with regard to the company's structure and activities, and have this periodically evaluated. The collegial body should ensure that it is composed of members who, as a whole, have the required diversity of knowledge, judgment and experience to complete their tasks properly. The members of the audit committee, collectively, should have a recent knowledge and relevant experience in the fields of finance, accounting and/or audit for the stock exchange listed companies.	Yes	The company follows the recommendations set out in this clause. The members of the Management Board of the company have required competencies to hold their office and are responsible for the supervision of the main operational processes of the company (technology, management of raw materials, coordination of trade).

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.

3.5. All new members of the collegial body should be offered a tailored program focused on introducing a member with his/her duties, corporate organization and activities. The collegial body should conduct an annual review to identify fields where its members need to update their skills and knowledge.	Yes	Members of the Management Board constantly take part in various refresher courses and seminars where they are provided with the information about the essential changes in legislation that regulates the activity of the company. Moreover, in case of necessity, the members of the Management Board either individually or during the meetings of the Management Board are also informed about the other changes, which have an impact on the activity of the company.
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	The company does not follow the Recommendation 3.6 of the Governance Code as the company neither has defined the independence criteria of a member of the Management Board nor has discussed the content of "sufficiency" concept of independent members.
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	No	The company has not defined the independence criteria of a member of the Management 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.

include compensation payments for the previous office in the company (provided that such payment is no way related with later position) as per pension plans (inclusive of deferred compensations); 4) He/she is not a controlling shareholder or representative of such shareholder (control as defined in the Council Directive 83/349/EEC Article 1 Part 1); 5) He/she does not have and did not have any material business relations with the company or associated company within the past year directly or as a partner, shareholder, director or superior employee of the subject having such relationship. A subject is considered to have business relations when it is a major supplier or service provider (inclusive of financial, legal, counseling and consulting services), major client or organization receiving significant payments from the company or its group; 6) He/she is not and has not been, during the last three years, partner or employee of the current or former external audit company of the company or associated company; 7) He/she is not an executive director or member of the board in some other company where executive director of the company or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) is non-executive director or member of the supervisory board, he/she may not also have any other material relationships with executive directors of the company that arise from their participation in activities of other companies or bodies; 8) He/she has not been in the position of a member of the collegial body for over than 12 years; 9) He/she is not a close relative to an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) or to any person listed in above items 1 to 8. Close relative is considered to be a spouse (common-law spouse), children and parents.		

3.8. The determination of what constitutes independence is fundamentally an issue for the collegial body itself to determine. The collegial body may decide that, despite a particular member meets all the criteria of independence laid down in this Code, he cannot be considered independent due to special personal or company-related circumstances. 3.9. Necessary information on conclusions the collegial body has come to in its determination of whether a particular member of the body should be considered to be independent should be disclosed. When a person is nominated to become a member of the collegial body, the company should disclose whether it considers the person to be independent. When a particular member of the collegial body does not meet one or more criteria of independence set out in this Code, the company should disclose its reasons for nevertheless considering the member to be independent. In addition, the company should annually disclose which members of the collegial body it considers to be independent.	No	The company has not implemented the practice of evaluation and disclosure of independence criteria of a member of the Management Board.
3.10. When one or more criteria of independence set out in this Code has not been met throughout the year, the company should disclose its reasons for considering a particular member of the collegial body to be independent. To ensure accuracy of the information disclosed in relation with the independence of the members of the collegial body, the company should require independent members to have their independence periodically re-confirmed.	No	The company has not implemented the practice of evaluation and disclosure of independence criteria of a member of the Management Board.

3.11. In order to remunerate members of a collegial body for their work and participation in the meetings of the collegial body, they may be remunerated from the company's funds.[6]. The general shareholders' meeting should approve the amount of such remuneration.	Not applicable	Members of the Management Board are not remunerated for their service on the Management Board (however, such possibility is set out in the Articles of Association).
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 Management Board evaluates the project of company's annual financial statements and the project of profit (loss) distribution and issues them to the general shareholders' meeting.
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	Basing on company's data, the members of the Management Board act in good will with regard to the company, follow the interests of the company, not the interests of their own or of the third parties, act in conformity with the principles of fairness and prudence, under an obligation of confidentiality and with due responsibility, thus they aim at maintaining the independence of decision-making.

