ENDORSEMENT BY THE RESPONSIBLE PERSONS

26th April, 2013

Pursuing Part 1 of Article 21 of the Law on Securities of the Republic of Lithuania and the 28th February 2013 Resolution No.03-48 "Regulations of preparation and announcement of periodical and supplementary information" adopted by the Board of Directors of Lithuanian Bank, we, the undersigned – the Chief Executive Officer of AB "Rokiskio suris" Antanas Trumpa and the Chief Financial Officer Antanas Kavaliauskas – approve that to the best of our knowledge the audited financial accounting of AB „Rokiskio suris" for the year 2012 and the annual consolidated financial accounting 2012, are formed in accordance with applicable accounting standards, are true and show fair assets, obligations, financial state, profit and cash flows of the Company and total consolidated group, and also that the annual report as well as the consolidated annual report show legitimate review of the business development and performance, fair state of AB "Rokiskio suris" and the Group of AB "Rokiskio suris", including description of key risk factors and uncertainties which may be met.

Attached: The following documents approved by the 26th April 2013 General meeting of shareholders: Consolidated audited financial accounting of the Group of AB "Rokiskio suris" for the year 2012, prepared in accordance with the International Accounting Standards adopted in the EU, also consolidated audited annual report 2012 of AB "Rokiskio suris" and the company's disclosure of compliance with the Governance Code of the companies whose securities are traded on Vilnius Stock Exchange.

Chief Executive Officer Antanas Trumpa

Chief Financial Officer Antanas Kavaliauskas

LIETUVOS RESPUBLIKA Akcinė bendrovė ROKIŠKIO SŪRIS „ROKIŠKIO SŪRIS" ROKIŠKIS

ROKIŠKIO SŪRIS AB
CONSOLIDATED AND PARENT COMPANY'S FINANCIAL STATEMENTS, CONSOLIDATED ANNUAL REPORT AND INDEPENDENT AUDITOR'S REPORT
31 DECEMBER 2012

CONTENTS

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

Independent Auditor's Report

To the shareholders of Rokiškio sūris AB

Report on the financial statements

We have audited the accompanying stand-alone and consolidated financial statements of Rokiškio sūris AB ("the Company") and its subsidiaries ("the Group") set out on pages 5 to 48, which comprise the stand-alone and consolidated balance sheets as of 31 December 2012 and the stand-alone and consolidated statements of 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.

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 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 the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company and the Group as of 31 December 2012, and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements

Furthermore, we have read the consolidated annual report for the year ended 31 December 2012 have not noted any material inconsistencies between the financial information included in it and the audited financial statements for the year ended 31 December 2012.

On behalf of PricewaterhouseCoopers UAB

Rimvydas Jogėla
Partner
Auditor's Certificate No.000457

Vilnius, Republic of Lithuania
4 April 2013

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

Income statement

Group 2012	Group 2011		Notes	Company 2012	Company 2011
796,407	688,025	Revenue	5	723,940	689,336
(706,882)	(590,354)	Cost of sales		(667,671)	(612,707)
89,525	97,671	**Gross profit**		56,269	76,629
(39,406)	(34,794)	Selling and marketing expenses	6	(29,001)	(25,377)
(17,996)	(32,913)	General and administrative expenses	7	(12,491)	(28,675)
13,103	23,036	Other income	8	12,428	21,957
(9,338)	(18,001)	Other expenses	9	(9,377)	(18,007)
83	142	Other (losses)/gains	10	82	130
35,971	35,141	**Operating profit**		17,910	26,657
(1,590)	(1,904)	Finance costs	12	(1,062)	(1,509)
34,381	33,237	**Profit before income tax**		16,848	25,148
(5,043)	(5,584)	Income tax	13	(2,528)	(5,264)
29,338	27,653	**Profit for the year**		14,320	19,884
		Profit for the year attributable to:			
29,338	27,569	Owners of the Company		-	-
-	84	Non-controlling interest		-	-
29,338	27,653			-	-
0,84	0,78	**Basic and diluted earnings per share (in LTL per share)**	14	0,41	0,56

The notes on pages 11 to 48 are an integral part of these financial statements.
The financial statements on pages 5 to 48 have been approved for issue by the Board of Directors on 4 April 2013 and signed on their behalf by the Director and Chief Financial Officer.

Antanas Trumpa
Director

Antanas Kavaliauskas
Chief Finance Officer

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

Statement of comprehensive income

Group 2012	Group 2011		Notes	Company 2012	Company 2011
29,338	27,653	**Profit for the year**		14,320	19,884
		Other comprehensive income			
-	88,430	Gain on revaluation of property, plant and equipment	15	-	72,972
-	(13,265)	Deferred income tax on revaluation	18	-	(10,946)
-	75,165	**Other comprehensive income for the year**		-	62,026
29,338	102,818	**Total comprehensive income for the year**		14,320	81,910
		Total comprehensive income for the year attributable:			
29,338	102,734	Owners of the Company		-	-
-	84	Non-controlling interest		-	-
29,338	102,818			-	-

The notes on pages 11 to 48 are an integral part of these financial statements.

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

Balance sheet

Group				Company	
At 31 December				At 31 December	
2012	2011		Note	2012	2011
		ASSETS			
		Non-current assets			
145,799	169,310	Property, plant and equipment	15	108,070	127,645
1,122	1,330	Intangible assets	16	214	424
552	551	Investments in subsidiaries	17	28,342	28,341
1,077	1,094	Deferred income tax assets	18	1 077	1,094
-	6,690	Available-for-sale financial assets	31	-	6,690
4,617	-	Other receivables	21	1,768	-
31,480	8,968	Loans granted	19	33,920	10,683
184,647	187,943			173,391	174,877
		Current assets			
94,871	94,968	Inventories	20	86,812	87,341
43,057	53,490	Loans granted	19	34,487	50,436
121,042	98,965	Trade and other receivables	21	94,428	90,466
5,704	1,915	Prepaid income tax		4,854	1,348
6,029	10,576	Cash and cash equivalents	22	2,983	8,294
270,703	259,914			223,564	237,885
455,350	447,857	**Total assets**		396,955	412,762
		EQUITY			
		Attributable to owners of the Company			
35,868	35,868	Share capital	23	35,868	35,868
41,473	41,473	Share premium		41,473	41,473
40,287	40,287	Reserve for acquisition of treasury shares	25	40,287	40,287
(3,868)	(3,868)	Treasury shares	24	(3,868)	(3,868)
71,201	82,598	Other reserves	25	59,519	69,459
130,176	93,004	Retained earnings		94,798	74,045
315,137	289,362	**Total equity**		268,077	257,264
		LIABILITIES			
		Non-current liabilities			
1,265	-	Borrowings	26	1,265	-
11,414	13,425	Deferred income tax liability	18	9,192	10,946
3,845	4,683	Deferred income	27	1,542	2,030
16,524	18,108			11,999	12,976
		Current liabilities			
6,964	6,030	Income tax liabilities		3,758	5,592
55,093	71,707	Borrowings	26	55,093	71,707
2,387	3,258	Deferred income	27	1,756	2,632
59,245	58,568	Trade and other payables	28	56,272	61,767
-	824	Provisions	29	-	824
123,689	140,387			116,879	142,522
140,213	158,495	**Total liabilities**		128,878	155,498
455,350	447,857	**Total equity and liabilities**		396,955	412,762

The notes on pages 11 to 48 are an integral part of these financial statements.

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

Company's statement of changes in equity

	Note	Share capital	Share premium	Reserve for acquisition of treasury shares	Treasury shares	Other reserves	Retained earnings	Total
Balance at 1 January 2011		**38,445**	**41,473**	**29,188**	**(11,478)**	**7,433**	**77,748**	**182,809**
Comprehensive income								
Profit (loss) for the year		-	-	-	-	-	19,884	19,884
Other comprehensive income		-	-	-	-	62,026	-	62,026
Total comprehensive income for 2011		**-**	**-**	**-**	**-**	**62,026**	**19,884**	**81,910**
Transactions with owners								
Acquisition of treasury shares	24	-	-	-	(3,868)	-	-	(3,868)
Cancelation of treasury shares	25	(2,577)	-	(8,901)	11,478			-
Transfer to reserves		-	-	20,000	-	-	(20,000)	-
Dividends relating to 2010	25	-	-	-	-	-	(3,587)	(3,587)
Total transactions with owners for 2011		**(2,577)**	**-**	**11,099**	**7,610**	**-**	**(23,587)**	**(7,455)**
Balance at 31 December 2011		**35,868**	**41,473**	**40,287**	**(3,868)**	**69,459**	**74,045**	**257,264**
Comprehensive income								
Profit (loss) for the year		-	-	-	-	-	14,320	14,320
Transfer to retained earnings (transfer of depreciation, net of deferred income tax)	25	-	-	-	-	(9,940)	9, 940	-
Total comprehensive income for 2012		**-**	**-**	**-**	**-**	**(9,940)**	**24,260**	**14,320**
Transactions with owners								
Dividends relating to 2011	25	-	-	-	-	-	(3,507)	(3,507)
Total transactions with owners for 2012		**-**	**-**	**-**	**-**	**-**	**(3,507)**	**(3,507)**
Balance at 31 December 2012		**35,868**	**41,473**	**40,287**	**(3,868)**	**59,519**	**94,798**	**268,077**

The notes on pages 11 to 48 are an integral part of these financial statements.

