Pieno Žvaigždės, AB

Financial statements for the year ended 31 December 2015

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Company details

Pieno Žvaigždės, AB

Telephone:	+370 5 246 1414
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Company code:	124665536
Registered at:	Perkūnkiemio St. 3, Vilnius, Lithuania

Board

Paul Bergqvist, Chairman
Voldemaras Klovas
Julius Kvaraciejus
Aleksandr Smagin
Gžegož Rogoža
Audrius Statulevičius
Hans Mideus

Management

Aleksandr Smagin, General Director

Auditor

KPMG Baltics, UAB

Banks

AB SEB Bankas
Swedbank, AB
AB DNB Bankas

Management's statement on the financial statements

The Board and Management have today discussed and authorized for issue the financial statements and signed them on behalf of the Company.

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union. We consider that the accounting policies used are appropriate and that the financial statements give a true and fair view of the Company's financial position, financial performance and cash flows as to International Financial Reporting Standards as adopted by the European Union.

We recommend the financial statements to be approved at the General Shareholders' Meeting.

Vilnius, 26 February 2016

Management:

Aleksandr Smagin
General Director

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Independent auditor's report

To the Shareholders of Pieno Žvaigždės, AB

Report on the Financial Statements

We have audited the accompanying financial statements of Pieno Žvaigždės, AB (hereinafter "the Company"), which comprise the statement of financial position as at 31 December 2015, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information, as set out on pages 5–44.

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, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Pieno Žvaigždės, AB as at 31 December 2015 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union.

Report on Other Legal and Regulatory Requirements

Furthermore, we have read the annual report of Pieno Žvaigždės, AB for the year ended 31 December 2015, set out on pages 45–74 of the financial statements, and have not identified any material inconsistencies between the financial information included in the annual report and the financial statements of Pieno Žvaigždės, AB for the year ended 31 December 2015.

On behalf of KPMG Baltics, UAB

Rokas Kasperavičius
Partner
Certified Auditor

Vilnius, the Republic of Lithuania
18 March 2016

Statement of comprehensive income for the year ended 31 December

thousand EUR	Note	2015	2014
Revenue	1	163,790	239,617
Cost of sales		(130,422)	(202,310)
Gross profit		**33,368**	**37,307**
Other operating income	2	617	1,217
Other operating expenses	2	(267)	(250)
Selling and distribution expenses	3	(17,279)	(19,740)
Administrative expenses	3	(12,384)	(11,922)
Operating profit		**4,055**	**6,612**
Finance income	4	20	174
Finance expenses	5	(888)	(1,145)
Finance expenses, net		**(868)**	**(971)**
Profit before taxes		**3,187**	**5,641**
Income tax expenses	6	(525)	(662)
Profit for the year		**2,662**	**4,979**
Total other comprehensive income (expenses) less taxes		**-**	**-**
Total comprehensive income for the year		**2,662**	**4,979**
Basic earnings per share (EUR)	7	0.0540	0.10
Diluted earnings per share (EUR)	7	0.0540	0.10

The Notes, set out on pages 9 to 44, are an integral part of these financial statements.

Statement of financial position at 31 December

thousand EUR	Note	2015	2014
Assets			
Property, plant and equipment	8	50,753	55,800
Intangible assets	9	72	57
Investments available for sale	10	80	80
Long-term receivables	12	290	31
Total non-current assets		**51,195**	**55,968**
Inventories	11	14,298	16,827
Current tax assets		-	358
Receivables and other assets	12	12,609	16,168
Cash and cash equivalents	13	551	716
Total current assets		**27,458**	**34,069**
Total assets		**78,653**	**90,037**
Equity			
Share capital		14,394	14,375
Share premium		7,891	7,891
Reserves		12,118	5,288
Treasury shares		(6,660)	-
Retained earnings		4,437	12,232
Total equity	14	**32,180**	**39,786**
Liabilities			
Government grants	15	930	1,240
Interest-bearing loans and borrowings	16	26,200	18,168
Employee benefits	17	784	503
Deferred tax	18	126	281
Total non-current liabilities		**28,040**	**20,192**
Derivatives	20	187	112
Interest-bearing loans and borrowings	16	4,600	15,881
Trade and other amounts payable	19	13,578	14,066
Income tax payable		68	-
Total current liabilities		**18,433**	**30,059**
Total liabilities		**46,473**	**50,251**
Total equity and liabilities		**78,653**	**90,037**

The Notes, set out on pages 9 to 44, are an integral part of these financial statements.

Statement of changes in equity

thousand EUR	Note	**Share capital**	**Share premium**	**Legal reserve**	**Treasury shares**	**Revalua-tion reserve**	**Other reserves**	**Retained earnings (losses)**	**Total equity**
As at 1 January 2014		14,375	7,891	1,570	-	4,087	3,823	6,395	38,141
Comprehensive income for the period									
Net profit for the year								4,979	4,979
Other comprehensive income									
Depreciation on revaluation increase of buildings						(717)		717	-
Total comprehensive income for the period		**-**	**-**	**-**		**(717)**	**-**	**5,696**	**4,979**
Transactions with owners recognized directly in equity									
Transfer to/from reserves							(3,475)	3,475	-
Dividends								(3,450)	(3,450)
Other income								116	116
Total transactions with owners		**-**	**-**	**-**		**-**	**(3,475)**	**141**	**(3,334)**
At 31 December 2014	14	**14,375**	**7,891**	**1,570**	**-**	**3,370**	**348**	**12,232**	**39,786**
As at 1 January 2015		14,375	7,891	1,570	-	3,370	348	12,232	39,786
Comprehensive income for the period									
Net profit for the year								2,662	2,662
Other comprehensive income									
Depreciation on revaluation increase of buildings						(282)		282	-
Total comprehensive income for the period		**-**	**-**	**-**	**-**	**(282)**	**-**	**2,944**	**2,662**
Transactions with owners recognized directly in equity									
Transfer to/from reserves							7,112	(7,112)	-
Dividends								(3,723)	(3,723)
Acquisition of treasury shares	14				(6,660)				(6,660)
Other income								115	115
Increase in capital		19						(19)	-
Total transactions with owners		**19**	**-**	**-**	**(6,660)**	**-**	**7,112**	**(10,739)**	**(10,268)**
At 31 December 2015	14	**14,394**	**7,891**	**1,570**	**(6,660)**	**3,088**	**7,460**	**4,437**	**32,180**

The Notes, set out on pages 9 to 44, are an integral part of these financial statements.

Statement of cash flows

for the year ended 31 December

thousand EUR	Note	2015	2014
Cash flows from operating activities			
Profit for the year		2,662	4,979
Adjustments for:			
Depreciation and amortization	8, 9	8,204	8,795
Amortization of government grants	15	(310)	(400)
Gain on disposal and write-off of property, plant and equipment		(128)	(884)
Doubtful and written down receivables	12	235	6
Change in vacation reserve	19	19	56
Change in write-down of inventories		475	81
Change in derivatives	20	75	(110)
Change in employee benefits	17	281	-
Interest income/expenses, net	4,5	811	1,107
Income tax expense	6	525	662
		12,849	**14,292**
Change in inventories		2,054	11,586
Change in receivables		3,065	(973)
Change in payables		-	(8,152)
Cash flows from operating activities		**17,968**	**16,753**
Interest paid		(825)	(1,119)
Income tax paid		(611)	(339)
Net cash flow from operating activities		**16,532**	**15,295**
Cash flows from investing activities			
Acquisition of property, plant and equipment	8	(3,300)	(5,643)
Acquisition of intangible assets	9	(59)	(33)
Proceeds on sale of property, plant and equipment		144	2,017
Interest income		14	12
Other proceeds		-	116
Net cash flow used in investing activities		**(3,201)**	**(3,531)**
Cash flows from financing activities			
Loans granted		-	(8)
Loans received		14,425	7,231
Repayment of loans		(17,675)	(15,517)
Acquisition of treasury shares	14	(6,660)	-
Dividends paid		(3,586)	(3,435)
Government grants received	15	-	-
Net cash flow used in/from financing activities		**(13,496)**	**(11,729)**
Change in cash and cash equivalents		(165)	35
Cash and cash equivalents at 1 January		716	681
Cash and cash equivalents at 31 December		**551**	**716**

The Notes, set out on pages 9 to 44, are an integral part of these financial statements.

Notes to the financial statements

Background information

The head office of Pieno Žvaigždės, AB (hereinafter "the Company") is located in Perkūnkiemio St. 3, Vilnius, Lithuania. Pieno Žvaigždės, AB was established in 1998 by way of a merger of stock companies Mažeikių Pieninė, Pasvalio Sūrinė and Kauno Pienas.

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

All ordinary shares of the Company are quoted in the Vilnius Stock Exchange. There is no controlling entity or individual among the shareholders of Pieno Žvaigždės, AB.

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

The average number of employees in 2015 was 1,805 (in 2014: 1,950 employees).

Significant accounting policies

Statement of compliance

The financial statements of Pieno Žvaigždės, AB have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU).

The Board of the Company approved these financial statements on 26 February 2016. The shareholders have a statutory right to approve these financial statements or not to approve them and require preparation of new financial statements.

Basis of preparation

The financial statements are presented in the euro being the functional currency of the Company, and are prepared on the historical cost basis, except for land and buildings which are stated at revalued amount.

On 1 January 2015, the Republic of Lithuania joined the euro area and the Lithuanian national currency litas was replaced by the euro. As a result, starting from 1 January 2015 the financial accounts of the Company are denominated in the euro. The comparative figures were converted from LTL to EUR at the official exchange rate of LTL 3.4528 to EUR 1.

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

Significant accounting policies (continued)

Basis of preparation (continued)

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

Judgments and estimates made by management in the application of IFRSs as adopted by the EU that have significant effect on the financial statements are discussed on page 22.

Foreign currency transactions

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

Property, plant and equipment

Owned assets

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

The cost of an item of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, any costs directly attributable to asset acquisition and condition necessary for it to be capable of operating.

Borrowing costs that are directly attributable to the acquisition, construction or production of an item of property, plant and equipment where substantial period of time is necessary to get ready the asset for its intended use, are capitalized as part of cost of the asset.

The revaluation reserve is reduced annually in proportion to the depreciation of the revaluation increase, by a transfer from revaluation reserve to retained earnings as the asset is depreciated with the balance being transferred upon ultimate disposal.

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

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

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

Significant accounting policies (continued)

Property, plant and equipment (continued)

Leased assets

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

Subsequent expenditure

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

Depreciation

Depreciation (except for land which is not depreciated) is charged to profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives are as follows:

- buildings 20–40 years;
- machinery and equipment 10–12 years;
- vehicles and other non-current asset 4–20 years.

Intangible assets

Intangible assets with a definite useful life acquired by the Company are stated at cost less accumulated amortization and impairment losses.

Costs related to internally generated goodwill and trademarks are recognized in profit or loss as costs when incurred.

Subsequent expenditure

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

Amortization

Amortization is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortized from the date they are available for use. The estimated useful lives are 1 to 3 years.

Significant accounting policies (continued)

Intangible assets (continued)

Goodwill

Goodwill is represented by the fair value of consideration transferred including the recognized amount of any non-controlling interest in the acquiree, less the net recognized amount (usually fair value) of identifiable net assets acquired and liabilities assumed, all measured at acquisition date. Goodwill is included in intangible assets and annually assessed for impairment.

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

Financial instruments

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

Derivative financial instruments

The Company holds derivative financial instruments to hedge its interest rate risk exposure. Derivatives are recognized initially at fair value: attributable transaction costs are recognized in profit or loss when incurred. Subsequently to initial recognition, derivatives are measured at fair value, and changes therein are accounted in profit and loss.

Investments in equity securities

Investments in equity securities are classified as available-for-sale and at initial recognition are stated at fair value plus attributable transaction costs. Subsequently the investments are revalued to fair value carrying the gain or loss on their revaluation through other comprehensive income to equity. Impairment losses, if any, are included in profit or loss if the fair value decline is considered to be prolonged or significant. When the investments are sold, the accrued gain or loss previously recognized under equity, is recognized in the profit or loss. If the fair value cannot be determined reliably, the investments in equity securities are stated at cost less impairment losses.

The fair value of financial instruments available for sale is their quoted price at the reporting date.

Financial instruments classified as available-for-sale are recognized / derecognized by the Company on the date it commits to purchase/sell the instruments.

Significant accounting policies (continued)

Financial instruments (continued)

Other financial instruments

Trade receivables of the Company are not traded in an active market. They are included in current assets except for maturities greater than 12 months. Trade receivables and other receivables are initially recognized at fair value plus transaction costs that are directly attributable to the acquisition or origination of the financial asset. Subsequently, loans and receivables are measured at amortized cost using the effective interest rate method, less impairment, if any. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to carrying amount of the financial asset and liability. Short-term receivables are not discounted.

Borrowings are initially recognized at fair value less transaction costs. Subsequent to initial recognition, liabilities are stated at amortized cost on an effective interest method basis. Other liabilities are initially recognized at fair value less any directly attributable transaction costs and are subsequently measured at amortized cost. Short-term liabilities are not discounted.

Fair value of financial instruments

The fair value of financial instruments traded in financial markets is established considering the quoted market prices. Bid prices are used for valuation of assets and ask prices are used for liabilities. The Company uses other methods to establish fair value for all other financial instruments.

Fair values are categorised within different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes: quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not that active and other valuation techniques for which all significant inputs are directly or indirectly based on observable market data.
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs) and that significantly affect valuation of instruments. Unobservable inputs include instruments valued based on quoted prices for similar instruments; for the purpose of reflecting the differences between the instruments, significant unobservable adjustments or assumptions are required.