[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.

4.3. 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	In the year 2007 the members of the Management Board held the meetings of the Management Board (each meeting had the proper quorum) and each member devoted sufficient time to perform her/his duties as a member of the Management Board.
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 management bodies of the company, prior to making the decisions, discuss their impact on shareholders and announce the main information about the company's activity in the periodical reports.
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 management bodies of the company enter into transactions following the legislation, which is approved by the Articles of Association, for the attainment of benefit and welfare to the company.
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.	Yes	In all senses the Management Board makes decisions on the interest of the company. The Management Board of the company and its committees are provided with entire resources that are necessary to exercise their functions. Under the necessity, the employees of the company take part in the meetings of the Management Board and committees and present all the necessary information that is relevant to the issues under discussion.

[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.

[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. 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 Management Board of the company has established 2 committees, which are Nomination and Remuneration Committee and Audit Committee.
4.8. The key objective of the committees is to increase efficiency of the activities of the collegial body by ensuring that decisions are based on due consideration, and to help organize its work with a view to ensuring that the decisions it takes are free of material conflicts of interest. Committees should present the collegial body with recommendations concerning the decisions of the collegial body. Nevertheless the final decision shall be adopted by the collegial body. The recommendation on creation of committees is not intended, in principle, to constrict the competence of the collegial body or to remove the matters considered from the purview of the collegial body itself, which remains fully responsible for the decisions taken in its field of competence.		The function of Nomination and Remuneration Committee is to provide the bodies of the company and persons, who nominate or elect members of the management bodies and executive officers of the company, with recommendations and to ensure the transparent policy, principles and order of the calculation of remuneration to members of the management bodies and executive officers. The Committee provides the Management Board with help while supervising (i) election and nomination of the chief executive office and other executive officers, (ii) the calculation of remuneration to the members of the Management Board, to the chief executive office and to other executive officers. The key function of Audit Committee is to supervise the performance of audit of financial accountability of the company and the presentation order of financial information to persons in interest. The Committee provides the Management Board with help while supervising (i) the quality and consistency of financial, accounting and other relevant documents, (ii) the qualification of the independent auditor, his/her independency and proper performance of his/her office, (iii) the implementation of internal control.

4.9. Committees established by the collegial body should normally be composed of at least three members. In companies with small number of members of the collegial body, they could exceptionally be composed of two members. Majority of the members of each committee should be constituted from independent members of the collegial body. In cases when the company chooses not to set up a supervisory board, remuneration and audit committees should be entirely comprised of non-executive directors. Chairmanship and membership of the committees should be decided with due regard to the need to ensure that committee membership is refreshed and that undue reliance is not placed on particular individuals.	Yes	Each committee of the company is composed of three members.
4.10. Authority of each of the committees should be determined by the collegial body. Committees should perform their duties in line with authority delegated to them and inform the collegial body on their activities and performance on regular basis. Authority of every committee stipulating the role and rights and duties of the committee should be made public at least once a year (as part of the information disclosed by the company annually on its corporate governance structures and practices). Companies should also make public annually a statement by existing committees on their composition, number of meetings and attendance over the year, and their main activities. Audit committee should confirm that it is satisfied with the independence of the audit process and describe briefly the actions it has taken to reach this conclusion.	Yes	The activity of Nomination and Remuneration Committee and Audit Committee is regulated by Regulations Statute Rules of these committees, approved by the Management 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	If necessary, the employees of the company, who are responsible for the spheres of activity that are discussed by the committee, take part in the meetings of the committees and provide the committees with entire required information.
4.12. Nomination Committee. 4.12.1. Key functions of the nomination committee should be the following: 1) Identify and recommend, for the approval of the collegial body, candidates to fill board vacancies. The nomination committee should evaluate the balance of skills, knowledge and experience on the management body, prepare a description of the roles and capabilities required to assume a particular office, and assess the time commitment expected. Nomination committee can also consider candidates to members of the collegial body delegated by the shareholders of the company;		