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

Group's statement of changes in equity

		Attributable to owners of the Company								
	Note	Share capital	Share premium	Reserve for acquisition of treasury shares	Treasury shares	Other reserves	Retained earnings	Total	Non-controlling interest	Total
Balance at 1 January 2011		**38,445**	**41,473**	**29,188**	**(11,478)**	**7,433**	**89,123**	**194,184**	**450**	**194,634**
Comprehensive income										
Profit (loss) for the year		-	-	-	-	-	27,569	27,569	84	27,653
Other comprehensive income		-	-	-	-	75,165	-	75,165		75,165
Total comprehensive income for 2011		**-**	**-**	**-**	**-**	**75,165**	**27,569**	**102,734**	**84**	**102,818**
Transactions with owners										
Acquisition of treasury shares	24	-	-	-	(3,868)	-	-	(3,868)	-	(3,868)
Cancelation of treasury shares	25	(2,577)	-	(8,901)	11,478	-	-	-	-	-
Transfer to reserves		-	-	20,000	-	-	(20,000)	-	-	-
Dividends relating to 2010	25	-	-	-	-	-	(3,688)	(3,688)		(3,688)
Acquisition of non-controlling interest in subsidiaries		-	-	-	-	-	-	-	(534)	(534)
Total transactions with owners for 2011		**(2,577)**	**-**	**11,099**	**7,610**	**-**	**(23,688)**	**(7,556)**	**(534)**	**(8,090)**
Balance at 31 December 2011		**35,868**	**41,473**	**40,287**	**(3,868)**	**82,598**	**93,004**	**289,362**	**-**	**289,362**
Comprehensive income										
Profit (loss) for the year		-	-	-	-	-	29,338	29,338	-	29,338
Transfer to retained earnings (transfer of depreciation, net of deferred income tax)	25	-	-	-	-	(11,397)	11,397	-	-	-
Total comprehensive income for 2012		**-**	**-**	**-**	**-**	**(11,397)**	**40,735**	**29,338**	**-**	**29,338**
Transactions with owners										
Dividends relating to 2011	25	-	-	-	-	-	(3,563)	(3,563)	-	(3,563)
Total transactions with owners for 2012		-	-	-	-	-	**(3,563)**	**(3,563)**	**-**	**(3,563)**
Balance at 31 December 2012		**35,868**	**41,473**	**40,287**	**(3,868)**	**71,201**	**130,176**	**315,137**	**-**	**315,137**

The notes on pages 11 to 48 are an integral part of these financial statements.

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

Statement of cash flows

Group				Company	
Year ended 31 December				Year ended 31 December	
2012	**2011**		**Note**	**2012**	**2011**
		Cash flows from operating activities			
32,073	14,702	Cash generated from operations	32	21,989	13,038
(1,589)	(1,903)	Interest paid		(1,061)	(1,509)
(2,205)	(2,139)	Income tax paid		(873)	-
28,279	10,660	Net cash generated from operating activities		20,055	11,529
		Cash flows from investing activities			
(10,945)	(16,674)	Purchases of property, plant and equipment	15	(7,529)	(11,024)
(2)	(977)	Purchases of intangible assets		-	(72)
6,689		Purchase of investments		6,689	(1,438)
(2,590)	(15,292)	Loans granted to farmers and employees		(2,590)	(15,292)
(50,080)	(19,199)	Other loans granted		(40,080)	(19,199)
283	628	Proceeds from sale of property, plant and equipment	32	186	607
1,052	3,405	Government grants received	27	718	1,965
28,718	8,295	Other loan repayments received		23,718	8,295
11,550	12,433	Loan repayments from farmers and employees		11,568	7,429
2,656	2,648	Interest received		2,059	2,316
(12,660)	(24,733)	Net cash (used in)/generated from investing activities		(5,261)	(26,413)
		Cash flows from financing activities			
(3,563)	(3,688)	Dividends paid	25	(3,507)	(3,587)
-	(3,868)	Acquisition of treasury shares	24	-	(3,868)
640,682	971,485	Loans received		640,678	971,455
(645,162)	(955,993)	Repayments of borrowings		(645,162)	(955,912)
(8,043)	7,936	Net cash (used in)/generated from financing activities		(7,991)	8,088
7,567	**(6,137)**	**Net (decrease)/increase in cash and cash equivalents**		**6,803**	**(6,796)**
(1,538)	4,599	Cash and cash equivalents at beginning of year	22	(3,820)	2,976
6,029	**(1,538)**	**Cash and cash equivalents at end of year**	**22**	**2,983**	**(3,820)**

The notes on pages 11 to 48 are an integral part of these financial statements.

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

Notes to the financial statements

1. General information

Rokiškio Sūris AB (hereinafter "the Company") is a public listed company incorporated in Rokiškis. The Company's code is 173057512 address: Pramonės St. 3 LT-42150 Rokiškis, Lithuania.

The shares of Rokiškio Sūris AB are traded on the Baltic Main List (RSU1L) of NASDAQ OMX Vilnius stock exchange.

The consolidated Group (hereinafter "the Group") consists of the Company its two branches, five subsidiaries and one joint venture (hereinafter "the joint venture") (2011: two branches, five subsidiaries and one joint venture). The branches and subsidiaries that comprise the consolidated Group are indicated below:

	Operating as at 31 December			**Shareholding of the Group (%) as at 31 December**	
Branches	**2012**	**2011**	**Subsidiaries**	**2012**	**2011**
Utenos Pienas	Yes	Yes	Rokiškio Pienas UAB	100.00	100.00
Ukmergės Pieninė	Yes	Yes	Skirpstas UAB	-	100.00
			Žalmargė KB	100.00	100.00
			Jekabpils Piena Kombinats SIA	100.00	100.00
			Kaunata SIA *	60.00	60.00
			Joint venture		
			Pieno Upės UAB	50.00	50.00

* These subsidiaries were not consolidated in the Group's financial statements as they were immaterial.
On 31 March 2011, Skirpstas UAB was put into liquidation. On 31 May 2011, the Company acquired 49.95% of authorised share capital of raw milk collection company Jekabpils Piena Kombinats SIA (Note 17).

All the above-listed subsidiaries, joint venture and branches were registered in Lithuania, except for Jekabpils Piena Kombinats SIA and Kaunata SIA which were registered in Latvia.

The Group's and the Company's main line of business is the production of ferment cheese and a wide range of milk products.

The average number of the Company's employees during the year ended 31 December 2012 was 1,064 people (2011: 1,043 people). The average number of the Group's employees during the year ended 31 December 2012 was 1,564 people (2011: 1,599 people).

2. Accounting policies

2.1 Basis of preparation

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

The financial statements have been prepared under the historical cost convention, as modified by the valuation of available-for-sale financial assets at fair value and valuation of property, plant and equipment at revalued amount.

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

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

(a) Standards, amendments and interpretations effective for annual periods beginning on or after 1 January 2012:

- **Improvements to International Financial Reporting Standards**, issued in May 2010 (effective dates vary standard by standard, most improvements are effective for annual periods beginning on or after 1 January 2012). The improvements had no material impact on the Company's/Group's financial statements.

(b) Standards, amendments and interpretations that are mandatory for the accounting periods beginning on or after 1 January 2011 but are not relevant to the Company's and the Group's operations:

- ***Disclosures—Transfers of Financial Assets – Amendments to IFRS 7 (issued in October 2010 and effective for annual periods beginning on or after 1 July 2011).*** The amendment requires additional disclosures in respect of risk exposures arising from transferred financial assets. The amendment includes a requirement to disclose by class of asset the nature, carrying amount and a description of the risks and rewards of financial assets that have been transferred to another party, yet remain on the entity's balance sheet. Disclosures are also required to enable a user to understand the amount of any associated liabilities, and the relationship between the financial assets and associated liabilities. Where financial assets have been derecognised, but the entity is still exposed to certain risks and rewards associated with the transferred asset, additional disclosure is required to enable the effects of those risks to be understood. This amendment has no impact on the Group's and the Company's financial statements.