The fair value of interest-bearing financial instrument is established after valuation of cash flows discounted using market interest rates applied to similar instruments. If fair value of a financial asset and liability differs significantly from their carrying amount, it is disclosed separately in the notes to the financial statements.

Significant accounting policies (continued)

Financial instruments (continued)

The Company uses valuation techniques maximising the use of relevant observable inputs and minimising the use of unobservable inputs for prices that are not quoted in active market. The chosen technique includes all the factors to be considered by market participants when estimating the price at which a transaction would take place.

Usually, the best source for the fair value of a financial asset or liability on initial recognition is the transaction price, i.e. the fair value of a payment made or received. If the Company finds that on initial recognition the fair value differs from the transaction price and that it cannot be confirmed neither by the quoted price in active market for identical assets and liabilities nor by the valuation technique using observable inputs, on initial recognition the financial instrument is valued at fair value adjusted with deferred difference between the fair value on initial recognition and transaction price. Subsequently, the difference is recognized in profit or loss over the life of the instrument, but not after valuation is fully based on observable market data or transaction is completed.

Inventories

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

Cash and cash equivalents

Cash includes cash on hand and cash in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

For purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and in banks, and deposits, the term of which on the contract conclusion date is 3 months or less.

Impairment

Impairment of non-financial assets

The carrying amounts of the Company’s assets, other than inventories and deferred tax asset, are reviewed at each reporting date in order to determine whether there is any indication of impairment. If any such indication exists, the asset’s recoverable amount is estimated.

Significant accounting policies (continued)

Impairment (continued)

Impairment of non-financial assets (continued)

For goodwill and intangible assets that are not yet available for use, the recoverable amount is estimated at each reporting date.

An impairment loss is recognized whenever the carrying amount exceeds the recoverable amount. Impairment losses are recognized in profit (loss).

Impairment of financial assets

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the securities are impaired. When a decline in the fair value of an available-for-sale financial asset has been recognized through other comprehensive income to equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognized in equity is recognized in profit or loss. The amount of the cumulative loss that is recognized in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognized in profit or loss.

Calculation of recoverable amount

The recoverable amount of receivables carried at amortized cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e., the effective interest rate computed at initial recognition of these financial assets).

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

Reversals of impairment

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

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

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

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

Significant accounting policies (continued)

Acquisition of treasury shares

When share capital recognized as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognized as a change in equity. Repurchased shares are classified as treasury shares and presented as a separate line item in equity.

Dividends

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

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

Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits, which can be reliably estimated, will be required to settle the obligation. The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation the provision is reversed. The provision is used only for expenditures for which the provision was originally recognized. When the effect of the time value of money is material, the amount of the provision is the present value of the expenditure expected to be required to settle the obligation. If the discounting method is applied, the increase of provisions with time is recognized as financial expenses.

Employee benefits

Short-term employee benefits are recognized as a current expense in the period when employees render the services. These include salaries and wages, social security contributions, bonuses, payable holidays and other benefits. All pension obligations are borne by the State.

Termination benefits are payable whenever an employee’s employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognizes termination benefits when it is firmly committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

Under the remuneration plans employees are entitled to jubilee bonuses as well as retirement benefits. Each employee of the Company leaving the Company on the normal retirement date is entitled to a benefit equal to 2 monthly wages, as stipulated in the legal acts of the Republic of Lithuania. The jubilee bonuses are paid to employees who have reached 50 and 60 years old.

Provisions for jubilee bonuses and retirement benefits are calculated individually for each entitled individual. The base for the calculation of provision for an employee is expected benefit which the Company is obliged to pay in accordance with internal policy and regulation. The present value of these obligations is estimated at the end of each reporting year.

Significant accounting policies (continued)

Employee benefits (continued)

The Company recognizes the liability in the statement of financial position under non-current liabilities and reflects the current value of the benefits at the date of the statement of financial position.

Revenue

Goods sold and services rendered

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

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

Government grants

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

Costs

Operating lease payments

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease.

Other operating income and expenses

Other operating income and charges comprise gains and losses from sale of property, plant and equipment, and other items, which are not directly related to the primary activities of the Company.

Significant accounting policies (continued)

Costs (continued)

Finance income and finance expenses

Finance expenses comprise interest payable on borrowings calculated using the effective interest rate method and foreign exchange losses (net value). The interest expense component of finance lease payments is recognized in profit or loss using the effective interest rate method. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Finance income comprises interest receivable on funds invested, dividend income and foreign exchange gains (net value). Interest income is recognized in profit or loss as it accrues, using the effective interest method. Dividend income is recognized in profit or loss on the date the right to receive payments is established.

Income tax

Income tax comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

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

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

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

Basic and diluted earnings per share

Basic earnings per share are calculated by dividing net profit attributable to ordinary equity holders by the weighted average number of ordinary shares. As there are no instruments that dilute equity, the basic and diluted earnings per share do not differ.

Segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including transactions with other segments), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. Segmentation principles are presented in Note 1.

Significant accounting policies (continued)

Financial risk management

In its activities the Company is exposed to various financial risks: market risk (including currency risk, interest rate risk, fair value and price risks), credit risk and liquidity risk. General risk management policy establishment and supervision is the responsibility of the Board. Risk management policy was set up in order to identify and analyse risks facing the Company, and determine risk acceptance limits. Risk management policy and processes are reviewed regularly considering changes in the markets and activities of the Company. The Company, applying learning and management standards and procedures, aims to establish constructive control environment where all employees clearly realize their functions and responsibilities. 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 derivative financial instruments in order to hedge certain risks.

a) Market risk

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

<u>Currency risk</u>

Currency risk relates to sales and receivables, purchases and payables, borrowings and borrowing costs denominated in currencies other than EUR. There are no other material monetary items denominated in currencies other than the euro.

<u>Interest rate risk</u>

The Company's borrowings are subject to variable interest rates, related to EURIBOR. The cash flow sensitivity analysis is presented in Note 21.

<u>Fair value interest rate risk</u>

In respect of fixed interest rate issued loans the Company faces fair value interest rate risk. The Company does not hold significant issued loans with fixed interest rates. There are no received fixed interest rate loans.

<u>Price risk</u>

The Company does not face financial instruments market risk as it does not hold significant equity instruments.

b) Credit risk

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

Significant accounting policies (continued)

Financial risk management (continued)

b) Credit risk (continued)

The Company has established procedures ensuring that sales are made to customers having a proper credit history without exceeding the limit of credit risk set by management. The company has a significant concentration of credit risk on the basis of individual customers, which is disclosed in Note 21. The carrying amount of financial assets represents the maximum credit exposure, refer to Note 21.

c) Liquidity risk

A conservative management of liquidity risk enables the company to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of committed credit facilities. Liquidity risk analysis is presented in Note 21.

Capital management

The Board's policy is to keep the shareholders' equity over borrowings at the level to maintain the confidence of investors, creditors and the market and to fund business development opportunities in the future. The Board keeps track on the ratios of capital return and makes suggestions regarding proposed dividends.

The Board also seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the security afforded by a sound capital position.

The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2015 and 31 December 2014.

According to the Companies Law of the Republic of Lithuania, the Company's equity shall be not less than 50% of its share capital.

Impact of the new standards, new interpretations and amendments on the financial statements

Except for the changes below, the Company has consistently applied the accounting policies set out in the Notes to the financial statements to all periods presented in these financial statements.

The Company has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2015.

The following new standards and amendments with effective date of 1 January 2015 did not have any impact on these financial statements:

- Amendments to IAS 19 – Defined Benefit Plans: Employee Contributions
- IFRIC 21 guidance on a levy imposed by government
- Annual Improvements to IFRSs

Significant accounting policies (continued)

Impact of the new standards, new interpretations and amendments on the financial statements (continued)

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

A number of new standards, amendments and interpretations are effective for annual periods beginning after 1 January 2016, and have not been applied in preparing these financial statements. Those which may be relevant to the Company as well as management's judgements regarding the possible impact of initial application of new and revised standards and interpretations are set out below. The Company does not plan to adopt these amendments, standards and interpretations early.

(i) IFRS 11: Accounting for Acquisitions of Interests in Joint Operations (effective for annual periods beginning on or after 1 January 2016)

These Amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business. Business combination accounting also applies to the acquisition of additional interests in a joint operation while the joint operator retains joint control. The additional interest acquired will be measured at fair value. The previously held interests in the joint operation will not be remeasured.

The Company is not a party to any joint arrangements.

(ii) IAS 1 – Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2016)

The Amendments to include the five, narrow-focus improvements to the disclosure requirements contained in the standard.

The Company expects that the amendments, when initially applied, will not have a material impact on the presentation of the financial statements of the Company.

(iii) IAS 16 – Property, Plant and Equipment and IAS 38 – Intangible Assets (effective for annual periods beginning on or after 1 January 2016)

The amendments explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. In addition, the amendments introduce a rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate. This presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue.

It is expected that the Amendments, when initially applied, will not have material impact on the Company's financial statements, as the Company does not apply revenue-based methods of amortisation/depreciation.

(iv) IAS 16 – Property, Plant and Equipment and IAS 41 – Agriculture (effective for annual periods beginning on or after 1 January 2016)

These amendments result in bearer plants being in the scope of IAS 16 *Property, Plant and Equipment*, instead of IAS 41 *Agriculture*, to reflect the fact that their operation is similar to that of manufacturing.

The Company does not expect that the amendments, when initially applied, will have an impact on the financial statements as the Company has no bearer plants.

Significant accounting policies (continued)

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

(v) IAS 19 – Defined Benefit Plans: Employee Contributions (effective for annual periods beginning on or after 1 February 2015)

The amendments are relevant only to defined benefit plans that involve contributions from employees or third parties meeting certain criteria. When these criteria are met, a company is permitted (but not required) to recognise them as a reduction of the service cost in the period in which the related service is rendered.

The Company does not expect the amendment to have any impact on the financial statements since it does not have any defined benefit plans that involve contributions from employees or third parties.

(vi) IAS 27 – Separate Financial Statements (effective for annual periods beginning on or after 1 January 2016)

The amendments allow an entity to use the equity method in its separate financial statements to account for investments in subsidiaries, associates and joint ventures.

The Company does not expect that the amendments, when initially applied, will have an impact on the financial statements as the Company does not have any investments in subsidiaries, associates or joint ventures.

(vii) Annual Improvements to IFRSs

The improvements introduce ten amendments to ten standards and consequential amendments to other standards and interpretations. These amendments are applicable to annual periods beginning on or after either 1 February 2015 or 1 January 2016, with earlier adoption permitted.

None of these amendments are expected to have a significant impact on the financial statements of the Company.

Critical accounting estimates and judgments

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

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

Fair value of land and buildings

The fair values of land and buildings are assessed at each reporting date in order to determine whether there are any significant differences between fair values and carrying amounts in the financial statements. Fair values are assessed by reference to valuation reports or market assumptions reports received from external valuators.

Significant accounting policies (continued)

Critical accounting estimates and judgments (continued)

Fair value of financial instruments

As at 31 December 2015 and as at 31 December 2014, the Company's financial instruments at fair value consisted of interest rate swap with a bank. Principles for determination of the fair value are presented in Note 21.

Impairment of receivables

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

Useful lives of intangible assets and property, plant and equipment

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

Deferred income tax assets

The Company recognizes deferred tax assets based on the judgment of management that realization of the related tax benefits through future taxable profits is probable. Management's judgments are based on internal budgets and forecasts.

Non-current employee benefits

Recognition of provision for employee benefits requires estimate of the probable outflow of economic benefits and defining the best estimate of the expenditure required to settle the present obligation at the end of reporting period. Details of applied estimates and their influence on the financial statements are disclosed in Note 17.

1. Operating segments

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

Geographical information may be presented as follows (revenue is presented based on the geographical location of customers, and property, plant and equipment are presented according to their location):

Year 2015, thousand EUR	**Lithuania**	**Other EU countries**	**Non EU countries**	**Total**
Revenue	102,507	45,531	15,752	163,790
Property, plant and equipment	50,523	230		50,753
Intangible assets and investments available for sale	152			152

The Company has one client from whom revenue in 2015 made 20% of the total revenue.

Year 2014, thousand EUR	**Lithuania**	**Other EU countries**	**Non EU countries**	**Total**
Revenue	115,186	46,423	78,008	239,617
Property, plant and equipment	55,394	406		55,800
Intangible assets and investments available for sale	137			137

The Company has one client from whom revenue in 2014 made 13% of the total revenue.