2) Assess on regular basis the structure, size, composition and performance of the supervisory and management bodies, and make recommendations to the collegial body regarding the means of achieving necessary changes; 3) Assess on regular basis the skills, knowledge and experience of individual directors and report on this to the collegial body; 4) Properly consider issues related to succession planning; 5) Review the policy of the management bodies for selection and appointment of senior management. 4.12.2. Nomination committee 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.	Yes	The functions of nomination committee, which are set out in this recommendation, basically are carried out by the Nomination and Remuneration Committee of the company.
4.13. Remuneration Committee. 4.13.1. Key functions of the remuneration committee should be the following: 1) Make proposals, for the approval of the collegial body, on the remuneration policy for members of management bodies and executive directors. Such policy should address all forms of compensation, including the fixed remuneration, performance-based remuneration schemes, pension arrangements, and termination payments. Proposals considering performance-based remuneration schemes should be accompanied with recommendations on the related objectives and evaluation criteria, with a view to properly aligning the pay of executive director and members of the management bodies with the long-term interests of the shareholders and the objectives set by the collegial body; 2) Make proposals to the collegial body on the individual remuneration for executive directors and member of management bodies in order their remunerations are consistent with company's remuneration policy and the evaluation of the performance of these persons concerned. In doing so, the committee should be properly informed on the total compensation obtained by executive directors and members of the management bodies from the affiliated companies; 3) Make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies; 4) Assist the collegial body in overseeing how the company complies with applicable provisions regarding the remuneration-related information disclosure (in particular the remuneration policy applied and individual remuneration of directors); 5) Make general recommendations to the executive directors	Yes	The functions of remuneration committee, which are set out in this recommendation, basically are carried out by the Nomination and Remuneration Committee of the company.

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: 1) Consider general policy regarding the granting of the above mentioned schemes, in particular stock options, and make any related proposals to the collegial body; 2) Examine the related information that is given in the company's annual report and documents intended for the use during the shareholders meeting; 3) Make proposals to the collegial body regarding the choice between granting options to subscribe shares or granting options to purchase shares, specifying the reasons for its choice as well as the consequences that this choice has. 4.13.3. Upon resolution of the issues attributable to the competence of the remuneration committee, the committee should at least address the chairman of the collegial body and/or chief executive officer of the company for their opinion on the remuneration of other executive directors or members of the management bodies.		
4.14. Audit Committee. 4.14.1. Key functions of the audit committee should be the following: 1)• Observe the integrity of the financial information provided by the company, in particular by reviewing the relevance and consistency of the accounting methods used by the company and its group (including the criteria for the consolidation of the accounts of companies in the group); 2)• At least once a year review the systems of internal control and risk management to ensure that the key risks (inclusive of the risks in relation with compliance with existing laws and regulations) are properly identified, managed and reflected in the information provided;		

3) Ensure the efficiency of the internal audit function, among other things, by making recommendations on the selection, appointment, reappointment and removal of the head of the internal audit department and on the budget of the department, and by monitoring the responsiveness of the management to its findings and recommendations. Should there be no internal audit authority in the company, the need for one should be reviewed at least annually; 4) Make recommendations to the collegial body related with selection, appointment, reappointment and removal of the external auditor (to be done by the general shareholders' meeting) and with the terms and conditions of his engagement. The committee should investigate situations that lead to a resignation of the audit company or auditor and make recommendations on required actions in such situations; 5) Monitor independence and impartiality of the external auditor, in particular by reviewing the audit company's compliance with applicable guidance relating to the rotation of audit partners, the level of fees paid by the company, and similar issues. In order to prevent occurrence of material conflicts of interest, the committee, based on the auditor's disclosed inter alia data on all remunerations paid by the company to the auditor and network, should at all times monitor nature and extent of the non-audit services. Having regard to the principals and guidelines established in the 16 May 2002 Commission Recommendation 2002/590/EC, the committee should determine and apply a formal policy establishing types of non-audit services that are (a) excluded, (b) permissible only after review by the committee, and (c) permissible without referral to the committee; 6) Review efficiency of the external audit process and responsiveness of management to recommendations made in the external auditor's management letter. 4.14.2. All members of the committee should be furnished with complete information on particulars of accounting, financial and other operations of the company. Company's management should inform the audit committee of the methods used to account for significant and unusual transactions where the accounting treatment may be open to different approaches. In such case a special consideration should be given to company's operations in offshore centers and/or activities carried out through special purpose vehicles (organizations) and justification of such operations. 4.14.3. The audit committee should decide whether participation of the chairman of the collegial body, chief executive officer of the company, chief financial officer (or superior employees in charge of finances, treasury and		The company substantially follows the provisions of these recommendations. The key function of the Audit Committee is to observe the performance of audit of financial accountability of the company and the presentation order of financial information to persons in interest. The Committee provides the Management Board with help while observing (i) the quality and consistency of financial, accounting and other relevant documents, (ii) the qualification of the independent auditor, his/her independency and proper performance of his/her office, (iii) the implementation of internal control.