(c) New standards, amendments and interpretations to existing standards issued but not yet effective and not early adopted by the Company and the Group:

- ***IFRS 10, Consolidated Financial Statements (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013),*** replaces all of the guidance on control and consolidation in IAS 27 "Consolidated and separate financial statements" and SIC-12 "Consolidation - special purpose entities". IFRS 10 changes the definition of control so that the same criteria are applied to all entities to determine control. This definition is supported by extensive application guidance. The Company/Group does not expect the standard to have a significant impact on the financial statements.

- ***IFRS 12, Disclosure of Interest in Other Entities, (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013),*** applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. IFRS 12 sets out the required disclosures for entities reporting under the two new standards: IFRS 10, *Consolidated financial statements*, and IFRS 11, *Joint arrangements,* and replaces the disclosure requirements currently found in IAS 28, *Investments in associates*. IFRS 12 requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured

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

entities. To meet these objectives, the new standard requires disclosures in a number of areas, including significant judgments and assumptions made in determining whether an entity controls, jointly controls, or significantly influences its interests in other entities, extended disclosures on share of non-controlling interests in group activities and cash flows, summarised financial information of subsidiaries with material non-controlling interests, and detailed disclosures of interests in unconsolidated structured entities. The Company/Group does not expect the standard to have a significant impact on the financial statements.

- ***IFRS 13, Fair value measurement, (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013),*** aims to improve consistency and reduce complexity by providing a revised definition of fair value, and a single source of fair value measurement and disclosure requirements for use across IFRSs. This standard is not expected to have a significant impact on the Company's/Group's financial statements.
- ***IAS 27, Separate Financial Statements, (revised in May 2011 and effective for annual periods beginning on or after 1 January 2013),*** was changed and its objective is now to prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The guidance on control and consolidated financial statements was replaced by IFRS 10, Consolidated Financial Statements. Currently, the Company/Group assesses the impact of this standard on their financial statements.
- ***IAS 28, Investments in Associates and Joint Ventures, (revised in May 2011 and effective for annual periods beginning on or after 1 January 2013).*** The amendment of IAS 28 resulted from the Board's project on joint ventures. When discussing that project, the Board decided to incorporate the accounting for joint ventures using the equity method into IAS 28 because this method is applicable to both joint ventures and associates. With this exception, other guidance remained unchanged. This standard is not expected to have a significant impact on the Company's/Group's financial statements.
- ***Amendments to IAS 1, Presentation of Financial Statements (issued June 2011, effective for annual periods beginning on or after 1 July 2012),*** changes the disclosure of items presented in other comprehensive income. The amendments require entities to separate items presented in other comprehensive income into two groups, based on whether or not they may be reclassified to profit or loss in the future. The suggested title used by IAS 1 has changed to 'statement of profit or loss and other comprehensive income'. The Group expects the amended standard to change presentation of its financial statements, but have no impact on measurement of transactions and balances. This standard is not expected to have a significant impact on the Company's/Group's financial statements.

- ***Amended IAS 19, Employee Benefits (issued in June 2011, effective for periods beginning on or after 1 January 2013),*** makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. The standard requires recognition of all changes in the net defined benefit liability (asset) when they occur, as follows: (i) service cost and net interest in profit or loss; and (ii) remeasurements in other comprehensive income. This standard is not expected to have a significant impact on the Company's/Group's financial statements.
- ***Amended IAS 19, Employee Benefits (issued in June 2011, effective for periods beginning on or after 1 January 2013),*** makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. The standard requires recognition of all changes in the net defined benefit liability (asset) when they occur, as follows: (i) service cost and net interest in profit or loss; and (ii) remeasurements in other comprehensive income. This standard is not expected to have a significant impact on the Company's/Group's financial statements.
- ***Improvements to International Financial Reporting Standards (issued in May 2012 and effective for annual periods beginning 1 January 2013).*** The improvements consist of changes to five standards. IFRS 1 was amended to (i) clarify that an entity that resumes preparing its IFRS financial statements may either repeatedly apply IFRS 1 or

apply all IFRSs retrospectively as if it had never stopped applying them, and (ii) to add an exemption from applying IAS 23, *Borrowing costs,* retrospectively by first-time adopters. IAS 1 was amended to clarify that explanatory notes are not required to support the third balance sheet presented at the beginning of the preceding period when it is provided because it was materially impacted by a retrospective restatement, changes in accounting policies or reclassifications for presentation purposes, while explanatory notes will be required when an entity voluntarily decides to provide additional comparative statements. IAS 16 was amended to clarify that servicing equipment that is used for more than one period is classified as property, plant and equipment rather than inventory. IAS 32 was amended to clarify that certain tax consequences of distributions to owners should be accounted for in the income statement as was always required by IAS 12. IAS 34 was amended to bring its requirements in line with IFRS 8. IAS 34 will require disclosure of a measure of total assets and liabilities for an operating segment only if such information is regularly provided to chief operating decision maker and there has been a material change in those measures since the last annual financial statements.

2.2 Consolidation

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognized directly in the income statement.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

(b) Transactions with non-controlling interest

The group treats transactions with non-controlling interest as transactions with equity owners of the group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

(c) Joint ventures

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

2.3 Stand-alone financial statements

Subsidiaries in the stand-alone financial statements are accounted at cost less impairment charge – that is the income from the investment is recognized in full where Company receives distributions from accumulated profits of the investee. Distributions received from accumulated profits arising before the date of acquisition are tested for impairment.

2.4 Foreign currency translation

(a) Functional and presentation currency

The items shown in the financial statements of the Company and each company of the Group are valued by the currency of the original economic environment wherein a specific company operates (hereinafter the "functional currency"). These financial statements are presented in Litas (LTL), which is the Company's (and each of the Group entity's) functional and presentation currency, with exception for subsidiaries in Latvia, which functional currency is Latvian Lats (LVL).

With effect from 2 February 2002, the litas has been pegged with the euro at an exchange rate of LTL 3.4528 to EUR 1.

(b) Transactions and balances

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

2.5 Property, plant and equipment

Property, plant and equipment is shown at revalued amount, based on periodic valuations of assets, less subsequent accumulated depreciation and impairment.

Increases in the carrying amount arising on revaluation of property, plant and equipment are credited to other comprehensive income and shown as revaluation reserve in shareholders' equity. Decreases in the carrying amount on subsequent revaluations that offset previous increases of the carrying amount of the same asset are charged in other comprehensive income and debited against revaluation reserve in equity; all other decreases are charged to the income statement. Increases in the carrying amount on subsequent revaluations that offset previous decreases of the carrying amount are recognised in the income statement; all other increases in the carrying amount on revaluation of property, plant and equipment are recognised in other comprehensive income and added to revaluation reserve in shareholders' equity. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement, and depreciation based on the asset's original cost is transferred from revaluation reserve to retained earnings net of deferred income tax.

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

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

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

Buildings	15-55 years
Plant and machinery	5-29 years
Motor vehicles	4-10 years
Equipment and other property, plant and equipment	3-20 years

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

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

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

2.6 Intangible assets

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

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

2.7 Impairment of non-financial assets

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

2.8 Financial assets

a) Loans and receivables

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

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

b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment or investment matures within 12 months of the end of the reporting period.
Available-for-sale financial assets are recognised initially at fair value plus transaction costs and subsequently measured at fair value. Changes in fair value are recognised in other comprehensive income.
Upon the disposal or impairment of available-for-sale investments, the accumulated fair value adjustment recognised in equity is included in profit or loss in the statement of comprehensive income.
The fair value of investments traded in active financial markets is based on quoted closing market prices at the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions, reference to the current market value of another instrument, which is substantially the same, discounted cash flow analysis and other valuation models.
The Company assesses at the end of each reporting date whether there is objective evidence that a financial asset is impaired. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is an evidence that the assets are impaired. If any such evidence exists for available for sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in the income statement.

2.9 Inventories

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

2.10 Loans granted, trade and other receivables

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

2.11 Cash and cash equivalents

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

2.12 Share capital

(a) Ordinary shares

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

(b) Treasury shares

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

2.13 Reserves

(a) Other reserves

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

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

(b) Reserve for acquisition of treasury shares

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

2.14 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are
subsequently stated at amortised cost. Any difference between the amount at initial recognition and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date. Interest expense on borrowing is expensed in the statement of comprehensive income.

2.15 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Profit is taxable at a rate of 15 per cent (2011: 15 per cent) in accordance with the Lithuanian regulatory legislation on taxation.