2. Other operating items

Other operating income:

thousand EUR	**2015**	**2014**
Net gain on disposal of property, plant and equipment	132	884
Income from rent and other sales	483	327
Other	2	6
	617	**1,217**

Other operating expenses:

thousand EUR	**2015**	**2014**
Rent and other sales related expenses	(267)	(250)
	(267)	**(250)**

3. Sales and administrative expenses

thousand EUR	2015	2014
Staff costs	(10,969)	(10,855)
Marketing and advertising	(2,292)	(3,544)
Depreciation and amortization	(1,817)	(2,282)
Production delivery costs	(2,083)	(2,253)
Fuel	(1,757)	(2,087)
Various services	(1,383)	(1,504)
Materials and spare parts	(1,201)	(1,183)
Write-down of inventories to net realisable value	(555)	(81)
Written off receivables	(235)	(6)
Development of new products	(165)	(971)
Taxes, except income tax	(544)	(947)
Utilities	(845)	(941)
Support	(471)	(578)
Insurance	(623)	(561)
Security costs	(548)	(539)
Repair	(597)	(452)
Operating lease (cars and equipment)	(583)	(452)
Other rent expenses	(433)	(437)
Write-off of non-current and current assets	(202)	(222)
Communications	(175)	(192)
Payments to board members	(210)	(145)
Transport	(38)	(59)
Other	(1,937)	(1,371)
	(29,663)	**(31,662)**
Sales expenses	(17,279)	(19,740)
Administrative expenses	(12,384)	(11,922)
	(29,663)	**(31,662)**

4. Finance income

thousand EUR	2015	2014
Change in fair value of interest rate swap (gain)	-	110
Penalties and fines	1	40
Interest	14	12
Currency exchange gain	5	9
Other	-	3
Total finance income	**20**	**174**

5. Finance expenses

thousand EUR	2015	2014
Interest on loans	(716)	(1,119)
Change in fair value of interest rate swap (loss)	(75)	-
Other	(97)	(26)
Total finance expenses	**(888)**	**(1,145)**

6. Income tax expense

thousand EUR	2015	2014
Income tax for the current year	(680)	(875)
Change in deferred tax	155	213
Total income tax expenses	**(525)**	**(662)**

Reconciliation of effective tax rate

Thousand EUR	2015		2014	
Profit before tax		3,187		5,641
Income tax using the prevailing tax rate	15%	(478)	15%	(846)
Change in temporary differences	(4.9%)	155	(3.8%)	213
Non-deductible expenses	12.4%	(397)	3.7%	(208)
Non-taxable income	-	-	(0.1%)	6
Support (deducted twice)	(4.4%)	141	(3.1%)	173
Other adjustments	(1.7%)	54	-	-
	16.4%	(525)	11.7%	(662)

7. Earnings per share

Basic earnings per share is calculated dividing the net profit for the year by the average number of ordinary shares outstanding during the year. At the end of year 2015 the Company acquired 4,500,000 units of treasury shares. There are no potential ordinary shares to be issued.

	2015	2014
Number of shares in issue calculated using weighted average method, thousand units	49,259	49,634
Net result for the year, in thousand EUR	2,662	4,979
Basic earnings per share, in EUR	0.0540	0.10
Diluted earnings per share, in EUR	0.0540	0.10

8. Property, plant and equipment

thousand EUR	Land and buildings	Machinery and equipment	Other assets	Construction in progress	Total
Cost/revaluation					
Balance at 1 January 2014	24,768	91,231	24,867	746	141,612
Revaluation	-	-	-	-	-
Acquisitions	6	1,867	2,085	1,685	5,643
Disposals and write-offs	(2,910)	(1,236)	(2,586)		(6,732)
Re-classification	434	407	33	(874)	-
Balance at 31 December 2014	**22,298**	**92,269**	**24,399**	**1,557**	**140,523**
Balance at 1 January 2015	22,298	92,269	24,399	1,557	140,523
Revaluation	-	-	-	-	-
Acquisitions	-	3,291	(453)	291	3,129
Disposals and write-offs	(1)	(1,383)	(453)	-	(1,837)
Re-classification	1,573	120	8	(1,701)	0
Balance at 31 December 2015	**23,870**	**94,297**	**23,501**	**147**	**141,815**
Depreciation and impairment loss					
Balance at 1 January 2014	1,298	63,369	16,920	-	81,587
Depreciation for the year	1,414	5,176	2,144	-	8,734
Depreciation of disposals	(1,895)	(1,188)	(2,515)	-	(5,598)
Balance at 31 December 2014	**817**	**67,357**	**16,549**	**-**	**84,723**
Balance at 1 January 2015	817	67,357	16,549	-	84,723
Depreciation for the year	1,398	5,158	1,604		8,160
Depreciation of disposals	-	(1,368)	(453)	-	(1,821)
Balance at 31 December 2015	**2,215**	**71,147**	**17,700**	**-**	**91,062**
Carrying amounts					
1 January 2014	23,470	27,862	7,947	746	60,025
31 December 2014	21,481	24,912	7,850	1,557	55,800
1 January 2015	**21,481**	**24,912**	**7,850**	**1,557**	**55,800**
31 December 2015	**21,655**	**23,150**	**5,801**	**147**	**50,753**

8. Property, plant and equipment (continued)

Revaluation of property, plant and equipment

The last valuation of buildings and land was performed as at 31 December 2012 by independent appraiser UAB Matininkai. Valuation was performed applying the comparative transactions method. As a result, the total increase in value of EUR 676 thousand was determined. The revaluation adjustment was recognized by increasing revaluation reserve (EUR 575 thousand) and deferred tax liability (EUR 101 thousand).

Should the Company have continued to account for the land and buildings using the acquisition cost method, the carrying amount of the land and buildings as at 31 December 2015 would have amounted to EUR 19,254 thousand (in 2014: EUR 18,900 thousand).

The management of the Company is of the opinion that the price of the real estate did not change significantly during the financial year 2015, thus the carrying amount of the assets is close to their fair value.

Pledges of property, plant and equipment

Property, plant and equipment with a carrying amount of EUR 20,383 thousand as at 31 December 2015 (in 2014: EUR 18,271 thousand) have been pledged to secure the bank loans (Note 16).

Depreciation

Depreciation is included in the following items:

thousand EUR	**2015**	**2014**
Production	6,387	6,459
Sales and administrative expenses	1,773	2,275
	8,160	**8,734**

Acquisition cost of fully depreciated property, plant and equipment in use amounts to EUR 56,504 thousand as at 31 December 2015 (in 2014: EUR 50,724 thousand).

9. Intangible assets

thousand EUR	Goodwill	Software, etc	Total
Cost			
Balance at 1 January 2014	97	1,036	1,133
Acquisitions	-	33	33
Write-offs	(97)	(16)	(113)
Balance at 31 December 2014	**-**	**1,053**	**1,053**
Balance at 1 January 2015	-	1,053	1,053
Acquisitions		59	59
Write-offs		(5)	(5)
Balance at 31 December 2015	**-**	**1,107**	**1,107**
Amortization and impairment loss			
Balance at 1 January 2014	97	951	1,048
Amortization for the year	-	61	61
Impairment for the year	-	-	-
Amortization of written-off assets	(97)	(16)	(113)
Balance at 31 December 2014	**-**	**996**	**996**
Balance at 1 January 2015	-	996	996
Amortization for the year		44	44
Impairment for the year		-	-
Amortization of written-off assets		(5)	(5)
Balance at 31 December 2015	**-**	**1,035**	**1,035**
Carrying amounts			
1 January 2014	-	85	85
31 December 2014	**-**	**57**	**57**
1 January 2015	-	57	57
31 December 2015		**72**	**72**

Amortization is included in the administrative expenses.

Acquisition cost of fully amortized intangible assets in use amounts to EUR 942 thousand as at 31 December 2015 (in 2014: EUR 751 thousand).

10. Investments available for sale

thousand EUR	2015	2014
Investments available for sale	80	80
	80	**80**

The major part of investments available for sale as at 31 December 2015 includes shares of UAB Kapitalo Srautai (representing 15.3% ownership interest). UAB Kapitalo Srautai is engaged in financial brokerage activities. Due to the fact that the fair value of the mentioned shares cannot be reliably estimated, they are stated at acquisition cost, which amounts to EUR 58 thousand. The other available for sale investments are also stated at cost due to absence of reliable estimate of their fair value.

11. Inventories

thousand EUR	2015	2014
Raw materials	5,174	5,794
Work in progress	1,743	4,342
Finished goods	7,321	6,548
Goods for re-sale	60	143
	14,298	**16,827**

During the year 2015 EUR 555 thousand expenses relating to the write-down of inventories to their net realisable value were recognised (in 2014: EUR 81 thousand).

Raw materials include milk and other materials used in production.

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

thousand EUR	2015	2014
Cost of sales (manufactured goods sold)	(130,422)	(202,310)
Sales and administrative expenses (consumption of inventories)	(2,958)	(3,271)
Other operating expenses (sold raw materials, spare parts)	(129)	(106)
	(133,509)	**(205,687)**

Sales and administrative expenses include consumed fuel and materials and spare parts.

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

Inventories with the carrying amount of up to EUR 14,298 thousand as at 31 December 2015 (in 2014: EUR 16,827 thousand) have been pledged to secure the bank loans (Note 16).

12. Receivables and other assets

thousand EUR	2015	2014
Financial instruments		
Trade receivables	10,382	14,832
Other receivables	72	92
Loans	290	290
	10,744	**15,214**
Impairment of receivables	-	-
	10,744	**15,214**
Non-financial assets		
Receivable VAT	-	-
Prepayments	1,366	756
Deferred expenses	789	229
	2,155	**985**
	12,899	**16,199**
Less: long-term part	(290)	(31)
	12,609	**16,168**

During 2015 financial year the Company has written off receivables amounting to EUR 235 thousand (in 2014: EUR 6 thousand).

Specification of prepayments may be presented as follows:

thousand EUR	2015	2014
Prepayments for delivery of raw milk	469	123
Other prepayments	897	633
	1,366	**756**
Less: long-term part prepayments	(3)	(1)
	1,363	**755**

According to agreements with raw milk suppliers, prepayments for milk shall be covered during the period of up to 5 years as milk is delivered. A fixed rate interest, varying from 3% to 7%, is calculated on the outstanding prepayment amount.

Specification of loans may be presented as follows:

thousand EUR	2015	2014
Loans to management	261	261
Loans to employees	26	30
	287	291
Less: long-term part	(287)	(30)
Current loans to management	**-**	**261**

As at 31 December 2015, a loan amounting to EUR 261 thousand is granted to member of management. The maturity is 1 July 2017. Interest charged comprise 1 month EURIBOR and fixed margin.

13. Cash and cash equivalents

thousand EUR	2015	2014
Cash at bank	460	631
Cash in hand	91	85
	551	**716**

As at 31 December 2015, part of cash at bank, comprising EUR 380 thousand is pledged for the bank credits.

14. Equity

As at 31 December 2015, the authorized capital comprised 49,634,419 ordinary registered shares at par value of EUR 0.29 each. All shares are fully paid.

Holders of ordinary shares have one voting right per share at the shareholders meeting and the right to dividends when they are declared, as well as the right to capital repayment in case of a decrease of share capital. There are no controlling entities or individuals among the shareholders of Pieno Žvaigždės, AB.

Treasury shares

As at 31 December 2015 the Company had 4,500,000 units of treasury shares with the value of EUR 6,600 thousand stated as a change in equity. As at 31 December 2014, the Company had no treasury shares.

When treasury shares are purchased, the amount paid, including direct costs, is accounted for as a change in equity. The purchased treasury shares are presented by deducting the amount from the equity. Any profit or losses from disposal of treasury shares are recognized in equity.

Legal reserve

Under Lithuanian legislation, an annual allocation to the legal reserve should amount to at least 5% of the net profit until the reserve makes up 10% of the share capital. The reserve can be used only to cover losses. As at 31 December 2015 legal reserve was fully formed.

Revaluation reserve

As at 31 December 2004 the Company established a revaluation reserve of EUR 1,178 thousand, which is related to the revaluation of buildings as at 31 December 2004. As at 31 December 2007 the Company recognized an additional amount of EUR 4,526 thousand to the revaluation reserve, related to revaluation of buildings as at that date. In connection with revaluation of land and buildings as at 31 December 2012 the Company recognized EUR 575 thousand in the revaluation reserve (refer to Note 8).

The reserve is decreased in proportion to depreciation and disposal of the revaluation increase. The decrease in reserve is recognized through other comprehensive income as a separate component in equity. When revalued buildings are depreciated a transfer from the revaluation reserve to retained earnings is made. The amount is determined as a difference between the depreciation based on the revalued carrying amount and the depreciation based on the original cost of the buildings.

14. Equity (continued)

Other reserves

Other reserves amount to EUR 7,460 thousand as at 31 December 2015 (in 2014: EUR 348 thousand).

In 2015, part of other reserves amounting to EUR 7,000 thousand has been allocated to acquire treasury shares. Under Lithuanian legislation, this reserve shall be retained until the Company purchases its treasury shares. If reserve for acquisition of treasury shares is not used and it is not expected to be used, it may be redistributed during profit appropriation of the next financial year.

Part of other reserves as at 31 December 2015 amounting to EUR 250 thousand (in 2014: EUR 145 thousand) has been allocated to support, charity and bonuses, and remaining EUR 210 thousand (in 2014: EUR 203 thousand) to payments to Board members.

Dividends per share paid in 2015 were EUR 0.075 (in 2014: EUR 0.070).

15. Government grants

thousand EUR	**2015**	**2014**
Government grants as at 1 January	3,308	3,308
Additions during the period	-	-
Written-off	-	-
Government grants as at 31 December	**3,308**	**3,308**
Amortization as at 1 January	2,068	1,668
Amortization for the year	310	400
Written-off	-	-
Amortization as at 31 December	**2,378**	**2,068**
Net carrying amount at 1 January	1,240	1,640
Net carrying amount at 31 December	**930**	**1,240**

16. Interest bearing loans and borrowings

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

Creditor	Ref.	Maturity	Currency	31-12-2015	31-12-2014
AB DNB bank	a)	June 2016	EUR	0	1,661
AB SEB Bank	b)	June 2016	EUR	0	1,587
Factoring	c)	April 2016	EUR	0	4,058
AB SEB, AB DNB banks	d)	January 2022	EUR	15,400	22,443
AB SEB, AB DNB banks	e)	January 2022	EUR	15,400	4,300
Total liabilities				**30,800**	**34,049**
Less: current part				(4,600)	(15,881)
Total non-current part				**26,200**	**18,168**

a) The loan (overdraft) was received for working capital needs. Limit: EUR 4,000 thousand.

b) The loan (overdraft) was received for working capital needs. Limit: EUR 3,000 thousand.

c) The factoring services are being provided by AB SEB Bankas.

d) The syndicated loan was received from AB DNB Bankas and AB SEB Bankas for financing investments in property, plant and equipment.

e) The syndicated credit facility from AB DNB Bankas and AB SEB Bankas to finance the working capital needs.