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

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 chairman of the Management Board heads up the meetings of the Management Board. The employee of the company organizes the work of the Management Board by order of the chairman of the Management Board.
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[11].	Yes	The meetings of the Management Board, which is the collegial body of the company, are carried out according to the schedule approved in advance at certain intervals of time (or on demand).
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	Each member of the management body may take the cognizance of the issues on the agenda of the meeting before the day of the meeting. Issues under discussion (thesis of reports, draft resolutions, etc.) are presented in advance alongside with the notice about the meeting being convened. Usually the announced agenda of the meeting is not changed unless it is decided otherwise during the meeting, when all members of the Management Board are present, and if the material for the supplemented issue is sufficient in order to make the decision on the issue that has not been announced on the agenda. Issues of agenda of the meetings and draft resolutions are prepared and presented by the chief executive office of the company, by the members of the Management Board, or by special groups, which are formed on the decision of the Management Board and which may include specialists who are not the employees of the company.

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

5.4. In order to co-ordinate operation of the company's collegial bodies and ensure effective decision-making process, chairpersons of the company's collegial bodies of supervision and management should closely co-operate by co-coordinating dates of the meetings, their agendas and resolving other issues of corporate governance. Members of the company's board should be free to attend meetings of the company's supervisory board, especially where issues concerning removal of the board members, their liability or remuneration are discussed.	No	The company can not follow Recommendation 5.4 because the company does not establish any collegial supervisory bodies.
Principle VI: The equitable treatment of shareholders and shareholder rights **The corporate governance framework should ensure the equitable treatment of all shareholders, including minority and foreign shareholders. The corporate governance framework should protect the rights of the shareholders.**		
6.1. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all their holders.	Yes	The capital of the company consists of ordinary registered shares that grant the same personal property and not-property right to all holders of company's shares.
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 Articles of Association, which determines the rights of investors attached to shares of the company, is publicly announced on the website of the company.
6.3. Transactions that are important to the company and its shareholders, such as transfer, investment, and pledge of the company's assets or any other type of encumbrance should be subject to approval of the general shareholders' meeting.[12] All shareholders 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 Articles of Association does not determine the criteria of important transactions, according to which the company could decide what transaction should be subject to approval of the shareholders' meeting,