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

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.Deferred income tax is provided on temporary differences arising on investments in subsidiaries except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.16 Leases – where the Group is the lessee

(a) Finance lease

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

(b) Operating lease

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

2.17 Employee benefits

(a) Social security contributions

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

(b) Termination benefits

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

(c) Bonus plans

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

2.18 Revenue recognition

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

Revenue for delivering transportation services in recognized in the period when services are performed.

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

2.19 Dividends distribution

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

2.20 Earnings per share

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

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

2.21 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker who is responsible for allocating resources and assessing performance of the operating segments has been identified as the Board of Directors that makes strategic decisions.
The Group's management distinguished the following operating segments of the Group: hard cheese, semi-hard cheese, butter, milk cream, sour cream, sour milk, yogurt, curd, curd cheese and other. These segments were combined into two main reportable segments based on the similar nature of products production process types of customers and the method of distribution.

2.22 Government grants and subsidies

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

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

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

2.23 Provisions

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

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

2.24 Trade payables

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

3. Financial risk management

3.1 Financial risk factors

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

Risk management is carried out by the Company's management. There are no written principles for overall risk management in place.

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

(a) Market risk

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

(ii) Cash flow and fair value interest rate risk
The Company's and the Group's interest rate risk arises from interest-bearing loans and long-term borrowings issued. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. In 2012 and 2011, loans granted by the Group at a fixed interest rate were denominated in the litas. In 2012 and 2011, borrowings issued to the Group at a variable interest rate were denominated in the litas and the euros.

As at 31 December 2012, the Company's and the Group's net liabilities sensitive to interest rate risk amounted to LTL 29,491 thousand and LTL 21,920 thousand, respectively (31 December 2011: LTL 53,122 thousand and LTL 53,122 thousand, respectively). If interest rate increases / decreases by 0.5 percentage point (2011: 0.5 percentage point), the Company's and the Group's profit would decrease / increase by LTL 150 thousand and LTL 150 thousand, respectively (2011: profit would decrease / increase by LTL 266 thousand and 266 thousand, respectively).

(b) Credit risk

Credit risk arises from cash balances at banks, loans granted, and trade receivables.

As at 31 December 2012, all Company's and Group's cash balances were held in banks that had external credit ratings from 'A' to 'BBB+', as set by the rating agency *Fitch Ratings* (31 December 2011: from 'A' to 'A+').

i) Maximum exposure to credit risk
The table below summarises the Company's and the Group's credit risk exposures relating to on-balance sheet items. Maximum exposure to credit risk before collateral held or other credit enhancements as at 31 December:

Group			**Company**	
2012	**2011**		**2012**	**2011**
6,029	10,576	Cash and cash equivalents at banks	2,983	8,294
113,192	93,519	Trade receivables	89,188	85,793
74,537	62,458	Loans granted	68,407	61,119
193,758	**166,553**		**160,578**	**155,206**

ii) Credit quality of financial assets
The Group does not classify amounts receivable and other financial assets exposed to credit risk according to credit quality. Credit risk is managed through established credit limits for a major customers and monitoring of overdue receivables and loans. Credit limits and overdue receivables are continuously monitored by the Company's and the Group's management.

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

Credit limits and receivables as at 31 December 2011 for the major customers are summarised below:

Group			Company	
Credit limit	Receivables		Credit limit	Receivables
11 000	10 933	Customer A	11 000	10 933
9 500	9 281	Customer B	9 500	9 281
7 000	6 910	Customer C	7 000	6 910
6 500	6 424	Customer D	6 500	6 424
6 100	6 073	Customer E	6 100	6 073
5 500	5 499	Customer F	5 500	5 499
4 500	4 147	Customer G	4 500	4 147
16 500	10 193	Customer H	-	-
7 000	6 175	Customer J	-	-

Credit limits and receivables as at 31 December 2011 for the major 8 customers are summarised below:

Group			Company	
Credit limit	Receivables		Credit limit	Receivables
12 600	12 357	Customer A	12 600	12 357
10 000	9 868	Customer B	10 000	9 868
7 800	7 167	Customer C	7 800	7 167
5 200	5 135	Customer D	5 200	5 135
4 800	4 778	Customer E	4 800	4 778
3 700	3 637	Customer F	3 700	3 637
16 500	10 036	Customer G	-	-
8 940	5 207	Customer H	-	-

Trade receivables did not significantly exceed the established credit limits.

The table below summaries concentration of the loans granted:

Group			Company	
2012	2011		2012	2011
56,854	48,397	Loans granted for amount of above LTL 2 million	57,854	49,634
6,610	6,543	Loans granted for amount above LTL 1 million but not more than LTL 2 million	5,073	4,608
11,073	7,518	Loans granted for amount less than LTL 1 million	5,480	6,877
74,537	62,458		68,407	61,119

Loans in excess of LTL 2 million were granted to the following companies: Agrofirma Turiba SIA, Litrada UAB, Pieno Pramonės Investicijų Valdymas, KP Energy, UAB Maxima, individual farmer K.Deveikis, Maisto Pramones logistikos grupe UAB and Germis Pro.

(c) Liquidity risk

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

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

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

Company

At 31 December 2012	Less than 3 months	From 3 to 12 months	From 1 to 5 years	After 5 years
Borrowings from banks	29,866	25,206	-	-
Trade payables	49,727	-	-	-
Other payable	-	-	-	-
	79,593	**25,206**	**-**	**-**

At 31 December 2011	Less than 3 months	From 3 to 12 months	From 1 to 5 years	After 5 years
Borrowings from banks	43,640	28,579	-	-
Trade payables	54,772	-	-	-
Other payable	-	-	-	-
	98,412	**28,579**	**-**	**-**

Group

At 31 December 2012	Less than 3 months	From 3 to 12 months	From 1 to 5 years	After 5 years
Borrowings from banks	29,866	25,206	-	-
Trade payables	49,879	-	-	-
Other payable	-	-	-	-
	79,745	**25,206**	**-**	**-**

At 31 December 2011	Less than 3 months	From 3 to 12 months	From 1 to 5 years	After 5 years
Borrowings from banks	43,640	28,579	-	-
Trade payables	49,370	-	-	-
Other payable	-	-	-	-
	93,010	**28,579**	**-**	

3.2. Capital risk management

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

The Company and the Group define their capital as equity and debt less cash and cash equivalents.

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

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

Group 2012	Group 2011		Company 2012	Company 2011
56,358	71,707	Borrowings	56,358	71,707
(6,029)	(10,576)	Less: cash and cash equivalents	(2,983)	(8,294)
50,329	61,131	Net debt	53,375	63,413
315,137	289,362	Shareholders' equity	268,077	257,264
365,466	350,493	Total capital	321,452	320,677

Pursuant to the Lithuanian Law on Companies the authorised share capital of a public company must be not less than LTL 150,000 (the authorised share capital of a private company must not be less than LTL 10,000) and the shareholders' equity should not be lower than 50 per cent of the company's registered share capital. As at 31 December 2012 and 31 December 2011 the Company and its subsidiaries registered in Lithuania complied with these requirements.

3.3. Fair value estimation

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

4. Critical accounting estimates and judgements

Provision for impairment of loans and accounts receivable

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

Estimates of useful lives of property, plant and equipment

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

Revaluation of property, plant and equipment

With effect from 31 December 2011, the Company and the Group account for property, plant and equipment at revalued amount less accumulated depreciation and impairment loss. Under the newly adopted accounting policy, the revaluation is carried out periodically to ensure that the carrying amount of property, plant and equipment will not differ significantly from the value determined with reference to the fair value at the end of the reporting period. In 2011, the valuation of property, plant and equipment was carried out by Vadasa UAB using the comparative market price method. The Company's management believes the values of property, plant and equipment adjusted under these methods as of 31 December 2011 approximated the fair value. No revaluation of property, plant and equipment was conducted in 2012 (Note 15).

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

5. Segment reporting

Operating segments and reportable segments

The Group's management distinguished the following operating segments of the Group: hard cheese, semi-hard cheese, butter milk, cream, sour cream, sour milk, yogurt, curd, curd cheese and other. These segments were combined into two main reportable segments based on the similar nature of products, production process, types of customers and the method of distribution.

The main two reportable business segments of the Group are as follows:

- Fresh milk products
- Cheese and other dairy products

Other operations of the Group mainly comprise of milk collecting activity which is not of a sufficient size to be reported separately. Transactions between the business segments are on normal commercial terms and conditions. The segment of fresh milk products includes 2 external customers with each individual revenue accounting for 10% of total revenue of the segment.