All the loans and other financial liabilities as at 31 December 2015 are denominated in EUR. All interest rates on loans, borrowings are variable and consist of EURIBOR plus a fixed margin. Interest is re-priced every 3 to 6 months depending on the loan and for this reason carrying amounts are assumed to approximate fair values of these loans.

The bank loans are secured by pledging property, plant and equipment with the carrying amount of EUR 20,383 thousand as at 31 December 2015 (in 2014: EUR 18,271 thousand), inventories with a carrying amount as at 31 December 2015 amounting to EUR 14,298 thousand (in 2014: EUR 16,827 thousand) and all current and future cash flows in bank accounts.

All interest charged for year 2015 and 2014 are recognized in profit or loss of a respective year.

Interest rates

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

%	2015	2014
Long-term loans	1.72-2.00	2.0–2.3
Short-term loans	1.30-1.50	1.7–2.0

16. Interest bearing loans and borrowings (continued)

Loan repayment schedules

The contractual repayment of loans is as follows:

thousand EUR	2015	2014
Within 1 year	4,600	15,881
After 1 year and up to 5 years	20,200	18,168
Over 5 years	6,000	-
Present value of liabilities	**30,800**	**34,049**

Operating lease

Operating lease expenses recognized in profit or loss are as follows:

thousand EUR	2015	2014
Rent of milk collection premises	(16)	(19)
Operating lease of vehicles, loaders and other assets	(703)	(555)
Total operating lease expenses	**(719)**	**(574)**

Expenses in respect to rent of milk collection premises are recognized under cost of sales. Operating lease of other assets is stated under sales and administrative expenses (EUR 583 thousand) and cost of finished goods (EUR 120 thousand) (in 2014: EUR 452 thousand and EUR 103 thousand respectively).

Future minimum lease payments can be presented as follows:

thousand EUR	2016	2017	2018	2019	2020
Rent of milk collection premises	-	-	-		
Operating lease of vehicles, loaders and other assets	(764)	(724)	(368)	(37)	(12)
Total operating lease expenses	**(764)**	**(724)**	**(368)**	**(37)**	**(12)**

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

17. Employee benefits

Employee benefits comprise liabilities to employees leaving the Company on normal retirement date, and the present value of these obligations is estimated by the Company at the end of each reporting year. The provision amount equals discounted future payments, considering employee rotation and relate to the period ended at the last day of the reporting year.

thousand EUR	Net defined benefit liability
	2015
Balance at 1 January	
Retirement benefits	486
Jubilee bonus provision	17
Total non-current employee benefits at 1 January	**503**
Change during the year	
Recognised in profit or loss	281
Recognised in other comprehensive income	-
Balance at 31 December	
Retirement benefits	723
Jubilee bonus provision	61
Total non-current employee benefits at 31 December	**784**

Man assumptions used for the benefit obligation calculation were: discount rate 1,743%; annual salary increase of 5,3%, 5,7% and 6,2% for years 2016–2018 accordingly, and for later periods 5% annual increase planned.

	Assumed variations as at 31-12-2015	**Influence on retirement benefits**	**Influence on jubilee provision**
Demographic assumptions (+)			
Staff turnover rates, disability and early retirement	0,5 p.p.	(14)	(1)
Financial assumptions (+)			
Discount rate	0,5 p.p.	(13)	(1)
Level of future remuneration	1 p.p.	27	2
Demographic assumptions (-)			
Staff turnover rates, disability and early retirement	-0,5 p.p.	15	1
Financial assumptions (-)			
Discount rate	-0,5 p.p.	13	1
Level of future remuneration	-1 p.p.	(24)	(2)

18. Deferred tax assets and liabilities

The deferred tax assets and liabilities calculated applying the 15% tax are attributed to the following items:

thousand EUR	Assets		Liabilities		Net value	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**
Property, plant and equipment	-	-	384	414	384	414
Impairment of inventories	(83)	-	-	-	(83)	-
Accrued costs	(175)	(133)	-	-	(175)	(133)
Tax (asset) / liability	**(258)**	**(133)**	**384**	**414**	**126**	**281**

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

thousand EUR	01-01-2015	Recognized in profit or loss	Recognized in equity	31-12-2015
Property, plant and equipment	414	(30)	-	384
Impairment of inventories	-	(83)	-	(83)
Accrued costs	(133)	(42)	-	(175)
Tax (asset) / liability	**281**	**(155)**	**-**	**126**

thousand EUR	01-01-2014	Recognized in profit or loss	Recognized in equity	31-12-2014
Property, plant and equipment	625	(211)	-	414
Accrued costs	(131)	(2)	-	(133)
Tax (asset) / liability	**494**	**(213)**	**-**	**281**

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

19. Trade and other payable amounts

thousand EUR	2015	2014
Financial instruments		
Payable to suppliers	10,012	10,209
Other payable amounts	282	213
	10,294	10,422
Non-financial instruments		
Received advance payments	169	251
Vacation accrual	1,635	1,617
Taxes and social security contributions payable	860	1,181
Salaries payable	620	595
	3,284	3,644
	13,578	**14,066**

20. Derivatives

In order to hedge the risk of cash flow with variable interest rate in 2011 the Company has entered into an interest rate swap agreement with SEB bank, by which it partly hedges from significant interest rate fluctuations. Notional amount for interest rate swap reduces in proportion to main credit facility. The maturity date of the contract is 26 July 2016. The fair value of the interest rate swap as at 31 December 2015 amounts to EUR 30 thousand (EUR 112 thousand as at 31 December 2014). Change in fair value during 2015 amounting to EUR 82 thousand (in 2014: EUR 110 thousand) is recognized in the profit or loss under finance income.

In 2015 the Company entered into an interest rate swap agreement with DNB bank, by which it partly hedges from significant interest rate fluctuations. Notional amount for interest rate swap reduces in proportion to main credit facility. The maturity date of the contract is 29 October 2020. The fair value of the interest rate swap as at 31 December 2015 amounts to EUR 157 thousand. Change in fair value during 2015 amounting to EUR 157 thousand is recognized in the profit or loss under finance expenses.

21. Financial instruments

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

Credit risk

The Company has established a credit policy and credit risk is being monitored on a continuous basis. The Company as at reporting date had four clients whose receivables accounted for 40% of the total trade receivables balance. Usual payment terms of trade receivables are 1 to 30 days. For one-off sales the Company requires a prepayment.

Allowance for receivables is determined based on estimated non-recoverable amounts. Allowance is determined individually for each client considering payments received after reporting period end and until date of financial statements preparation.

21. Financial instruments (continued)

Credit risk (continued)

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

thousand EUR	Carrying amount	
	2015	**2014**
Long-term receivable amounts	290	31
Short-term receivable amounts (Note 12)	10,454	15,183
Cash and cash equivalents	551	716
	11,295	**15,930**

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

thousand EUR	Carrying amount	
	2015	**2014**
Lithuania	6,584	10,938
European Union countries	3,432	3,132
Russia	62	329
Other countries	666	815
	10,744	**15,214**

Ageing of receivables

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

thousand EUR	**Gross amount 2015**	**Gross amount 2014**
Not past due	8,937	12,891
Past due 0–30 days	1,260	1,980
Past due 30–60 days	484	206
Past due 61–90 days	42	35
Past due more than 90 days	21	102
	10,744	**15,214**

Based on the Company’s evaluation, no impairment allowance is necessary for amounts receivable as at 31 December 2015 and 31 December 2014.

21. Financial instruments (continued)

Foreign currency exchange risk

The Company is exposed to foreign currency exchange risk, related to sales, purchases and borrowings denominated in other currencies than EUR. The Company has no material sales and purchases in other currencies than EUR, therefore currency exchange risk is not significant. The Company does not use any financial instruments for hedging currency exchange risk.

As at 31 December 2015 and 31 December 2014, there are no significant financial assets and liabilities denominated in other currencies than EUR.

Liquidity risk

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

31 December 2015

thousand EUR	Carrying amount	Contrac-tual cash flows	6 months or less	6–12 months	2–5 years	More than 5 years
Financial liabilities						
Loans and other financial liabilities	30,800	33,201	2,300	2,901	21,400	6,600
Derivatives	187	404	41	43	320	
Trade and other payables (Note 19)	10,294	10,294	10,294			
	41,281	**43,899**	**12,635**	**2,944**	**21,720**	**6,600**

31 December 2014

thousand EUR	Carrying amount	Contrac-tual cash flows	6 months or less	6–12 months	2–5 years	More than 5 years
Financial liabilities						
Loans and other financial liabilities	34,049	35,017	14,132	2,298	18,587	-
Derivatives	112	234	93	74	67	-
Trade and other payables (Note 19)	10,422	10,422	10,422	-	-	-
	44,583	**45,673**	**24,647**	**2,372**	**18,654**	**-**

21. Financial instruments (continued)

Liquidity risk (continued)

The effective interest rates applied for discounting the estimated cash flows were as follows:

	2015	2014
Loans and other financial liabilities	1.3%–1.95%	1.9%–2.1%

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

Interest rate risk

The Company is subject to interest rate cash flow risk because interest-bearing loans are subject to variable interest, related to EURIBOR.

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

thousand EUR	Carrying amount	
	2015	2014
Financial instruments bearing fixed interest rate		
None	-	-
	-	-

thousand EUR	Carrying amount	
	2015	2014
Financial instruments bearing varying interest rate		
AB SEB, AB DNB banks	-	3,248
Factoring	-	4,058
AB SEB, AB DNB banks (long-term credit)	29,800	22,443
AB SEB, AB DNB banks (credit line)	1,000	4,300
	30,800	**34,049**

The interest rate is calculated as EURIBOR for a certain period plus margin determined by creditor.

21. Financial instruments (continued)

Cash flow sensitivity analysis for variable interest rate instruments

A change of 100 basis points in interest rates on the reporting date would have increased (decreased) profit or loss by amounts stated below. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant. An analysis for 2014 is made on the same basis.

Effect in thousand EUR	Profit or loss for the year	
	Increase by 100 bp	**Decrease by 100 bp**
As at 31 December 2015		
Financial instruments on which variable interest rate was applied	(308)	308
As at 31 December 2014		
Financial instruments on which variable interest rate was applied	(340)	340

In order to hedge the risk of cash flow with variable interest rate in 2011 and 2015 the Company has entered into interest rate swap agreements with banks, by which it partly hedges from significant interest rate fluctuations (refer to Note 20).

Fair value of financial instruments

The fair value is defined as an amount at which the instrument can be exchanged at a current transaction by willing parties, except for forced or liquidation transactions.

As at 31 December 2015 and as at 31 December 2014, the Company's financial instruments at fair value consisted of interest rate swap with a bank. The market price was calculated based on a closing price of 31 December 2015. The accounted value does not reflect price supply and demand difference and does not evaluate particular clients or their creditworthiness. According to the fair value hierarchy, the instrument is classified under Level 3 fair value.

The Company's principal financial assets and liabilities not carried at fair value are granted loans and trade receivables, loans from financial institutions and trade payables accounted for at amortised cost.

For the purpose of valuation of financial assets and liabilities the following methods and assumptions are used:

Trade and other receivable and payable amounts, and borrowings. The management of the Company is of the opinion that the carrying values of trade and other receivables, trade and other payables as well as borrowings approximate their fair value, because trade and other receivables, trade and other payables are short term while borrowings are from third party lenders and subject to variable interest rates. According to the fair value hierarchy, this financial asset and liability is classified under Level 3 fair value.

Cash and cash equivalents. Carrying values of cash and cash equivalents are equal to their fair value. According to the fair value hierarchy, this instrument is classified under Level 1 fair value.

22. Purchase commitments

As at 31 December 2015 and as at 31 December 2014 the Company did not have any material purchase commitments.

23. Related parties

Transactions with related parties can be presented as follows:

thousand EUR	2015			2014		
	Support and sales	**Purchases**	**Receivable loans**	**Support and sales**	**Purchases**	**Receivable loans**
VŠĮ SSK (1)	354			526		
UAB Žaibo Ratas Vilnius (2)		174			104	
Management (3)		78	261		89	261
	354	**252**	**261**	**526**	**193**	**261**

(1) Pieno Žvaigždės, AB is the sole participant of the basketball club VŠĮ SSK to which the Company's support is provided. During the year 2015 the Company granted EUR 354 thousand of support (in 2014: EUR 526 thousand).

(2) UAB Žaibo Ratas Vilnius is a related company through a member of the Board of Pieno Žvaigždės, AB. UAB Žaibo Ratas Vilnius rents cars for the Company.

(3) The Company purchases consulting services from the Board member. Besides that, as at 31 December 2015 and as at 31 December 2014 there is a loan amounting to EUR 261 thousand granted to member of management (refer to Note 12).

(4) During 2015, the Company received EUR 115 thousand (2014: EUR 116 thousand) repayment of loans from related parties which in prior periods were written-off through equity. Proceeds are recognized as other income directly in equity.

Amounts payable to the related parties as at 31 December 2015 are as follows: UAB Žaibo Ratas Vilnius – EUR 8 thousand (in 2014: EUR 10 thousand).

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

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

thousand EUR	2015	2014
Remuneration costs of management	444	455
Remuneration to management, net of tax	257	264
Payments to Board members	210	145

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

The management consists of: General Director, Deputy General Director, Business Development Director, Finance Director and Chief accountant.