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

6.4. Procedures of convening and conducting a general shareholders' meeting should ensure equal opportunities for the shareholders to effectively participate at the meetings and should not prejudice the rights and interests of the shareholders. The venue, date, and time of the shareholders' meeting should not hinder wide attendance of the shareholders. Prior to the shareholders' meeting, the company's supervisory and management bodies should enable the shareholders to lodge questions on issues on the agenda of the general shareholders' meeting and receive answers to them.	Yes	The company chooses such venue, date, and time of company's meetings which ensure equal opportunities for all shareholders to effectively participate at the meetings.
6.5. It is recommended that documents on the course of the general shareholders' meeting, including draft resolutions of the meeting, should be placed on the publicly accessible website of the company in advance[13]. It is recommended that the minutes of the general shareholders' meeting after signing them and/or adopted resolutions should be also placed on the publicly accessible website of the company. Seeking to ensure the right of foreigners to familiarize with the information, whenever feasible, documents referred to in this recommendation should be published in English and/or other foreign languages. Documents referred to in this recommendation may be published on the publicly accessible website of the company to the extent that publishing of these documents is not detrimental to the company or the company's commercial secrets are not revealed.	Yes	Following the order that is set in the legislation and in the Articles of Association, the company announces draft resolutions of the convened meetings on the company's website. Moreover, all the necessary information is announced via the information systems of the stock exchanges in Lithuanian and English languages.
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	Each shareholder may take part in the meeting personally or may commission her/his representation to another person and to demand voting in advance on issues that are announced on the agenda of the meeting. In such cases advance voting ballots are prepared.
6.7. With a view to increasing the shareholders' opportunities to participate effectively at shareholders' meetings, the companies are recommended to expand use of modern technologies in voting processes by allowing the shareholders to vote in general meetings via terminal equipment of telecommunications. In such cases security of telecommunication equipment, text protection and a possibility to identify the signature of the voting person should be guaranteed. Moreover, companies could furnish its shareholders, especially foreigners, with the opportunity to watch shareholder meetings by means of modern technologies.	No	The company neither has possibility to guarantee text protection nor to identify the signature of the voting person.

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

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 management bodies act insomuch that the conflicts of interests would not occur.
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.		
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.		
7.4. Any member of the company's supervisory and management body should abstain from voting when decisions concerning transactions or other issues of personal or business interest are voted on.	Yes	The members of the management bodies of the company are informed about the provisions of this recommendation and they would abstain from voting when decisions of their personal or business interest are voted on.
Principle VIII: Company's remuneration policy **Remuneration policy and procedure for approval, revision and disclosure of directors' remuneration established in the company should prevent potential conflicts of interest and abuse in determining remuneration of directors, in addition it should ensure publicity and transparency both of company's remuneration policy and remuneration of directors.**		
8.1. A company should make a public statement of the company's remuneration policy (hereinafter the remuneration statement). This statement should be part of the company's annual accounts. Remuneration statement should also be posted on the company's website.	No	The company does not follow the recommendations due to public statement of the company's remuneration policy. The company follows the approved policy in accordance with which the system of remuneration and premiums as well as other payments, which are related with labour relations, is not publicly announced, and the company attributes such information to information of commercially confidential nature.

8.2. Remuneration statement should mainly focus on directors' remuneration policy for the following year and, if appropriate, the subsequent years. The statement should contain a summary of the implementation of the remuneration policy in the previous financial year. Special attention should be given to any significant changes in company's remuneration policy as compared to the previous financial year.	No	
8.3. Remuneration statement should leastwise include the following information: • Explanation of the relative importance of the variable and non-variable components of directors' remuneration; • Sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration; • Sufficient information on the linkage between the remuneration and performance; • The main parameters and rationale for any annual bonus scheme and any other non-cash benefits; • A description of the main characteristics of supplementary pension or early retirement schemes for directors.	No	
8.4. Remuneration statement should also summarize and explain company's policy regarding the terms of the contracts executed with executive directors and members of the management bodies. It should include, inter alia, information on the duration of contracts with executive directors and members of the management bodies, the applicable notice periods and details of provisions for termination payments linked to early termination under contracts for executive directors and members of the management bodies.	No	
8.5. The information on preparatory and decision-making processes, during which a policy of remuneration of directors is being established, should also be disclosed. Information should include data, if applicable, on authorities and composition of the remuneration committee, names and surnames of external consultants whose services have been used in determination of the remuneration policy as well as the role of shareholders' annual general meeting.	No	
8.6. Without prejudice to the role and organization of the relevant bodies responsible for setting directors' remunerations, the remuneration policy or any other significant change in remuneration policy should be included into the agenda of the shareholders' annual general meeting. Remuneration statement should be put for voting in shareholders' annual general meeting. The vote may be either mandatory or advisory.	No	The company does not publicly announce the policy of remuneration.
8.7. Remuneration statement should also contain detailed information on the entire amount of remuneration, inclusive of other benefits, that was paid to individual directors over the relevant financial year. This document should list at least the information set out in items 8.7.1 to 8.7.4 for each person who has served as a director of the company at any time during the relevant financial year.		