Segment information for the years ended 31 December 2012 and 2011:

2012	Fresh milk products	Cheese and other dairy products	Other segments (unallocated)	Group
Sales	258,688	723,940	86,299	1 068,927
Inter-segment sales	(30,175)	(158,515)	(83,830)	(272,520)
Sales to external customers	**228,513**	**565,425**	**2,469**	**796,407**
Segment's gross profit	**19,901**	**69,557**	**67**	**89,525**
Depreciation and amortisation	**7,072**	**27,451**	**180**	**34,703**
Income tax expense	**2,514**	**2528**	**1**	**5,043**
Total assets	63,147	396,955	13,216	473,318
Elimination of intercompany transactions				(17,968)
Total assets less intercompany transactions				**455,350**
Additions to non-current assets (other than financial instruments and deferred tax assets)	3,112	8,011	292	11,415
Total liabilities	13,805	128,879	9,906	152,590
Elimination of intercompany transactions				(12,377)
Total liabilities less intercompany transactions				**140,213**

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

2011	Fresh milk products	Cheese and other dairy products	Other segments (unallocated)	Group
Sales	310,369	689,336	68,585	1,068,290
Inter-segment sales	(86,730)	(227,433)	(66,102)	(380,265)
Sales to external customers	**223,639**	**461,903**	**2,483**	**688,025**
Segment's gross profit	**45,259**	**50,173**	**2,239**	**97,671**
Depreciation and amortisation	**5,061**	**18,119**	**311**	**23,491**
Income tax expense	**295**	**5,264**	**25**	**5,584**
Total assets	87,621	412,762	13,645	514,028
Elimination of intercompany transactions				(66,171)
Total assets less intercompany transactions				**447,857**
Additions to non-current assets (other than financial instruments and deferred tax assets)	5,613	10,516	323	16,452
Total liabilities	28,757	155,497	10,845	195,099
Elimination of intercompany transactions				(36,604)
Total liabilities less intercompany				**158,495**

Geographical information

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

	Sales		Total assets		Capital expenditure	
	2012	**2011**	**2012**	**2011**	**2012**	**2011**
Lithuania	194,600	240,496	396,955	412,762	8,011	10,775
Europe Union countries	374,700	328,155	-	-	-	-
Other countries	154,640	120,685	-	-	-	-
	723,940	689,336	396,955	412,762	8,011	10,775

The breakdown of the Group's assets by geographical segments is presented below. The Group's sales by markets can be analysed as follows:

	Sales		Total assets		Capital expenditure	
	2012	**2011**	**2012**	**2011**	**2012**	**2011**
Lithuania	241,387	225,725	450,923	445,111	11,216	16,209
Europe Union countries	400,368	341,615	4,427	2,746	210	216
Other countries	154,652	120,685	-	-	-	-
	796,407	688,025	455,350	447,857	11,426	16,425

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

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

The analysis of the Company's revenue by category:

	2012	2011
Revenue from sales of goods	702,159	666,211
Other revenue (milk transportation)	21,781	23,125
	723,940	689,336

The analysis of the Group's revenue by category:

	2012	2011
Revenue from sales of goods	794,722	687,072
Other revenue (milk transportation)	1,685	953
	796,407	688,025

6. Selling and marketing expenses

Group			Company	
2012	2011		2012	2011
4,921	4,604	Marketing services	-	-
8,301	8,251	Wages and salaries	3,924	3,921
13,581	11,527	Transportation services	12,438	10,468
2,347	2,008	Product image creation and advertising expenses	590	435
3,345	2,462	Repairs and maintenance	2,995	2,101
1,930	1,620	Depreciation of property, plant and equipment	1,728	1,439
788	42	Warehousing services	788	42
4,193	4,280	Other expenses	6,538	6,971
39,406	34,794		29,001	25,377

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

7. General and administrative expenses

Group 2012	Group 2011		Company 2012	Company 2011
7,494	7,701	Wages and salaries	4,748	5,188
215	180	Taxes (other than income tax)	155	137
-	23	Provisions for impairment of loans granted and write-offs of loans (Note 19 and Note 21)	-	23
-	15,720	Provisions for impairment of doubtful receivables	-	15,720
810	482	Consultations	646	334
-	-	Write-offs of investments (Note 17)		586
1,492	1,358	Depreciation of property, plant and equipment and amortisation of intangible assets	1,059	895
729	608	Repairs and maintenance	603	498
1,148	1,168	Paid and accrued bonuses	1,148	1,168
323	278	Telecommunications and IT maintenance expenses	248	200
268	223	Insurance expenses	213	167
378	585	Bank charges	337	535
556	622	Business trips	425	506
164	95	Fines	7	6
39	479	Staff training	12	452
67	45	Membership fees	61	39
822	364	Charity, support	620	115
3,491	2,982	Other expenses	2,209	2,106
17,996	32,913		12,491	28,675

8. Other income

Group 2012	Group 2011		Company 2012	Company 2011
8,910	17,541	Re-sale of goods	8,894	17,526
2,656	3,635	Interest income	2,059	2,847
1,537	1,860	Other income	1,475	1,584
13,103	23,036		12,428	21,957

9. Other expenses

Group 2012	Group 2011		Company 2012	Company 2011
8,840	17,536	Cost of goods resold	8,830	17,534
498	465	Other expenses	547	473
9,338	18,001		9,377	18,007

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

10. Other operating losses

Group 2012	Group 2011		Company 2012	Company 2011
83	142	Loss on disposal of property, plant and equipment (Note 32)	82	130
83	142		82	130

11. Expenses by nature

Group 2012	Group 2011		Company 2012	Company 2011
533,752	440,760	Raw materials and consumables used	508,398	414,988
87	(32,382)	Changes in inventories of finished goods and work in progress	529	(31,783)
55,208	52,363	Salaries including social security costs	35,927	34,164
45,031	38,566	Transportation services	43,850	37,470
1,148	1,168	Paid and accrued bonuses	1,148	1,168
34,915	23,630	Depreciation and amortisation	27,661	18,329
(2,761)	(3,258)	Amortisation of the Government grant for property, plant and equipment (Note 27)	(2,082)	(2,633)
4,921	4,604	Marketing services	-	-
12,511	9,880	Repairs and maintenance	11,623	9,058
5,556	8,553	Cost of finished goods resold	20,746	87,790
-	-	Write-offs of investments	-	584
-	23	Impairment of amounts receivable	-	435
510	379	Taxes (other than income tax)	434	320
810	482	Consultations	646	334
399	355	Telecommunications and IT maintenance expenses	324	277
53,851	44,839	Utilities (energy)	34,365	28,318
18,346	68,099	Other	25,594	67,940
764,284	658,061	Total cost of sales, selling and marketing expenses and general and administrative expenses	709,163	666,759

The cost of goods resold decreased significantly as a result of signing an intercompany agreement between the related parties (Note 33).

12. Finance costs

Group 2012	Group 2011		Company 2012	Company 2011
		Interest expense:		
1,589	1,903	– bank borrowings	1,061	1,508
1	1	– finance leases	1	1
1,590	1,904		1,062	1,509

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

13. Income tax

Group 2012	Group 2011		Company 2012	Company 2011
(6,530)	(6,148)	Current income tax	(3,758)	(5,592)
(507)	531	Prior year income tax corrections	(507)	531
1,994	33	Deferred income tax (Note 18)	1,737	(203)
(5,043)	(5,584)	Income tax benefit (expenses)	(2,528)	(5,264)

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

Group 2012	Group 2011		Company 2012	Company 2011
34,381	33,237	Profit/(loss) before income tax	16,848	25,148
5,157	4,986	Tax calculated at a rate of 15% (2011: 15%) (Note 2.15)	2,527	3,772
226	2,292	Expenses not deductible for tax purposes	74	2,545
(57)	(83)	Income not subject to tax	(43)	(73)
(247)	(101)	Charity expenses deductible twice for tax purposes	(186)	(28)
(543)	(979)	Other expenses deductible for tax purposes	(351)	(421)
507	(531)	Prior year income tax adjustments	507	(531)
5,043	5,584	Income tax expense/(income)	2,528	5,264

Expenses not deductible for tax purposes include representation expenses, write-offs, etc. Income not subject to tax include interest on late payment and insurance benefits received.

The tax authorities have carried out a full-scope tax audit at the Company for the year 2001. The Tax Authorities may at any time during 5 successive years after the end of the reporting tax year carry out the inspection of book-keeping and accounting records and impose additional taxes or fines. The Company's management is not aware of any circumstances that might result in a potential material liability in this respect.