24. Subsequent events

No subsequent events have occurred after the end of the financial year which could have material influence on the financial statements as at and for the year ended 31 December 2015 or require disclosures in these financial statements.

25. Contingent liabilities

There are no significant contingent liabilities related to the Company.

No full tax investigation of the Company for the period from 2011 until 2015 has been performed by the tax authorities. According to effective tax legislation, the tax authorities may at any time perform investigation of the Company's accounting registers and records for the period of five years preceding the accounting tax period, as well as calculate additional taxes and penalties. Management of the Company is not aware of any circumstances which would cause calculation of additional tax liabilities.

Pieno Žvaigždės, AB

Confirmation of the Management

2016 02 26
Vilnius

Financial statements and the Annual Report for the year 2015

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

General Director Aleksandr Smagin

Finance Director Audrius Statulevičius

PIENO ŽVAIGŽDĖS, AB

ANNUAL REPORT FOR THE YEAR 2015

1. GENERAL INFORMATION ABOUT THE ISSUER

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

The present Report has been prepared for the financial year 2015.

1.2. Key Data on the Issuer

Name	Pieno Žvaigždės, AB
Legal and organisational status	Stock Company
Registration date	The Company was registered on 23 December 1998
Company code	1246 65536
VAT payer's code	LT 246655314
Authorised capital	14 393 981.51euros, comprising 49,634,419 ordinary registered shares at par value of 0.29 euro each.
Address	Perkūnkiemio St. 3, LT-12127 Vilnius, the Republic of Lithuania
Telephone	(+370 5) 246 14 14
Fax	(+370 5) 246 14 15
E-mail address	info@pienozvaigzdes.lt
Internet website	www.pienozvaigzdes.lt

1.3. Type of the Issuer's main activities

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

1.4. Agreements with intermediaries of public trading in securities

The company has signed an agreement with the financial brokerage company AB Finasta (VPK license No.: A 087, address: Maironio St.11, Vilnius, telephone (8-5) 278 68 33 fax (8-5) 278 68 38) concerning management of securities accounting.

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

1.5.1. Ordinary shares of Pieno Žvaigždės, AB were admitted to the official trading list of Nasdaq Baltic Stock Exchange.
Type of shares – ordinary registered shares;
Number of shares – 49,634,419;
Total nominal value – 14 393 981.51 euros;
VP ISIN code – LT0000111676.

1.5.2. As at 31 December 2015, Pieno Žvaigždės, AB has bought 4 500 000 own shares.

2. THE INFORMATION PROVIDED FOR IN ARTICLE 25 OF THE LAW ON FINANCIAL STATEMENTS OF ENTITIES OF THE REPUBLIC OF LITHUANIA

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

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

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

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

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

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

Information on financial risks is presented in the annual financial statements (note 21 of the explanatory information).

Pieno Žvaigždės, AB has integrated the quality and environment management system as to the requirements of ISO 9001:2008 and ISO 14001:2004. As of March 2012 the Company is implementing the food safety management system as to ISO 22000:2005, which will be integrated into the existing management system. In December 2013, the affiliate Pasvalio Sūrinė received the certificate confirming the implementation of food safety management system complying with requirement of FSSC 22000. Other three affiliates of Pieno Žvaigždės, AB have finalised the implementation of the food management system and received certificate according to the requirements of FSSC 22000 at the beginning of the year 2015.

Assurance of the quality of dairy products, especially of their safety, i.e. harmlessness to consumers, is one of the major tasks of the Company. The functioning food safety system allows to monitor risk factors and important control points that are related to milk production processes, transportation, consumption and improves the quality control. The Company has prepared, implemented and operate the programs which provide for conditions, measures and behaviour rules to prevent biological, chemical, allergic and physical contamination and ensure high quality and safety of the dairy products.

During the years 1998–2002 the State Food and Veterinarian Office assigned the affiliates of Pieno Žvaigždės, AB with certificates for export to EU, which allow exporting dairy products bearing identification marks to the EU countries. Furthermore, all the branches of the Company are approved for export to Russia and Belarus.

A primary certification of the quality management system in the Company's affiliates was performed in 2002. The granted certificates proved that the establishment, documentation and maintenance of the quality management system complied with the ISO 9001 standard. The certification audit in the affiliates and issuance of the certificates was performed by an international certification firm TUV CERT. During 2005–2006, the environment management system complying with the requirements of ISO 14001 standards was integrated into the quality management system, and in February 2007 Pieno Žvaigždės, AB received the certificate confirming the integrated quality and environment management system complying with the requirements of ISO 9001 and ISO 14001 standards operates in the Company. Every year, the certifying firm performs supervision audits of the Company, and every 3 years the recertification takes place. Pieno Žvaigždės, AB aims to continuous improvement and better efficiency of its operations and processes, thus, for the purpose of more efficient use of external audit results for company improvement, in 2013, Pieno Žvaigždės, AB changed the certification firm. As of 2013, external audit of management systems is performed by certifying firm DNV.

The Company's affiliates Kauno Pienas an Panevezio Pienas are certified for production of ecological products (ecological yogurts, ecological sour cream, ecological curd and cottage cheese). After each annual review, a public company Ekoagros issues a new certificate on the Company's compliance with the requirements. Production of ecological dairy products requires adhering to strict requirements set not only for production processes but also for their compound parts. The certified ecological products are marked with the following additional information: certification mark of ecological products, code of the certifying firm, and reference to the growth place of agricultural goods used for production.

Certain products of the Company are assigned with specific quality certificates HALAL (whey powder and cream) and KOSHER (whey powder).

The Company's management has undertaken to produce safe and high-quality dairy products that satisfy the clients' needs and expectations, with low impact on environment to the maximum extent, all being defined in the Company's policy on the safety and quality of food and environment protection.

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

Key figures, million EUR	**31 12 2015**	**31 12 2014**
Turnover	163.8	239.6
Gross profit	33.4	37.3
Profit before tax, interest and depreciation (EBITDA)	11.9	15.0
Profit (loss) before tax	3.2	5.6
Investment in property, plant and equipment	3.4	5.7
Average number of employees	1 805	1 950
Raw milk purchased (natural milk), thousands tons	304.1	384.8
Milk purchased as to basic ratios, thousands tons	368.2	464.2

Main quality management and environmental principles:

- The quality management system is oriented towards a customer, thus a lot of attention is devoted to fulfilling customers' needs and expectations;
- Principles of cleaner production must be adhered to; the aspects that significantly influence the environment must be identified and managed, and proper preparation for emergency situation must be insured.
- Management of the Company sets united aims and goals. Heads of the Company create environment where all employees take part in order to achieve aims.
- Employees of all levels are involved in Company's work.
- All activities of the Company, as well as the recourses related to them are managed as a process.
- Interconnected processes are defined, understood and managed as a system, and this increases Company's capacity and efficiency.
- Company's target is constant improvement. Improvement activities are integrated with Company's strategy and every worker seeks improvement of a product, process and systems.
- High-scoring solutions are based on data and information analysis.
- A lot of attention is devoted to connections with suppliers.

Enjoyment of the ISO 9001 and ISO 14001 certificates proves that the structure, duties and responsibilities are strictly defined in the Company, processes and procedures set out, major documents controlled and constantly renewed, checked and that management activities are carried out regularly, while the non-conforming ones are identified, analysed and corrected, even more, the prevention of environmental is ensured.

The Company's top management annually reviews and confirms food safety, quality and environmental policies

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

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

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

At the end of 2015 the Company has bought 4 500 000 own shares, which make 9.07% of the total share capital.

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

Through the year 2015 the Company purchased 4 500 000 own shares, which make 9.07% of the total share capital.

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

Through the year 2015 the Company paid 6 660 000 euros (or 1.48 euro per share) for purchased own shares.

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

Through the year 2015 the Company purchased own shares for the reason to stabilize shares price in the stock exchange.

2.8. Information about branches and representative offices

Pieno Žvaigždės, AB comprises four production branches:

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

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

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

2.10. Plans of the Company‘s activity and forecasts

The main goals of Pieno Žvaigždės, AB for the year 2016:

- ✓ Expected turnover for the year 2016 – close to 173 million EUR;

2.11. Information about research and development activity

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

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

The goals of financial risk management are presented in the general part of the explanatory note in the annual financial statements. The scope of price risk, credit risk, liquidity risk and cash flows risk is presented in the note 21 of the explanatory note in the annual financial statements.

Information on derivative financial instruments is presented in the note 20 of the explanatory note in the annual financial statements.

3. OTHER INFORMATION ABOUT THE ISSUER

3.1. Structure of the Issuer’s authorized capital

The authorized capital registered with the Companies Register Centre amounts to 14 393 981.51 EUR. The authorized capital is divided into 49,634,419 ordinary registered shares (nominal value 0.29 EUR). All ordinary registered shares of Pieno Žvaigzdės, AB are fully paid in. Restrictions on the transfer of securities are not applied. Rights attributable to the shares are presented in the note 14 of the explanatory notes in the annual financial statements.

3.2. Restrictions applicable upon the transfer of securities

There are no restrictions applicable on the transfer of securities.

3.3. Investments

The Company invested into equipment and transport renovation and modernization 3.4 million euros through the year 2015.

3.4. Shareholders

The most recent data about Company’s shareholders dated 31 December 2015. The Company had 3 688 shareholders.

The shareholders holding more than 5 per cent of the Company's authorized capital are as follows:

Shareholder	Number of shares, units	Share of the capital %	Share of votes, %	Votes with related persons, % *
ŽŪKB „Smilgelė" J. Tumo Vaižganto 8/27-3. Vilnius, į.k. 2490652	6,710,200	13.52%	14.87%	-
UAB „Agrolitas Imeks Lesma" Laisvės pr 125, Vilnius, į.k. 2191855	6,195,459	12.48%	13.73%	-
SEB Estonia AS custodian for Bank of Austria, Tornimae 2 15010, Tallinn	4,122,022	8.30%	9.13%	-
Swedfund International Sveavagen 24-26, Box 3286, SE-103 65 Stockholm, Sweden	2,985,477	6.01%	6.61%	-
Kvaraciejus Julius	7,085,907	14.28%	15.70%	32.36%
Regina Kvaraciejienė	2,126,959	4.29%	4.71%	32.36%
Klovas Voldemaras	3,142,567	6.33%	6.96%	32.36%
Klovienė Danutė	878,328	1.77%	1.95%	32.36%
Smagin Aleksandr	1,323,536	2.67%	2.93%	32.36%
Rogoža Gžegož	46,150	0.09%	0.10%	32.36%

** Board members and their spouses are considered as related persons*

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

The Issuer is not aware about any agreements concluded among the shareholders due to which the securities transfer and (or) voting rights may be restricted. There are no shareholders having special control rights in the Company.

3.6. Employees

	31 12 2015	**31 12 2014**
Average number of employees	**1 805**	**1 950**
With university education	395	428
With college education	410	452
With secondary education	870	940
With not completed secondary education	130	130

	2015 12 31	**2014 12 31**
Average number of employees	**1 805**	**1 950**
Management	80	80
Specialists	314	320
Workers	1 411	1 550

	31 12 2015	**31 12 2014**
Average gross salary, Eur		
Management	1 805	1 711
Specialists	897	815
Workers	632	623

3.7. Rights of the Management bodies of the Issuer to issue and repurchase shares

Decisions regarding issuance of new shares takes the General shareholders meeting in accordance with the order prescribed by the legislation. Decisions regarding repurchase of own shares also takes the General shareholders meeting in accordance with the order prescribed by the legislation. General shareholders meeting may assign to the Board of directors to set specific shares acquisition duration, number and prices.

3.8. Management bodies of the Issuer

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

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

The Management Board is a collegial management body comprised of 7 (seven) members. The Board members are elected for the 4 years period. The Board elects the Chairman.

The competence of and procedure of announcement of the General shareholders' meeting and all other issues related to the activities of the General shareholders' meeting and their decisions, as well the competence, election, recall and other issues related to the Board and the General Director are regulated by the Companies Law of the Republic of Lithuania.

The Management Board

Name, surname	Official duties	Number shares, units	Share of the capital %	From	Until
Paul Bergqvist	Chairman	-	-	27 04 2012	27 04 2016
Hans Mideus	Member	-	-	28 08 2012	27 04 2016
Julius Kvaraciejus	Member	7.085.907	14.28	27 04 2012	27 04 2016
Voldemaras Klovas	Member	3.142.567	6.33	27 04 2012	27 04 2016
Aleksandr Smagin	Member	1.323.536	2.67	27 04 2012	27 04 2016
Audrius Statulevičius	Member	-	-	27 04 2012	27 04 2016
Gžegož Rogoža	Member	46.150	0.09	27 04 2012	27 04 2016

Administration

Name, surname	Official duties	Number shares, units	Share of the capital %
Aleksandr Smagin	CEO	1.323.536	2.67
Audrius Statulevičius	CFO	-	-

The remuneration amount to key management as well as transactions carried out with management members are disclosed in the Note 23 of the explanatory notes in the annual financial statements.

3.9. The Committees in the Company

The company has the Audit Committee

Name, surname	Official duties	Number shares, units	Share of the capital %	From	Until
Jūratė Zarankienė	Chairman	-	-	2015 04 29	2016 04 29
Danutė Kairevičienė	Member	-	-	2015 04 29	2016 04 29

3.10 All significant agreements where the Issuer is a party and which may become effective, changed or cancelled upon change of control of the Issuer.

There are no such agreements.

3.11 All agreements of the Issuer and its management bodies members, members of committees and employees, prescribing compensation in case of their resignation or dismissal without a valid reason.