8.7.1. The following remuneration and/or emoluments-related information should be disclosed: • The total amount of remuneration paid or due to the director for services performed during the relevant financial year, inclusive of, where relevant, attendance fees fixed by the annual general shareholders meeting; • The remuneration and advantages received from any undertaking belonging to the same group; • The remuneration paid in the form of profit sharing and/or bonus payments and the reasons why such bonus payments and/or profit sharing were granted; • If permissible by the law, any significant additional remuneration paid to directors for special services outside the scope of the usual functions of a director; • Compensation receivable or paid to each former executive director or member of the management body as a result of his resignation from the office during the previous financial year; • Total estimated value of non-cash benefits considered as remuneration, other than the items covered in the above points. 8.7.2. As regards shares and/or rights to acquire share options and/or all other share-incentive schemes, the following information should be disclosed: • The number of share options offered or shares granted by the company during the relevant financial year and their conditions of application; • The number of shares options exercised during the relevant financial year and, for each of them, the number of shares involved and the exercise price or the value of the interest in the share incentive scheme at the end of the financial year; • The number of share options unexercised at the end of the financial year; their exercise price, the exercise date and the main conditions for the exercise of the rights; • All changes in the terms and conditions of existing share options occurring during the financial year. 8.7.3. The following supplementary pension schemes-related information should be disclosed: • When the pension scheme is a defined-benefit scheme, changes in the directors' accrued benefits under that scheme during the relevant financial year; • When the pension scheme is defined-contribution scheme, detailed information on contributions paid or payable by the company in respect of that director during the relevant financial year. 8.7.4. The statement should also state amounts that the company or any subsidiary company or entity included in the consolidated annual financial statements of the company has paid to each person who has served as a director in the company at any time during the relevant financial year in the form of loans, advance payments or guarantees, including the amount outstanding and the interest rate.	No	

8.8. Schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements should be subject to the prior approval of shareholders' annual general meeting by way of a resolution prior to their adoption. The approval of scheme should be related with the scheme itself and not to the grant of such share-based benefits under that scheme to individual directors. All significant changes in scheme provisions should also be subject to shareholders' approval prior to their adoption; the approval decision should be made in shareholders' annual general meeting. In such case shareholders should be notified on all terms of suggested changes and get an explanation on the impact of the suggested changes.	No	The company does not apply schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements.
8.9. The following issues should be subject to approval by the shareholders' annual general meeting: • Grant of share-based schemes, including share options, to directors; • Determination of maximum number of shares and main conditions of share granting; • The term within which options can be exercised; • The conditions for any subsequent change in the exercise of the options, if permissible by law; • All other long-term incentive schemes for which directors are eligible and which are not available to other employees of the company under similar terms. Annual general meeting should also set the deadline within which the body responsible for remuneration of directors may award compensations listed in this article to individual directors.		
8.10. Should national law or company's Articles of Association allow, any discounted option arrangement under which any rights are granted to subscribe to shares at a price lower than the market value of the share prevailing on the day of the price determination, or the average of the market values over a number of days preceding the date when the exercise price is determined, should also be subject to the shareholders' approval.	Not applicable	
8.11. Provisions of Articles 8.8 and 8.9 should not be applicable to schemes allowing for participation under similar conditions to company's employees or employees of any subsidiary company whose employees are eligible to participate in the scheme and which has been approved in the shareholders' annual general meeting.		