14. Earnings per share

Group 2012	Group 2011		Company 2012	Company 2011
29 338	27,653	Net profit (loss) attributable to shareholders	14,320	19,884
35 066	35,604	Weighted average number of ordinary shares in issue (thousand)	35,066	35,604
0,84	0.78	Basic earnings (deficit) per share (LTL per share)	0,41	0.56

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

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

15. Property, plant and equipment

Company

	Buildings	Plant and machinery	Vehicles equipment & other	Construct-ion in progress	Total
At 1 January 2011					
Cost	34,861	139,310	72,636	267	247,074
Accumulated depreciation	(13,279)	(109,918)	(61,348)	-	(184,545)
Net book amount	21,582	29,392	11,288	267	62,529
Year ended 31 December 2011					
Opening net book amount	21,582	29,392	11,288	267	62,529
Additions	672	5,417	3,827	859	10,775
Revaluation	10,521	43,422	19,029	-	72,972
Disposals	(132)	(1)	(345)	-	(478)
Write-offs	-	(20)	(16)	-	(36)
Transfers from CIP	-	634		(634)	-
Depreciation charge	(1,255)	(11,886)	(4,976)	-	(18,117)
Closing net book amount	31,388	66,958	28,807	492	127,645
At 31 December 2011					
Revalued value	31,388	66,958	28,807	492	127,645
Accumulated depreciation	0	0	0		0
Net book amount	31,388	66,958	28,807	492	127,645
Year ended 31 December 2012					
Opening net book amount	31,388	66,958	28,807	492	127,645
Additions	133	2,886	4,212	780	8,011
Disposals	(90)	-	(14)	-	(104)
Write-offs	-	(1)	(30)	-	(31)
Transfers from CIP	96	256	89	(441)	-
Depreciation charge	(1,340)	(18,393)	(7,718)	-	(27,451)
Closing net book amount	30,187	51,706	25,346	831	108,070
At 31 December 2012					
Revalued value	31,527	70,099	33,064	831	135,521
Accumulated depreciation	(1,340)	(18,393)	(7,718)	-	(27,451)
Net book amount	30,187	51,706	25,346	831	108,070

As at 31 December 2011, the Company's and the Group's property, plant and equipment was revaluated. The fair value of assets was determined by an independent property valuer Vadasa UAB. The valuation of assets was carried out using the comparative market price method. Gain on revaluation of property, plant and equipment was disclosed in the tables of movements in property, plant and equipment, and was recognised in other comprehensive income.

In 2012, no revaluation was carried out for property, plant and equipment because, in the management's opinion, there were no significant changes in the local real estate market, nor in the company's business activities. Consequently, there were no significant changes in the fair value of property, plant and equipment of both companies over the year 2012. The members of the Board of Directors used the assumption that the carrying amount of property, plant and equipment reflected the fair value of these assets of Rokiškio Sūris AB and Rokiškio Pienas UAB, and made the decision not to perform the revaluation for the property, plant and equipment of Rokiškio Sūris AB Group, but to review the depreciation rates used for these assets.

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

Group	Buildings	Plant and machinery	Vehicles equipment & other	Construct-ion in progress	Total
At 1 January 2011					
Cost	48,969	162,944	75,147	761	287,821
Accumulated depreciation	(15,814)	(120,623)	(62,908)	-	(199,345)
Net book amount	33,155	42,321	12,239	761	88,476
Year ended 31 December 2011					
Opening net book amount	33,155	42,321	12,239	761	88,476
Additions	601	6,841	4,227	4,756	16,425
Revaluation	19,273	49,896	19,261	-	88,430
Disposals	(141)	(1)	(344)	-	(486)
Write-offs	-	(28)	(16)	-	(44)
Transfers from CIP	1,068	3,496	297	(4,861)	-
Depreciation charge	(3,291)	(15,409)	(4,791)	-	(23,491)
Closing net book amount	50,665	87,116	30,873	656	169,310
At 31 December 2011					
Revalued value	50,665	87,116	30,873	656	169,310
Accumulated depreciation	0	0	0	-	0
Net book amount	50,665	87,116	30,873	656	169,310
Year ended 31 December 2012					
Opening net book amount	50,665	87,116	30,873	656	169,310
Additions	428	4,836	4,438	1,724	11,426
Disposals	(90)	(87)	(23)		(200)
Write-offs		(1)	(33)		(34)
Transfers from CIP	321	668	444	(1,433)	-
Depreciation charge	(2,756)	(23,578)	(8,369)		(34,703)
Closing net book amount	48,568	68,954	27,330	947	145,799
At 31 December 2012					
Revalued value	51,324	92,532	35,699	947	180,502
Accumulated depreciation	(2,756)	(23,578)	(8,369)		(34,703)
Net book amount	48,568	68,954	27,330	947	145,799

As at 31 December 2012, certain Company's and Groups property, plant and equipment with a carrying value of LTL 38,645 thousand and LTL 47,657 thousand respectively (31 December 2012: LTL 47,471 thousand and 67,970 thousand respectively) was pledged as security for bank borrowings.

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

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

Had no revaluation been performed for property, plant and equipment, the net book values of the Group's and the Company's property, plant and equipment would have been as follows as of 31 December 2011 and 2012:

Company	Buildings	Plant and machinery	Vehicles equipment & other	Construction in progress	Total
At 31 December 2011	20,867	23,536	9,778	492	**54,673**
At 31 December 2012	19,746	15,657	10,558	831	**46,792**

Group	Buildings	Plant and machinery	Vehicles equipment & other	Construction in progress	Total
At 31 December 2011	31,391	37,220	11,613	656	**80,880**
At 31 December 2012	29,993	27,476	12,362	946	**70,777**

16. Intangible assets

Company	Computer software
At 1 January 2011	
Cost	2,282
Accumulated amortisation	(1,718)
Net book amount	564
Year ended 31 December 2011	
Opening net book amount	564
Additions	72
Amortisation charge	(212)
Closing net book amount	424
At 31 December 2011	
Cost	2,363
Accumulated amortisation	(1,939)
Net book amount	424
Year ended 31 December 2012	
Opening net book amount	424
Additions	-
Amortisation charge	(210)
Closing net book amount	214
At 31 December 2012	
Cost	2,363
Accumulated amortisation	(2,149)
Net book amount	214

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

Group	**Contractual client relationship**	**Computer software**	**Total**
At 1 January 2011			
Cost	-	2,562	2,562
Accumulated amortisation	-	(2,070)	(2,070)
Net book amount	-	492	492
Year ended 31 December 2011			
Opening net book amount	-	492	492
Additions	-	73	73
Acquisition of non-controlling interest in subsidiaries	904	-	904
Amortisation charge	-	(139)	(139)
Closing net book amount	904	426	1,330
At 31 December 2011			
Cost	904	2,635	3,539
Accumulated amortisation	-	(2,209)	(2,209)
Net book amount	904	426	1,330
Year ended 31 December 2011			
Opening net book amount	904	426	1,330
Additions	-	3	3
Amortisation charge	-	(212)	(212)
Closing net book amount	904	217	1,121
At 31 December 2012			
Cost	904	2,638	3,542
Accumulated amortisation	-	(2,421)	(2,421)
Net book amount	904	217	1,121

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

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

17. Investments

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

At 1 January 2011	**27,487**
Acquisition of non-controlling interest in subsidiaries	1,438
Liquidation of subsidiary	(584)
At 31 December 2011	**28,341**
	-
At 31 December 2012	**28,341**

During the year 2012, the Company neither acquired nor put into liquidation any subsidiaries. There was no impairment of subsidiaries during the reporting financial year.
The Company holds 50% of shares in a joint venture Pieno Upės UAB with total assets amounting to LTL 2,248 thousand (2011: LTL 2,362 thousand), total liabilities amounting to LTL 1,033 thousand (2011: LTL 1,077 thousand), revenue amounting to LTL 13,295 thousand (2011: LTL 14,344 thousand) and net profit amounting to LTL 45 thousand (2011: LTL 228 thousand).