Compensation to the management members of up to 12 monthly salaries would be payable.

3.12. Information on the major related parties' transactions

(The issuers of equity securities shall additionally present the information on the major related parties' transactions while specifying the amounts of the transactions, the nature of the relations between the parties concerned and other information about the transactions indispensable for the understanding of the financial status of the company where the transactions were material or were concluded under unusual market conditions. The information on individual transactions may be generalised by type of the transactions, except the cases where additional information must be disclosed for the purpose of understanding the impact of the related parties' transactions upon the financial status of the company. The term 'related party' shall have the same meaning as used in the accounting standards used by the issuer).

More information on related parties' transactions is presented in the Note 23 of the explanatory notes in the annual financial statements.

3.13. Information on harmful transactions carried out in the name of the Issuer during the financial year.

There were no such transactions.

4. INFORMATION ON THE COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

5. DATA ON THE PUBLICLY DISCLOSED INFORMATION

All the publicly disclosed information is available on the Company's website www.pienozvaigzdes.lt

26.02.2016	Pieno zvaigzdes AB, not audited financial results for the year 2015
08.01.2016	Regarding the announcement of interim information
30.12.2015	Notification of a group on the disposal of a block of shares
23.12.2015	Notification of a person / group on the acquisition of a block of shares
23.12.2015	Decision of the Bank of Lithuania on Results of Investigation Related to Information Disclosure by Pieno zvaigzdes, AB
03.12.2015	Notification of a group on the disposal of a block of shares
30.11.2015	Pieno zvaigzdes AB, not audited financial results for the first nine months of 2015
26.11.2015	Pieno Zvaigzdes AB, share buy back
11.11.2015	Resolutions of Shareholders' Meeting of Pieno Zvaigzdes AB
11.11.2015	Resolution by Pieno Zvaigzdes AB re share buy back
20.10.2015	General Shareholders' Meeting of Pieno Zvaigzdes AB
30.09.2015	Notification on transaction concluded by managers of the company
31.08.2015	Pieno zvaigzdes AB, not audited Interim financial report for the first six months of 2015
04.08.2015	Pieno zvaigzdes AB, not audited financial results for the first six months and for the II quarter of 2015
29.05.2015	Pieno zvaigzdes AB, not audited financial results for the first three months of 2015
30.04.2015	Pieno zvaigzdes AB, annual report for the year 2014
29.04.2015	Resolutions of Annual General Shareholders' Meeting of Pieno Zvaigzdes AB
07.04.2015	Annual General Shareholders' Meeting of Pieno Zvaigzdes AB
28.02.2015	Pieno zvaigzdes AB, not audited financial results for the year 2014

6. OTHER INFORMATION

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

Addendum 1

Disclosure by Pieno Žvaigzdės, AB of compliance with the Governance Code for the companies listed on Nasdaq Baltic

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 presents forecasts announcing significant events through the centralized information system, however due to competition in the market, the Company cannot publicly disclose certain strategies in advance.
1.2. All management bodies of a company should act in furtherance of the declared strategic objectives in view of the need to optimize shareholder value.	Yes	
1.3. A company's supervisory and management bodies should act in close co-operation in order to attain maximum benefit for the company and its shareholders.	Yes	
1.4. A company's supervisory and management bodies should ensure that the rights and interests of persons other than the company's shareholders (e.g. employees, creditors, suppliers, clients, local community), participating in or connected with the company's operation, are duly respected.	Yes	
Principle II: The corporate governance framework **The corporate governance framework should ensure the strategic guidance of the company, the effective oversight of the company's management bodies, an appropriate balance and distribution of functions between the company's bodies, protection of the shareholders' interests.**		
2.1. Besides obligatory bodies provided for in the Law on Companies of the Republic of Lithuania – a general shareholders' meeting and the chief executive officer, it is recommended that a company should set up both a collegial supervisory body and a collegial management body. The setting up of collegial bodies for supervision and management facilitates clear separation of management and supervisory functions in the company, accountability and control on the part of the chief executive officer, which, in its turn, facilitate a more efficient and transparent management process.	No	There is no Council in the Company. Control over the Board is performed by General Shareholders Meeting, to which the Board reports.
2.2. A collegial management body is responsible for the strategic management of the company and performs other key functions of corporate governance. A collegial supervisory body is responsible for the effective supervision of the company's management bodies.	Yes	The Board is the collegial management body.
2.3. Where a company chooses to form only one collegial body, it is recommended that it should be a supervisory body, i.e. the supervisory board. In such a case, the supervisory board is responsible for the effective monitoring of the functions performed by the company's chief executive officer.	No	The Company has executive body – the Board. Shareholders of the Company have not formed a Supervisory board.
2.4. The collegial supervisory body to be elected by the general shareholders' meeting should be set up and should act in the manner defined in Principles III and IV. Where a company should decide not to set up a collegial supervisory body but rather a collegial management body, i.e. the board,	Yes	As collegial supervisory body is not formed at the Company the Principle III and IV statements, are applied to the Board as long

Principles III and IV should apply to the board as long as that does not contradict the essence and purpose of this body[1].		as it does not contradict to the essence and purpose of such body.
2.5. Company's management and supervisory bodies should comprise such number of board (executive directors) and supervisory (non-executive directors) board members that no individual or small group of individuals can dominate decision-making on the part of these bodies[2].	Yes	The Board consists of 7 members who represent interests of shareholders. This number of members is sufficient and ensures that no individual or small group of individuals dominates decision-making of the Board
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	The Board members are elected for maximum 4 year term as per legislation. There are no limitations for re-election.
2.7. Chairman of the collegial body elected by the general shareholders' meeting may be a person whose current or past office constitutes no obstacle to conduct independent and impartial supervision. Where a company should decide not to set up a supervisory board but rather the board, it is recommended that the chairman of the board and chief executive officer of the company should be a different person. Former company's chief executive officer should not be immediately nominated as the chairman of the collegial body elected by the general shareholders' meeting. When a company chooses to departure from these recommendations, it should furnish information on the measures it has taken to ensure impartiality of the supervision.	Yes	The Company's general manager is not the chairman of the Board. No obstacles for independent and objective supervision exist.

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

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

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 shall ensure representation of minority shareholders, accountability of this body to the shareholders and objective monitoring of the company's operation and its management bodies[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') shall ensure objective and fair monitoring of the company's management bodies as well as representation of minority shareholders.	Yes	The Company discloses information of candidates to the Company's collegial body. The shareholders structure does not contain any dominating shareholders. All active shareholder groups have their representatives in the Board.
3.2. Names and surnames of the candidates to become members of a collegial body, information about their education, qualification, professional background, positions taken and potential conflicts of interest shall be disclosed early enough before the general shareholders' meeting so that the shareholders would have sufficient time to make an informed voting decision. All factors affecting the candidate's independence, the sample list of which is set out in Recommendation 3.7, shall be also disclosed. The collegial body shall also be informed on any subsequent changes in the provided information. The collegial body shall, on yearly basis, collect data provided in this item on its members and disclose this in the company's annual report.	Yes	Information about members of collegial body is presented in the annual report of the company. Before election of members of the collegial body, information about them is presented together with the meeting's documentation as per legislation.
3.3. Shall a person be nominated for members of a collegial body, such nomination shall be followed by the disclosure of information on candidate's particular competences relevant to his/her service on the collegial body. In order shareholders and investors are able to ascertain whether member's competence is further relevant, the collegial body shall, in its annual report, disclose the information on its composition and particular competences of individual members which are relevant to their service on the collegial body.	Yes	Information about members of collegial body is presented in the annual report of the company. Before election of members of the collegial body, information about them is presented together with the meeting's documentation as per legislation.
3.4. In order to maintain a proper balance in terms of the current qualifications possessed by its members, the desired composition of the collegial body shall be determined with regard to the company's structure and activities, and have this periodically evaluated. The collegial body should ensure that it is composed of members who, as a whole, have the required diversity of knowledge, judgment and experience to complete their tasks properly. The members of the audit committee, collectively, should have a recent knowledge and relevant experience in the fields of finance, accounting and/or audit for the stock exchange listed companies. At least one of the members of the remuneration committee should have knowledge of and experience in the field of remuneration policy.	Yes	Members of the collegial body have extensive experience in the enterprise management, have versatile knowledge and skills for proper execution of duties.

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

3.5. All new members of the collegial body shall be offered a tailored program focused on introducing a member with his/her duties, corporate organization and activities. The collegial body shall conduct an annual review to identify fields where its members need to update their skills and knowledge.	Yes	Members of the collegial body have extensive experience in the enterprise management. Shall new candidates be elected, they would be acquainted with the situation in the Company and specifics of management.
3.6. In order to ensure that all material conflicts of interest related with a member of the collegial body are resolved properly, the collegial body shall comprise a sufficient [4]number of independent [5]members.	Yes	2 of 7 of the Board members are independent
3.7. A member of the collegial body shall be considered to be independent only if he is free of any business, family or other relationship with the company, its controlling shareholder or the management of either, that creates a conflict of interest such as to impair his judgment. Since all cases when member of the collegial body is likely to become dependent are impossible to list, moreover, relationships and circumstances associated with the determination of independence may vary amongst companies and the best practices of solving this problem are yet to evolve in the course of time, assessment of independence of a member of the collegial body shall be based on the contents of the relationship and circumstances rather than their form. The key criteria for identifying whether a member of the collegial body can be considered to be independent are the following: 1) He/she is not an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) of the company or any associated company and has not been such during the last five years; 2) He/she is not an employee of the company or some any company and has not been such during the last three years, except for cases when a member of the collegial body does not belong to the senior management and was elected to the collegial body as a representative of the employees; 3) He/she is not receiving or has been not receiving significant additional remuneration from the company or associated company other than remuneration for the office in the collegial body. Such additional remuneration includes participation in share options or some other performance based pay systems; it does not include compensation payments for the previous office in the company (provided that such payment is no way related with later position) as per pension plans (inclusive of deferred compensations); 4) He/she is not a controlling shareholder or representative of such shareholder (control as defined in the Council Directive 83/349/EEC Article 1 Part 1);	Yes	

[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.

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, counselling 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.	Yes	
3.9. Necessary information on conclusions the collegial body has come to in its determination of whether a particular member of the body shall be considered to be independent shall be disclosed. When a person is nominated to become a member of the collegial body, the company shall disclose whether it considers the person to be independent. When a particular member of the collegial body does not meet one or more criteria of independence set out in this Code, the company shall disclose its reasons for nevertheless considering the member to be independent. In addition, the company shall annually disclose which members of the collegial body it considers to be independent.	Yes	*Based on the independency criteria, set in paragraph 3.7., independent members of the Board are:* *- Paul Bergqvist – Chairman of the board;* *- Hans Mideus – Board member;*
3.10. When one or more criteria of independence set out in this Code has not been met throughout the year, the company shall disclose its reasons for considering a particular member of the collegial body to be independent. To ensure accuracy of the information disclosed in relation with the independence of the members of the collegial body, the company shall require independent members to have their independence periodically re-confirmed.	Yes	*The criteria are met throughout the year*

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 shall approve the amount of such remuneration.	Yes	
Principle IV: The duties and liabilities of a collegial body elected by the general shareholders' meeting **The corporate governance framework shall ensure proper and effective functioning of the collegial body elected by the general shareholders' meeting, and the powers granted to the collegial body shall ensure effective monitoring [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') shall ensure integrity and transparency of the company's financial statements and the control system. The collegial body shall issue recommendations to the company's management bodies and monitor and control the company's management performance[8].	Yes	*Management submits reports to the collegial body at least once per quarter and gets recommendations. The Board approves the annual report prepared by the management.*
4.2. Members of the collegial body shall act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders with due regard to the interests of employees and public welfare. Independent members of the collegial body shall (a) under all circumstances maintain independence of their analysis, decision-making and actions (b) do not seek and accept any unjustified privileges that might compromise their independence, and (c) clearly express their objections shall a member consider that decision of the collegial body is against the interests of the company. Shall a collegial body have passed decisions independent member has serious doubts about, the member shall make adequate conclusions. Shall an independent member resign from his office, he shall explain the reasons in a letter addressed to the collegial body or audit committee and, if necessary, respective company-not-pertaining body (institution).	Yes	*The Board members perform on their good will on behalf of the company follow the company's interests trying to maintain independency in decision making.*
4.3. Each member shall devote sufficient time and attention to perform his duties as a member of the collegial body. Each member of the collegial body shall limit other professional obligations of his (in particular any directorships held in other companies) in such a manner they do not interfere with proper performance of duties of a member of the collegial body. In the event a member of the collegial body shall be present in less than a half [9]of the meetings of the collegial body throughout the financial year of the company, shareholders of the company shall be notified.	Yes	*Members of the collegial body properly fulfil their duties: take active part in sittings and allot sufficient time for execution of duties. All sittings of the collegial body had quorum.*

4.4. Where decisions of a collegial body may have a different effect on the company's shareholders, the collegial body shall treat all shareholders impartially and fairly. It shall ensure that shareholders are properly informed on the company's affairs, strategies, risk management and resolution of conflicts of interest. The company shall have a clearly established role of members of the collegial body when communicating with and committing to shareholders.	Yes	