8.12. Prior to the annual general meeting that is intended to consider decision stipulated in Article 8.8, the shareholders must be provided an opportunity to familiarize with draft resolution and project-related notice (the documents should be posted on the company's website). The notice should contain the full text of the share-based remuneration schemes or a description of their key terms, as well as full names of the participants in the schemes. Notice should also specify the relationship of the schemes and the overall remuneration policy of the directors. Draft resolution must have a clear reference to the scheme itself or to the summary of its key terms. Shareholders must also be presented with information on how the company intends to provide for the shares required to meet its obligations under incentive schemes. It should be clearly stated whether the company intends to buy shares in the market, hold the shares in reserve or issue new ones. There should also be a summary on scheme-related expenses the company will suffer due to the anticipated application of the scheme. All information given in this article must be posted on the company's website.		
Principle IX: The role of stakeholders in corporate governance **The corporate governance framework should recognize the rights of stakeholders as established by law and encourage active co-operation between companies and stakeholders in creating the company value, jobs and financial sustainability. For the purposes of this Principle, the concept "stakeholders" includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interest in the company concerned.**		
9.1. The corporate governance framework should assure that the rights of stakeholders that are protected by law are respected.	Yes	The company has established conditions under which each stakeholder may participate in the management of the company and they have access to relevant information. The employees, who hold the shares of the company, participate in the meetings of the shareholders, are interested in the activity of the company and its results. Yearly the company pays dividends to the shareholders.
9.2. 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.		
9.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.		

Principle X: Information disclosure and transparency **The corporate governance framework should ensure that timely and accurate disclosure is made on all material information regarding the company, including the financial situation, performance and governance of the company.**		
10.1. The company should disclose information on: • The financial and operating results of the company; • Company objectives; • Persons holding by the right of ownership or in control of a block of shares in the company; • Members of the company's supervisory and management bodies, chief executive officer of the company and their remuneration; • Material foreseeable risk factors; • Transactions between the company and connected persons, as well as transactions concluded outside the course of the company's regular operations; • Material issues regarding employees and other stakeholders; • Governance structures and strategy. This list should be deemed as a minimum recommendation, while the companies are encouraged not to limit themselves to disclosure of the information specified in this list.	Yes, except for items 4 and 6	Information on company's financial situation, its activity and the management of the company is disclosed in the reports to press, in the reports on material events of the company, in the annual and interim reports of the company as well as on the website of the company. Information regarding the professional background, labour experience, position held of the members of the management bodies of the company, as well as the information regarding their participation in the activity of other companies and company's shares that are held by them, is publicly disclosed in the periodical reports and on the website of the company.
10.2. It is recommended that consolidated results of the whole group to which the company belongs should be disclosed when information specified in item 1 of Recommendation 10.1 is under disclosure.	Yes	
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.	No	
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.	Not applicable	

10.5. Information should be disclosed in such a way that neither shareholders nor investors are discriminated with regard to the manner or scope of access to information. Information should be disclosed to all simultaneously. It is recommended that notices about material events should be announced before or after a trading session on the Vilnius Stock Exchange, so that all the company's shareholders and investors should have equal access to the information and make informed investing decisions.	Yes	The company presents the information via the information disclosure system applied by Vilnius Stock Exchange simultaneously in Lithuanian and English languages insofar as it is possible so that the Stock Exchange would announce the received information on its website and in the trading system, thus ensuring the simultaneous access to information for everybody. The company endeavors to announce the information before or after a trading session on Vilnius Stock Exchange and to present the information to all stock exchanges on which the securities of the company are traded. The company keeps the confidentiality with regard to information that may have an impact on the price of its issued stocks and does not disclose such information neither in commentaries, nor during interviews, nor otherwise as long as such information is publicly announced via the information system of the stock exchange.
10.6. Channels for disseminating information should provide for fair, timely and cost-efficient access to relevant information by users. It is recommended that information technologies should be employed for wider dissemination of information, for instance, by placing the information on the company's website. It is recommended that information should be published and placed on the company's website not only in Lithuanian, but also in English, and, whenever possible and necessary, in other languages as well.	Yes	The company publicly announces all the essential information (in Lithuanian and English languages) on the website of the company, thus ensuring fair, timely and cost-efficient access to relevant information.
10.7. It is recommended that the company's annual reports and other periodical accounts prepared by the company should be placed on the company's website. It is recommended that the company should announce information about material events and changes in the price of the company's shares on the Stock Exchange on the company's website too.	Yes	The company follows this recommendation and places all the essential information on the company's website.
Principle XI: The selection of the company's auditor **The mechanism of the selection of the company's auditor should ensure independence of the firm of auditor's conclusion and opinion.**		
11.1. An annual audit of the company's financial statements and report should be conducted by an independent firm of auditors in order to provide an external and objective opinion on the company's financial statements.	Yes	The company follows this recommendation as the audit of company's annual financial statement is conducted by an independent firm of auditors.
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 Management Board of the company proposes a candidate firm of auditors to the shareholders' meeting. The firm of auditors is approved by the shareholders' meeting

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

VI DATA CONCERNING PUBLICLY ANNOUNCED INFORMATION

33. Summary of materials events of 2007

In April Vaidotas Juskys, the member of the Management Board, resigned.