18. Deferred income tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

Group			**Company**	
2012	**2011**		**2012**	**2011**
		Deferred income tax assets:		
479	479	– to be recovered after more than 12 months	479	479
598	615	– to be recovered within 12 months	598	615
1,077	1,094		1,077	1,094
		Deferred income tax liabilities:		
(11,414)	(13,425)	– to be settled after more than 12 months	(9,192)	(10,946)
-	-	– to be settled within 12 months	-	-
(11,414)	(13,425)		(9,192)	(10,946)
(10,337)	(12,331)	Net deferred income tax assets	(8,115)	(9,852)

The gross movement in deferred income tax assets was as follows:

Group			**Company**	
2012	**2011**		**2012**	**2011**
(12,331)	901	At beginning of the year	(9,852)	1,297
1,994	33	Recognised in the income statement (Note 13)	1,737	(203)
-	(13,265)	Recognised in the statement of comprehensive income	-	(10,946)
(10,337)	**(12,331)**	At end of the year	**(8,115)**	**(9,852)**

The movement in deferred income tax assets and liabilities during the period, without taking into consideration the offsetting of balances within the same tax jurisdiction is as follows:

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

Company

Deferred income tax assets	Inventory net realisable value adjustment	Amortised cost of loans granted	Tax losses carried forward	Bonuses and vacation reserve	Total
At 1 January 2011	**-**	**479**	**-**	**818**	**1,297**
Recognised in the income statement	253	-	-	(456)	(203)
At 31 December 2011	**253**	**479**	**-**	**362**	**1,094**
Recognised in the income statement	(14)	-	-	(3)	(17)
At 31 December 2012	**239**	**479**	**-**	**359**	**1,077**

Deferred income tax liabilities	Revaluation of property, plant and equipment	Total
At 1 January 2011	**-**	**-**
Recognised in the income statement	(10,946)	(10,946)
At 31 December 2011	**(10,946)**	**(10,946)**
Recognised in the income statement	1,754	1,754
Recognised in other comprehensive income	-	-
At 31 December 2012	**(9,192)**	**(9,192)**

Group

Deferred income tax assets	Inventory net realisable value adjustment	Amortised cost of loans granted	Tax losses carried forward	Bonuses and vacation reserve	Total
				-	
At 1 January 2011	**-**	**479**	**-**	**818**	**1,297**
Recognised in the income statement	253	-	-	(456)	(203)
At 31 December 2011	**253**	**479**	**-**	**362**	**1,094**
Recognised in the income statement	(14)	-	-	(3)	(17)
At 31 December 2012	**239**	**479**	**-**	**359**	**1,077**

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

Deferred income tax liabilities	Accelerated tax depreciation	Revaluation of property, plant and equipment	Total
At 1 January 2011	**(396)**	**-**	**(396)**
Recognised in the income statement	236	-	236
Recognised in other comprehensive income	-	(13,265)	(13,265)
At 31 December 2011	**(160)**	**(13,265)**	**(13,425)**
Recognised in the income statement	-	2,011	2,011
Recognised in other comprehensive income	-	-	-
At 31 December 2012	**(160)**	**(11,254)**	**(11,414)**

Deferred income tax assets and deferred income tax liabilities were calculated using a tax rate of 15% (2011: 15%) enacted by the balance sheet date and expected to apply when the related deferred income tax asset is realised or deferred income tax liability is settled.

19. Loans granted

Group 2012	Group 2011		Company 2012	Company 2011
8,698	7,406	Long-term loans to farmers	8,698	7,291
1,122	569	Long-term loans to employees	888	684
24,756	4,089	Other long-term loans	27,430	5,804
(3,096)	(3,096)	Less: provision for impairment of loans receivable	(3,096)	(3,096)
31,480	8,968	Long-term loans, net	33,920	10,683
7,081	13,365	Current portion of loans to farmers	2,198	12,460
114	328	Current portion of loans to employees	103	114
35,862	39,797	Other short-term loans granted	32,186	37,862
-	-	Less: provision for impairment of loans receivable	-	-
43,057	53,490	Current portion of long-term loans and short-term loans	34,487	50,436

Loans to farmers were granted with repayment terms ranging from 2 months to 10 years. The annual interest rate ranges from 0 to 10 per cent. Effective interest rate was 9.25 per cent (2011: 9,37 per cent).

Long-term loans to employees were granted with repayment terms ranging from 1 to 25 years. The loans are interest free. Effective interest rate was 10,75 per cent (2011: 9,34 per cent).

As at 31 December 2012, the fair value of loans granted to employees amounted to LTL 698 thousand (2011: LTL 615 thousand). As at 31 December 2012, the fair value of loans granted to farmers amounted to LTL 8,535 thousand (2011: LTL 16,212 thousand).

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

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

Group			Company	
2012	2011		2012	2011
70,234	59,716	Loans granted not past due	64,104	58,377
3,833	3,369	Loans granted past due but not impaired	3,833	3,369
3,566	2,469	Impaired loans granted	3,566	2,469
77,633	65,554	Gross value of loans granted	71,503	64,215
(3,096)	(3,096)	Impairment of amounts uncollectible	(3,096)	(3,096)
74,537	62,458	Net amount	68,407	61,119

20. Inventories

Group			Company	
2012	2011		2012	2011
7,810	7,002	Raw materials	3,449	2,710
21,713	17,752	Work in progress	21,151	17,291
63,708	68,335	Finished products	61,459	66,342
3,238	3,569	Other inventories	2,351	2,688
96,469	96,658	Total inventories at cost	88,410	89,031
(1,598)	(1,690)	Less: inventory write-down to net realizable value	(1,598)	(1,690)
94,871	94,968	Total inventories	86,812	87,341

As at 31 December 2012, inventories with cost of LTL 25,000 thousand (31 December 2011: LTL 25,000 thousand) were pledged as security for bank borrowings.

As of 31 December 2012, the Company's inventories comprising 358 tons of butter were held with the third party in Lithuania, and 655 tons of hard cheese were held in a warehouse in European Union country.
As at 31 December 2011, the Company did not hold any inventories with third parties.

21. Trade and other receivables

Group			Company	
2012	2011		2012	2011
		Non-current receivables		
4,617	-	Other receivables	1,768	-
4,617	-		1,768	-
		Current receivables		
113,192	93,575	Trade receivables	89,188	85,793
6,198	4,079	VAT receivable	4,143	3,583
1,652	1,311	Advance payments and deferred expenses	1,097	1,090
121,042	98,965		94,428	90,466

As of 31 December 2012, there were no trade receivables pledged as collateral (as of 31 December 2011, trade receivables pledged as collateral amounted to LTL 27,868 thousand).

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

The information on receivables past due as at 31 December is provided in the table below:

Group 2012	Group 2011		Company 2012	Company 2011
84,892	76 389	Trade receivable neither past due nor impaired	63,415	71,454
28,300	17 186	Trade receivable past due but not impaired	25,773	14,339
-	5 766	Impairment of amounts uncollectible	-	5,766
113,192	99 341	Gross value	89,188	91,559
-	(5 766)	Impairment charge	-	(5,766)
113,192	93 575	Net value of loans granted	89,188	85,793

The Group had no credit enhancements in respect of impaired amounts receivable. As of 31 December 2012, the Company had no trade receivables from its subsidiary Rokiškio Pienas UAB (31 December 2011: LTL 17,144 thousand).

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

Group 2012	Group 2011		Company 2012	Company 2011
22,131	10,507	Up to 30 days	19,987	8,652
5,843	2,868	31 to 60 days	5,466	1,909
326	3,750	61 to 180 days	320	3,717
-	61	More than 181 days	-	61
28,300	17,186		25,773	14,339

22. Cash and cash equivalents

Group At 31 December 2012	Group At 31 December 2011		Company At 31 December 2012	Company At 31 December 2011
42	6,602	Short-term deposits	41	6,582
5,987	3,974	Cash at bank and in hand	2,942	1,712
6,029	10,576		2,983	8,294

As at 31 December 2012 and 2011, cash in bank accounts and future cash inflows into these accounts were pledged as security for bank borrowings. As at 31 December 2012, cash balances in the pledged accounts amounted to LTL 896 thousand (31 December 2011: LTL 7,605 thousand).

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

Group At 31 December 2012	Group At 31 December 2011		Company At 31 December 2012	Company At 31 December 2011
42	6,602	Short-term deposits	41	6,582
5,987	3,974	Cash at bank and in hand	2,942	1,712
-	(12,114)	Bank overdrafts (Note 26)	-	(12,114)
6,029	(1,538)		2,983	(3,820)

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

23. Share capital

As at 31 December 2012, the share capital was divided into 35,867,970 (31 December 2011: LTL 38,867,970) ordinary registered shares with par value of LTL 1 each. All the shares are fully paid.

24. Treasury shares

	2012		2011	
	Number	Amount	Number	Amount
At beginning of the year	802,094	(3,868)	2,576,924	(11,478)
Treasury shares acquired	-	-	802,094	(3,868)
Reduction of share capital	-	-	2,576,924	11,478
	802,094	(3,868)	802,094	(3,868)

As a result of cancellation of 2,576,924 own shares in March 2011, the authorised share capital of Rokiškio Sūris AB amounts to LTL 35,867,970 (thirty-five million, eight hundred and sixty-seven thousand, nine hundred and seventy litas) and it is divided into 35,867,970 (thirty-five million, eight hundred and sixty-seven thousand, nine hundred and seventy) ordinary registered shares with the nominal value of LTL 1 (one litas) each.
During the period from September to December 2011, Rokiškio Sūris AB acquired 802,094 own shares for the amount of LTL 3,868 thousand. These shares account for 2.24% of the Company's authorised share capital. In 2012, the Company did not acquire any own shares.
As of 31 December 2012, the Company had 802,094 own shares.
In respect of own shares, the Company is not entitled to property and non-property rights stipulated in the Lithuanian Law on Companies.