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

4.5. It is recommended that transactions (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions), concluded between the company and its shareholders, members of the supervisory or managing bodies or other natural or legal persons that exert or may exert influence on the company's management shall be subject to approval of the collegial body. The decision concerning approval of such transactions shall be deemed adopted only provided the majority of the independent members of the collegial body voted for such a decision.	Yes	
4.6. The collegial body should be independent in passing decisions that are significant for the company's operations and strategy. Taken separately, the collegial body should be independent of the company's management bodies[10]. Members of the collegial body should act and pass decisions without an outside influence from the persons who have elected it. Companies should ensure that the collegial body and its committees are provided with sufficient administrative and financial resources to discharge their duties, including the right to obtain, in particular from employees of the company, all the necessary information or to seek independent legal, accounting or any other advice on issues pertaining to the competence of the collegial body and its committees. When using the services of a consultant with a view to obtaining information on market standards for remuneration systems, the remuneration committee should ensure that the consultant concerned does not at the same time advise the human resources department, executive directors or collegial management organs of the company concerned.	Yes	
4.7. Activities of the collegial body shall be organized in a manner that independent members of the collegial body could have major influence in relevant areas where chances of occurrence of conflicts of interest are very high. Such areas to be considered as highly relevant are issues of nomination of company's directors, determination of directors' remuneration and control and assessment of company's audit. Therefore when the mentioned issues are attributable to the competence of the collegial body, it is recommended that the collegial body shall establish nomination, remuneration, and audit committees[11]. Companies shall ensure that the functions attributable to the nomination, remuneration, and audit committees are carried out. However they may decide to merge these functions and set up less than three committees. In such case a company shall explain in detail reasons behind the selection of alternative approach and how the selected approach complies with the objectives set forth for the three different committees. Shall the collegial body of the company comprise small number of members, the functions assigned to the three committees may be performed by the collegial body itself, provided that it meets composition requirements advocated for the committees and that adequate information is provided in this respect. In such case provisions of this Code relating to the committees of the collegial body (in particular with respect to their role, operation, and transparency) shall apply, where relevant, to the collegial body as a whole.	No	Only Audit committee established
4.8. The key objective of the committees is to increase efficiency of the activities of the collegial body by ensuring that decisions are based on due consideration, and to help organize its work with a view to ensuring that the decisions it takes are free of material conflicts of interest. Committees should exercise independent judgment and integrity when exercising its functions as well as present the collegial body with recommendations concerning the decisions of the collegial body. Nevertheless the final decision shall be adopted by the collegial body. The recommendation on creation of committees is not intended, in principle, to constrict the competence of the collegial body or to remove the matters considered from the purview of the collegial body	Yes	

[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.

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

itself, which remains fully responsible for the decisions taken in its field of competence.		
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.	No	Audit committee consists of two members.
4.10. Authority of each of the committees shall be determined by the collegial body. Committees shall perform their duties in line with authority delegated to them and inform the collegial body on their activities and performance on regular basis. Authority of every committee stipulating the role and rights and duties of the committee shall be made public at least once a year (as part of the information disclosed by the company annually on its corporate governance structures and practices). Companies shall also make public annually a statement by existing committees on their composition, number of meetings and attendance over the year, and their main activities. Audit committee shall confirm that it is satisfied with the independence of the audit process and describe briefly the actions it has taken to reach this conclusion.	Yes	Annual statement of the audit committee is presented to the Board and shareholders meeting.
4.11. In order to ensure independence and impartiality of the committees, members of the collegial body that are not members of the committee shall commonly have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or demand participation in the meeting of particular officers or experts. Chairman of each of the committees shall have a possibility to maintain direct communication with the shareholders. Events when such are to be performed shall be specified in the regulations for committee activities.	Yes	

4.12. Nomination Committee. 4.12.1. Key functions of the nomination committee shall be the following: 1) Identify and recommend, for the approval of the collegial body, candidates to fill board vacancies. The nomination committee shall evaluate the balance of skills, knowledge and experience on the management body, prepare a description of the roles and capabilities required to assume a particular office, and assess the time commitment expected. Nomination committee can also consider candidates to members of the collegial body delegated by the shareholders of the company; 2) Assess on regular basis the structure, size, composition and performance of the supervisory and management bodies, and make recommendations to the collegial body regarding the means of achieving necessary changes; 3) Assess on regular basis the skills, knowledge and experience of individual directors and report on this to the collegial body; 4) Properly consider issues related to succession planning; 5) Review the policy of the management bodies for selection and appointment of senior management. 4.12.2. Nomination committee shall consider proposals by other parties, including management and shareholders. When dealing with issues related to executive directors or members of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) and senior management, chief executive officer of the company shall be consulted by, and entitled to submit proposals to the nomination committee.	N/A	N/A because Nomination Committee is not formed.
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) Ensure that remuneration of individual executive directors or members of management body is proportionate to the remuneration of other executive directors or members of management body and other staff members of the company. 4) Periodically review the remuneration policy for executive directors or members of management body, including the policy regarding share-based remuneration, and its implementation. 5) Make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies; 6) Assist the collegial body in overseeing how the company complies with applicable provisions regarding the remuneration-related information disclosure (in particular the remuneration policy applied and individual remuneration of directors); 7) Make general recommendations to the executive directors and members of the management bodies on the level and structure of remuneration for senior management (as defined by the collegial body) with regard to the respective information provided by the executive directors and members of the management bodies.	N/A	N/A because Remuneration Committee is not formed.

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. 4.13.4. The remuneration committee should report on the exercise of its functions to the shareholders and be present at the annual general meeting for this purpose		
4.14. Audit Committee. 4.14.1. Key functions of the audit committee shall 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. Shall there be no internal audit authority in the company, the need for one shall 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 shall 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, shall at all times monitor nature and extent of the non-audit services. Having regard to the principals and guidelines established in the 16 May 2002 Commission Recommendation 2002/590/EC, the committee shall determine and apply a formal policy establishing types of non-audit services that are (a) excluded, (b) permissible only after review by the committee, and (c) permissible without referral to the committee; 6) Review efficiency of the external audit process and responsiveness of management to recommendations made in the external auditor's management letter.	Yes	Audit committee established and approved by the shareholders' meeting.

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

Principle V: The working procedure of the company's collegial bodies **The working procedure of supervisory and management bodies established in the company shall ensure efficient operation of these bodies and decision-making and encourage active co-operation between the company's bodies.**		
5.1. The company's supervisory and management bodies (hereinafter in this Principle the concept 'collegial bodies' covers both the collegial bodies of supervision and the collegial bodies of management) shall be chaired by chairpersons of these bodies. The chairperson of a collegial body is responsible for proper convocation of the collegial body meetings. The chairperson shall ensure that information about the meeting being convened and its agenda are communicated to all members of the body. The chairperson of a collegial body shall ensure appropriate conducting of the meetings of the collegial body. The chairperson shall ensure order and working atmosphere during the meeting.	Yes	This regulation in the Company is realised by the Board.
5.2. It is recommended that meetings of the company's collegial bodies shall be carried out according to the schedule approved in advance at certain intervals of time. Each company is free to decide how often to convene meetings of the collegial bodies, but it is recommended that these meetings shall be convened at such intervals, which would guarantee an interrupted resolution of the essential corporate governance issues. Meetings of the company's supervisory board shall be convened at least once in a quarter, and the company's board shall meet at least once a month[12].	Yes	The Board sittings are convened at least once per quarter.
5.3. Members of a collegial body shall be notified of the meeting being convened in advance in order to allow sufficient time for proper preparation for the issues on the agenda of the meeting and to ensure fruitful discussion and adoption of appropriate decisions. Alongside with the notice of the meeting, all the documents relevant to the issues on the agenda of the meeting shall be submitted to the members of the collegial body. The agenda of the meeting shall not be changed or supplemented during the meeting, unless all members of the collegial body are present or certain issues of great importance to the company require immediate resolution.	Yes	
5.4. In order to co-ordinate operation of the company's collegial bodies and ensure effective decision-making process, chairpersons of the company's collegial bodies of supervision and management shall closely co-operate by co-coordinating dates of the meetings, their agendas and resolving other issues of corporate governance. Members of the company's board shall be free to attend meetings of the company's supervisory board, especially where issues concerning removal of the board members, their liability or remuneration are discussed.	Yes	The Board is doing the work that collegial body should do.
Principle VI: The equitable treatment of shareholders and shareholder rights **The corporate governance framework shall ensure the equitable treatment of all shareholders, including minority and foreign shareholders. The corporate governance framework shall protect the rights of the shareholders.**		
6.1. It is recommended that the company's capital shall consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all their holders.	Yes	Ordinary shares comprising the share capital provide equal rights to all shareholders of the Company.
6.2. It is recommended that investors shall have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.	Yes	

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

6.3. Transactions that are important to the company and its shareholders, such as transfer, investment, and pledge of the company's assets or any other type of encumbrance shall be subject to approval of the general shareholders' meeting[13]. All shareholders shall be furnished with equal opportunity to familiarize with and participate in the decision-making process when significant corporate issues, including approval of transactions referred to above, are discussed.	Yes	The major shareholders have representatives in the Board which is the decision-maker.
6.4. Procedures of convening and conducting a general shareholders' meeting should ensure equal opportunities for the shareholders to effectively participate at the meetings and should not prejudice the rights and interests of the shareholders. The venue, date, and time of the shareholders' meeting should not hinder wide attendance of the shareholders.	Yes	All shareholders are informed about the date, place and time of the general meeting. The shareholders can get information on the meeting's agenda beforehand.
6.5. It is possible, in order to ensure shareholders living abroad the right to access to the information, it is recommended that documents on the course of the general shareholders' meeting should be placed on the publicly accessible website of the company not only in Lithuanian language, but in English and /or other foreign languages in advance. It is recommended that the minutes of the general shareholders' meeting after signing them and/or adopted resolutions should be also placed on the publicly accessible website of the company. Seeking to ensure the right of foreigners to familiarize with the information, whenever feasible, documents referred to in this recommendation should be published in Lithuanian, English and/or other foreign languages. Documents referred to in this recommendation may be published on the publicly accessible website of the company to the extent that publishing of these documents is not detrimental to the company or the company's commercial secrets are not revealed.	Yes	
6.6. Shareholders shall be furnished with the opportunity to vote in the general shareholders' meeting in person and in absentia. Shareholders shall not be prevented from voting in writing in advance by completing the general voting ballot.	Yes	
6.7. With a view to increasing the shareholders' opportunities to participate effectively at shareholders' meetings, the companies are recommended to expand use of modern technologies by allowing the shareholders to participate and vote in general meetings via electronic means of communication. In such cases security of transmitted information and a possibility to identify the identity of the participating and voting person should be guaranteed. Moreover, companies could furnish its shareholders, especially shareholders living abroad, with the opportunity to watch shareholder meetings by means of modern technologies.	No	

Principle VII: The avoidance of conflicts of interest and their disclosure

[13] The Law on Companies of the Republic of Lithuania (*Official Gazette*, 2003, No 123-5574) no longer assigns resolutions concerning the investment, transfer, lease, mortgage or acquisition of the long-terms assets accounting for more than 1/20 of the company's authorised capital to the competence of the general shareholders' meeting. However, transactions that are important and material for the company's activity should be considered and approved by the general shareholders' meeting. The Law on Companies contains no prohibition to this effect either. Yet, in order not to encumber the company's activity and escape an unreasonably frequent consideration of transactions at the meetings, companies are free to establish their own criteria of material transactions, which are subject to the approval of the meeting. While establishing these criteria of material transactions, companies may follow the criteria set out in items 3, 4, 5 and 6 of paragraph 4 of Article 34 of the Law on Companies or derogate from them in view of the specific nature of their operation and their attempt to ensure uninterrupted, efficient functioning of the company.

The corporate governance framework shall encourage members of the corporate bodies to avoid conflicts of interest and assure transparent and effective mechanism of disclosure of conflicts of interest regarding members of the corporate bodies.		
7.1. Any member of the company's supervisory and management body shall avoid a situation, in which his/her personal interests are in conflict or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory and management body shall, within reasonable time, inform other members of the same collegial body or the company's body that has elected him/her, or to the company's shareholders about a situation of a conflict of interest, indicate the nature of the conflict and value, where possible.	Yes	
7.2. Any member of the company's supervisory and management body may not mix the company's assets, the use of which has not been mutually agreed upon, with his/her personal assets or use them or the information which he/she learns by virtue of his/her position as a member of a corporate body for his/her personal benefit or for the benefit of any third person without a prior agreement of the general shareholders' meeting or any other corporate body authorized by the meeting.	Yes	
7.3. Any member of the company's supervisory and management body may conclude a transaction with the company, a member of a corporate body of which he/she is. Such a transaction (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions) must be immediately reported in writing or orally, by recording this in the minutes of the meeting, to other members of the same corporate body or to the corporate body that has elected him/her or to the company's shareholders. Transactions specified in this recommendation are also subject to recommendation 4.5.	Yes	
7.4. Any member of the company's supervisory and management body shall abstain from voting when decisions concerning transactions or other issues of personal or business interest are voted on.	Yes	
Principle VIII: Company's remuneration policy **Remuneration policy and procedure for approval, revision and disclosure of directors' remuneration established in the company shall prevent potential conflicts of interest and abuse in determining remuneration of directors, in addition it shall ensure publicity and transparency both of company's remuneration policy and remuneration of directors.**		
8.1. A company should make a public statement of the company's remuneration policy (hereinafter the remuneration statement) which should be clear and easily understandable. This remuneration statement should be published as a part of the company's annual statement as well as posted on the company's website.	No	The Company's remuneration policy is not published.
8.2. Remuneration statement shall mainly focus on directors' remuneration policy for the following year and, if appropriate, the subsequent years. The statement shall contain a summary of the implementation of the remuneration policy in the previous financial year. Special attention shall be given to any significant changes in company's remuneration policy as compared to the previous financial year.	N/A	Remuneration statement is not published.