The company announces its sale results on the 10th day of each month in the system of Vilnius Stock Exchange

http://www.baltic.omxgroup.com/market/?instrument=LT0000127508&list=2&pg=details&tab=news

The results of the first haft year have been influenced by up-to-date whey processing workshop of Vilkyskiu pienine which started operating in the middle of June. Total value of whey processing workshop of Vilkyskiu pienine AB amounts to more than LTL 8.3 million. Vilkyskiu pienine AB received the support of LTL 3.45 million from the European Union Structural Funds for the modernization of cheese production workshop and whey processing project. Investments provided the company with possibility to increase the effectiveness of production and production quality control, moreover, it allowed effective reduction of waste.

In September foreign investors purchased 11.72 percent of shares of Vilkyskiu pienine AB.

The first stage of public offer of shares of Vilkyskiu pienine AB took place in spring of the last year. During this stage the company successfully distributed 10 percent of ordinary registered shares. More the 390 investors presented the intention to acquire the block of shares, consisting of 935 300 units of shares. Total number of shares requested by the investors exceeded 982 thousand, which is 5 % higher compared to the number of offered shares. Vilkyskiu pienine AB implemented the requirements of Vilnius Stock Exchange and it was included in Current Trade List of Vilnius Stock Exchange.

The return together with the dividends was higher than 20 percent since the first distribution of shares of Vilkyskiu pienine AB, and the total turnover reached LTL 6.5 million. In 2006 the income of Vilkyskiu pienine AB amounted to LTL 116 million and the net profit amounted to LTL 4 million.

On the 15th of October 2007 Vilkyskiu pienine AB entered into contract with Financial Broker Company Orion Securities UAB on the market making. Orion Securities submitted the request to Vilnius Stock Exchange concerning the involvement of Vilkyskiu pienine AB into the list of market making and started market making on the 29th of October 2007.

On the 5th of December 2007 Vilkyskiu pienine AB submitted the request to Vilnius Stock Exchange concerning the in involvement of company's shares in the Official Trade List.

34. Reports on the material events since the end of the year of financial accountability

In January 2008 Vilkyskiu pienine AB concluded the contract on the purchase of 99.09 percent of shares of Kelmes pienine AB.

In February Vilkyskiu pienine AB announced that this year it plans to export twice as much cheese to Russia. In 2007 Vilkyskiu pienine AB exported 1340 tones of cheese to Russia and this amounted to 16 percent of all cheeses sold by the company. The managers of Vilkyskiu pienine AB participated in the international exhibition "Prodexpo 2008" in Moscow, which is the largest international food industry exhibition in Eastern Europe. Participates from 65 countries exhibited its production there. As Gintaras Bertasius, Director General of the company, returned from the exhibition, he prognosticates that this year Vilkyskiu pienine AB will continue successfully expanding its export of production to Russian market and plans to export almost twice as much – 2500 tones of cheese. This should comprise 25 percent of all cheese that are planned to be sold in 2008.

In March Vilkyskiu pienine AB received the permission from the Competition Board to acquire 99.09 percent of shares of Kelmes pienine AB and of its subsidiary company Kelmes pieno centras UAB. During the extraordinary meeting of shareholders the shareholders took the decision to increase the authorized capital by issuing new emission of 2,590,000 shares. The prerogative right to acquire the new emission of shares was canceled to current shareholders of the company.

The Company constantly presents information related with the material events in the system of Vilnius Stock Exchange where investors may get acquainted with all company's reports, moreover news are announced in the company's web-site via the news agency BNS.