8.3. Remuneration statement should leastwise include the following information: 1) Explanation of the relative importance of the variable and non-variable components of directors' remuneration; 2) Sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration; 3) An explanation how the choice of performance criteria contributes to the long-term interests of the company; 4) An explanation of the methods, applied in order to determine whether performance criteria have been fulfilled; 5) Sufficient information on deferment periods with regard to variable components of remuneration; 6) Sufficient information on the linkage between the remuneration and performance; 7) The main parameters and rationale for any annual bonus scheme and any other non-cash benefits; 8) Sufficient information on the policy regarding termination payments; 9) Sufficient information with regard to vesting periods for share-based remuneration, as referred to in point 8.13 of this Code; 10) Sufficient information on the policy regarding retention of shares after vesting, as referred to in point 8.15 of this Code; 11) Sufficient information on the composition of peer groups of companies the remuneration policy of which has been examined in relation to the establishment of the remuneration policy of the company concerned; 12) A description of the main characteristics of supplementary pension or early retirement schemes for directors; 13) Remuneration statement should not include commercially sensitive information.	N/A	Remuneration statement is not published.
8.4. Remuneration statement shall also summarize and explain company's policy regarding the terms of the contracts executed with executive directors and members of the management bodies. It shall include, inter alia, information on the duration of contracts with executive directors and members of the management bodies, the applicable notice periods and details of provisions for termination payments linked to early termination under contracts for executive directors and members of the management bodies.	N/A	Remuneration statement is not published.
8.5. Remuneration statement shall also contain detailed information on the entire amount of remuneration, inclusive of other benefits, that was paid to individual directors over the relevant financial year. This document shall list at least the information set out in items 8.5.1 to 8.5.4 for each person who has served as a director of the company at any time during the relevant financial year. 8.5.1. The following remuneration and/or emoluments-related information shall be disclosed: 1) The total amount of remuneration paid or due to the director for services performed during the relevant financial year, inclusive of, where relevant, attendance fees fixed by the annual general shareholders meeting; 2) The remuneration and advantages received from any undertaking belonging to the same group; 3) The remuneration paid in the form of profit sharing and/or bonus payments and the reasons why such bonus payments and/or profit sharing were granted; 4) If permissible by the law, any significant additional remuneration paid to directors for special services outside the scope of the usual functions of a director; 5) Compensation receivable or paid to each former executive director or member of the management body as a result of his resignation from the office during the previous financial year; 6) Total estimated value of non-cash benefits considered as remuneration, other than the items covered in the above points.	N/A	Remuneration statement is not published.

8.5.2. As regards shares and/or rights to acquire share options and/or all other share-incentive schemes, the following information shall be disclosed: 1)The number of share options offered or shares granted by the company during the relevant financial year and their conditions of application; 2) The number of shares options exercised during the relevant financial year and, for each of them, the number of shares involved and the exercise price or the value of the interest in the share incentive scheme at the end of the financial year; 3) The number of share options unexercised at the end of the financial year; their exercise price, the exercise date and the main conditions for the exercise of the rights; 4) All changes in the terms and conditions of existing share options occurring during the financial year. 8.5.3. The following supplementary pension schemes-related information shall be disclosed: 1) When the pension scheme is a defined-benefit scheme, changes in the directors' accrued benefits under that scheme during the relevant financial year; 2) When the pension scheme is defined-contribution scheme, detailed information on contributions paid or payable by the company in respect of that director during the relevant financial year. 8.5.4. The statement shall also state amounts that the company or any subsidiary company or entity included in the consolidated annual financial statements of the company has paid to each person who has served as a director in the company at any time during the relevant financial year in the form of loans, advance payments or guarantees, including the amount outstanding and the interest rate.		
8.6. Where the remuneration policy includes variable components of remuneration, companies should set limits on the variable component(s). The non-variable component of remuneration should be sufficient to allow the company to withhold variable components of remuneration when performance criteria are not met.	N/A	Remuneration statement is not published.
8.7. Award of variable components of remuneration should be subject to predetermined and measurable performance criteria.	N/A	Remuneration statement is not published.
8.8. Where a variable component of remuneration is awarded, a major part of the variable component should be deferred for a minimum period of time. The part of the variable component subject to deferment should be determined in relation to the relative weight of the variable component compared to the non-variable component of remuneration.	N/A	Remuneration statement is not published.
8.9. Contractual arrangements with executive or managing directors should include provisions that permit the company to reclaim variable components of remuneration that were awarded on the basis of data which subsequently proved to be manifestly misstated.	N/A	Remuneration statement is not published.
8.10. Termination payments should not exceed a fixed amount or fixed number of years of annual remuneration, which should, in general, not be higher than two years of the non-variable component of remuneration or the equivalent thereof.	Yes	
8.11. Termination payments should not be paid if the termination is due to inadequate performance	Yes	
8.12. The information on preparatory and decision-making processes, during which a policy of remuneration of directors is being established, should also be disclosed. Information should include data, if applicable, on authorities and composition of the remuneration committee, names and surnames of external consultants whose services have been used in determination of the remuneration policy as well as the role of shareholders' annual general meeting.	N/A	Remuneration statement is not published.
8.13. Shares should not vest for at least three years after their award.	N/A	There is no such remuneration scheme.

8.14. Share options or any other right to acquire shares or to be remunerated on the basis of share price movements should not be exercisable for at least three years after their award. Vesting of shares and the right to exercise share options or any other right to acquire shares or to be remunerated on the basis of share price movements, should be subject to predetermined and measurable performance criteria	N/A	There is no such remuneration scheme.
8.15. After vesting, directors should retain a number of shares, until the end of their mandate, subject to the need to finance any costs related to acquisition of the shares. The number of shares to be retained should be fixed, for example, twice the value of total annual remuneration (the non-variable plus the variable components).	N/A	There is no such remuneration scheme.
8.16. Remuneration of non-executive or supervisory directors should not include share options.	N/A	There is no such remuneration scheme.
8.17. Shareholders, in particular institutional shareholders, should be encouraged to attend general meetings where appropriate and make considered use of their votes regarding directors' remuneration.	N/A	Remuneration statement is not published.
8.18. Without prejudice to the role and organization of the relevant bodies responsible for setting directors' remunerations, the remuneration policy or any other significant change in remuneration policy shall be included into the agenda of the shareholders' annual general meeting. Remuneration statement shall be put for voting in shareholders' annual general meeting. The vote may be either mandatory or advisory.	N/A	Remuneration statement is not published.
8.19. Schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements shall be subject to the prior approval of shareholders' annual general meeting by way of a resolution prior to their adoption. The approval of scheme shall be related with the scheme itself and not to the grant of such share-based benefits under that scheme to individual directors. All significant changes in scheme provisions shall also be subject to shareholders' approval prior to their adoption; the approval decision shall be made in shareholders' annual general meeting. In such case shareholders shall be notified on all terms of suggested changes and get an explanation on the impact of the suggested changes.	N/A	There is no such remuneration scheme.
8.20. The following issues shall be subject to approval by the shareholders' annual general meeting: 1) Grant of share-based schemes, including share options, to directors; 2) Determination of maximum number of shares and main conditions of share granting; 3) The term within which options can be exercised; 4) The conditions for any subsequent change in the exercise of the options, if permissible by law; 5) All other long-term incentive schemes for which directors are eligible and which are not available to other employees of the company under similar terms. Annual general meeting shall also set the deadline within which the body responsible for remuneration of directors may award compensations listed in this article to individual directors.	N/A	There is no such remuneration scheme.
8.21. Shall national law or company's Articles of Association allow, any discounted option arrangement under which any rights are granted to subscribe to shares at a price lower than the market value of the share prevailing on the day of the price determination, or the average of the market values over a number of days preceding the date when the exercise price is determined, shall also be subject to the shareholders' approval.	N/A	There is no such remuneration scheme.
8.22. Provisions of Articles 8.19 and 8.20 shall not be applicable to schemes allowing for participation under similar conditions to company's employees or employees of any subsidiary company whose employees are eligible to participate in the scheme and which has been approved in the shareholders' annual general meeting.	N/A	There is no such remuneration scheme.

8.23. Prior to the annual general meeting that is intended to consider decision stipulated in Article 8.19, the shareholders must be provided an opportunity to familiarize with draft resolution and project-related notice (the documents shall be posted on the company's website). The notice shall contain the full text of the share-based remuneration schemes or a description of their key terms, as well as full names of the participants in the schemes. Notice shall also specify the relationship of the schemes and the overall remuneration policy of the directors. Draft resolution must have a clear reference to the scheme itself or to the summary of its key terms. Shareholders must also be presented with information on how the company intends to provide for the shares required to meet its obligations under incentive schemes. It shall be clearly stated whether the company intends to buy shares in the market, hold the shares in reserve or issue new ones. There shall also be a summary on scheme-related expenses the company will suffer due to the anticipated application of the scheme. All information given in this article must be posted on the company's website.	N/A	There is no such remuneration scheme.
Principle IX: The role of stakeholders in corporate governance **The corporate governance framework shall recognize the rights of stakeholders as established by law and encourage active co-operation between companies and stakeholders in creating the company value, jobs and financial sustainability. For the purposes of this Principle, the concept "stakeholders" includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interest in the company concerned.**		
9.1. The corporate governance framework shall assure that the rights of stakeholders that are protected by law are respected.	Yes	
9.2. The corporate governance framework shall create conditions for the stakeholders to participate in corporate governance in the manner prescribed by law. Examples of mechanisms of stakeholder participation in corporate governance include: employee participation in adoption of certain key decisions for the company; consulting the employees on corporate governance and other important issues; employee participation in the company's share capital; creditor involvement in governance in the context of the company's insolvency, etc.		
9.3. Where stakeholders participate in the corporate governance process, they shall have access to relevant information.		
Principle X: Information disclosure and transparency **The corporate governance framework shall ensure that timely and accurate disclosure is made on all material information regarding the company, including the financial situation, performance and governance of the company.**		
10.1. The company shall disclose information on: 1) The financial and operating results of the company; 2) Company objectives; 3) Persons holding by the right of ownership or in control of a block of shares in the company; 4) Members of the company's supervisory and management bodies, chief executive officer of the company and their remuneration; 5) Material foreseeable risk factors; 6) Transactions between the company and connected persons, as well as transactions concluded outside the course of the company's regular operations; 7) Material issues regarding employees and other stakeholders; 8) Governance structures and strategy. This list shall be deemed as a minimum recommendation, while the companies are encouraged not to limit themselves to disclosure of the information specified in this list.	Yes	Information about the company pointed out in these recommendations is disclosed in the following sources: annual report, financial statements and notes to the financial statements, announcements on acquisition/disposal of shareholdings, announcements on significant events through the information system of the Stock Exchange.

10.2. It is recommended that consolidated results of the whole group to which the company belongs shall be disclosed when information specified in item 1 of Recommendation 10.1 is under disclosure.	No	The Company is not a parent company.
10.3. It is recommended that information on the professional background, qualifications of the members of supervisory and management bodies, chief executive officer of the company shall be disclosed as well as potential conflicts of interest that may have an effect on their decisions when information specified in item 4 of Recommendation 10.1 about the members of the company's supervisory and management bodies is under disclosure. It is also recommended that information about the amount of remuneration received from the company and other income shall be disclosed with regard to members of the company's supervisory and management bodies and chief executive officer as per Principle VIII.	Yes	Disclosed information on management's remuneration.
10.4. It is recommended that information about the links between the company and its stakeholders, including employees, creditors, suppliers, local community, as well as the company's policy with regard to human resources, employee participation schemes in the company's share capital, etc. shall be disclosed when information specified in item 7 of Recommendation 10.1 is under disclosure.	Yes	
10.5. Information shall be disclosed in such a way that neither shareholders nor investors are discriminated with regard to the manner or scope of access to information. Information shall be disclosed to all simultaneously. It is recommended that notices about material events shall be announced before or after a trading session on the NASDAQ OMX Vilnius, so that all the company's shareholders and investors shall have equal access to the information and make informed investing decisions.	Yes	Information through the centralised information system is presented in the Lithuanian and English languages at the same time. Furthermore, the company aims to to announce the information before or after the trading session and provide it to all markets in which the company's shares are traded. Information which may influence the share price is not disclosed in any way until such information is publicly announced through the Stock Exchange information system.
10.6. Channels for disseminating information shall provide for fair, timely and cost-efficient access to relevant information by users. It is recommended that information technologies shall be employed for wider dissemination of information, for instance, by placing the information on the company's website. It is recommended that information shall be published and placed on the company's website not only in Lithuanian, but also in English, and, whenever possible and necessary, in other languages as well.	Yes	
10.7. It is recommended that the company's annual reports and other periodical accounts prepared by the company shall be placed on the company's website. It is recommended that the company shall announce information about material events and changes in the price of the company's shares on the Stock Exchange on the company's website too.	Yes	
Principle XI: The selection of the company's auditor **The mechanism of the selection of the company's auditor shall ensure independence of the firm of auditor's conclusion and opinion.**		
11.1. An annual audit of the company's financial reports and interim reports should be conducted by an independent firm of auditors in order to provide an external and objective opinion on the company's financial statements.	Yes	

11.2. It is recommended that the company's supervisory board and, where it is not set up, the company's board shall propose a candidate firm of auditors to the general shareholders' meeting.	Yes	The Company follows this regulation. The Board proposes an audit firm for election to the general shareholders meeting.
11.3. It is recommended that the company shall disclose to its shareholders the level of fees paid to the firm of auditors for non-audit services rendered to the company. This information shall be also known to the company's supervisory board and, where it is not formed, the company's board upon their consideration which firm of auditors to propose for the general shareholders' meeting.	Yes	