25. Other reserves and reserve for acquisition of treasury shares

Other reserves
Non-distributable reserves of LTL 3,593 thousand can only be used to increase the share capital and non-distributable reserves of LTL 3,840 thousand (legal reserve) can only be used to cover future operating losses, if any. Remaining reserve of LTL 52,086 thousand and LTL 63,768 thousand relates to revaluation of property plant and equipment (*See below for the disclosure of the revaluation reserve*).

Reserve for acquisition of treasury shares
During 2012, no decisions were adopted in relation to the formation of the reserve for the acquisition of own shares. As of 31 December 2012, the total amount of the reserve for the acquisition of own shares remained unchanged and was equal to LTL 40,287 thousand.

Dividends

The dividends per share (excluding own shares) declared at the Company for the year 2011 and paid out in 2012 amounted to LTL 0.10 (with the nominal value of LTL 1 per share), and totalled LTL 3,507 thousand.

Revaluation reserve

Revaluation reserve represents an increase in the value of property, plant and equipment as a result of its revaluation. This reserve may not be used to cover losses. Movements in revaluation reserve are given in the table below:

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

Company

At 1 January 2011	**-**
Revaluation of property, plant and equipment	72,972
Deferred income tax	(10,946)
Revaluation reserve at 31 December 2011	**62,026**
Depreciation of revalued amount of PP&E (Note 15)	(11,694)
Change in deferred tax liability on depreciation of revalued amount of PP&E recognised in the income statement (Note 18)	1,754
Depreciation of revalued amount of PP&E net of deferred income tax	(9,940)
Revaluation reserve at 31 December 2012	**52,086**

Group

At 1 January 2011	**-**
Revaluation of property, plant and equipment	88,430
Deferred income tax	(13,265)
Revaluation reserve at 31 December 2011	**75,165**
Depreciation of revalued amount of PP&E (Note 15)	(13,408)
Change in deferred tax liability on depreciation of revalued amount of PP&E recognised in the income statement (Note 18)	2,011
Depreciation of revalued amount of PP&E net of deferred income tax	(11,397)
Revaluation reserve at 31 December 2012	**63,768**

26. Borrowings

Group			**Company**	
2012	**2011**		**2012**	**2011**
		Current		
55,072	59,557	Current bank borrowings	55,072	59,557
-	12,114	Bank overdrafts	-	12,114
21	36	Finance lease liabilities	21	36
55,093	71,707		55,093	71,707
		Non-current		
1,265	-	Non-current bank borrowings	1,265	-
-	-	Finance lease liabilities	-	-
56,358	71,707	**Total borrowings**	56,358	71,707

The bank borrowings are secured over certain property plant and equipment (Note 15), inventories (Note 20), trade receivables (Note 21), cash in certain bank accounts (Note 22).

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

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

Group 2012	Group 2011		Company 2012	Company 2011
1.31	2.38	Current bank borrowings	1.31	2.38
-	1.73	Bank overdrafts	-	1.73

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

Group 2012	Group 2011		Company 2012	Company 2011
56,337	59,593	EUR	56,337	59,593
21	12,114	LTL	21	12,114
56,358	71,707		56,358	71,707

Fair value of borrowings approximates their carrying values due to the fact that interest rate on borrowings is subject to repricing on a daily, monthly or quarterly basis.

As at 31 December 2012, according to the agreement concluded with the banks, the balances of credit lines and overdrafts not withdrawn by the Company and the Group amounted to LTL 48,747 thousand (2011: LTL 51,817 thousand).

The Group is not in breach of borrowing limits or covenants (where applicable) established.

27. Deferred income

Group 2012	Group 2011		Company 2012	Company 2011
7,941	7,795	Government grants at beginning of year	4,662	5,330
1,052	3,302	New grants received	718	1,862
(2,761)	(3,156)	Amortisation of deferred income to match related depreciation	(2,082)	(2,530)
6,232	7,941		3,298	4,662
(3,845)	(4,683)	Less: non-current portion	(1,542)	(2,030)
2,387	3,258	Current portion	1,756	2,632

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

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

28. Trade and other payables

Group			Company	
2012	2011		2012	2011
49,879	49,370	Trade payables	49,727	54,772
4,293	4,356	Salaries, social security and taxes	2,633	2,806
341	1,420	Other payables	527	874
4,732	3,422	Bonuses and vacation reserve	3,385	3,315
59,245	58,568		56,272	61,767

As at 31 December 2012, trade payables to Rokiškio Pienas UAB amounted to LTL 8,185 thousand (31 December 2011: LTL 12,333 thousand).

29. Provisions

In March 2008, the Competition Council imposed a fine of LTL 824 thousand on the Company as a result of the inspection of the Company and other companies operating in the milk sector. The Company's management established a provision for the amount of the fine. For the purpose of the income statement for the year ended 31 December 2008, this amount was included in the administrative expenses. In 2011, based on the revised decision of the Competition Council, the fine was increased up to LTL 1,650 thousand. The Company lodged a complaint against the Council's decision and on 26 January 2012 the complaint was met in full in favour of the Company by Vilnius Regional Administrative Court. As of 31 December 2012, the Company reversed the provision amounting to LTL 824 thousand.

30. Contingent liabilities and commitments

Contingent liabilities

Group			Company	
2012	2011		2012	2011
-	3,920	Guarantees issued by the bank to third parties on behalf of the Group	-	3,920
-	-	Guarantees issued by the Group on behalf of farmers and agricultural companies	-	-
-	3,920		-	3,920

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

Capital expenditure commitments

Capital expenditure contracted for property, plant and equipment at the balance sheet date but not recognised in the financial statements amounted to LTL 5,687 thousand (31 December 2011: LTL 657 thousand).

Operating lease commitments – where the Group is the lessee

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

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

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

Group 2012	Group 2011		Company 2012	Company 2011
327	16	Not later than 1 year	327	16
-	-	Later than 1 year but not later than 5 years	-	-
327	16		327	16

31. Available-for-sale financial assets

As of 31 December 2012, the Company had no available-for-sale financial assets.
The Company's and the Group's debt securities as of 31 December 2011 comprised Lithuanian Government bonds amounting to LTL 6,690 thousand. The fair value is based on the quoted prices for similar type of assets. On 8 March 2012, the Company sold its debt securities.

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

32. Cash generated from operations

Reconciliation of profit before income tax to cash generated from operations:

Group At 31 December			Company At 31 December	
2012	2011		2012	2011
34,381	33,237	Net profit (loss) before income tax	16,848	25,148
		Adjustments for:		
34,703	23,491	– depreciation (Note 15)	27,451	18,117
210	139	– amortisation and impairment charge (Note 16)	210	212
34	44	– write-off of property, plant and equipment and intangible assets (Notes 15 and 16)	31	36
(83)	(142)	– loss on disposal of property, plant and equipment (Note 10)	(82)	(130)
1,589	1,903	– interest expense (Note 12)	1,061	1,509
(2,656)	(2,648)	– interest income (Note 8)	(2,059)	(2,316)
(92)	1,690	– write-offs of inventories	(92)	1,690
-	190	– impairment of investments into subsidiaries (Note 17)	-	780
43	524	– impairment of doubtful receivables and write-offs of bad receivables (Note 21)	-	524
(2,051)	(1,604)	– accrual for vacation reserve and bonus	(1,148)	(1,604)
-	(534)	– non-controlling interests	-	-
(2,761)	(3,259)	– amortisation of government grants received (Note 27)	(2,082)	(2,633)
		Changes in working capital:		
(34,529)	(9,937)	– amounts receivable and prepayments	(10,574)	(2,406)
187	(34,071)	– inventories	622	(33,474)
3,098	5,679	– amounts payable	(8,197)	7,585
32,073	14,702	Net cash generated from operations	21,989	13,038

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

2012	2011		2012	2011
200	486	Net book amount (Note 15)	104	477
83	142	Loss on disposal of property, plant and equipment (Note 10)	82	130
283	628	Proceeds from sale of property, plant and equipment	186	607

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

33. Related-party transactions

The Group is controlled by Pieno Pramonės Investicijų Valdymas UAB (incorporated in Lithuania) and Mr. A.Trumpa (the Company's Director), which together own 62.07 per cent (2011: 58.31 per cent) of the Company's share capital and 63.49 per cent (2011: 59.65 per cent) of voting rights. (802,094 treasury shares acquired by the Company do not have voting rights). Pieno Pramonės Investicijų Valdymas UAB is controlled by Mr. A.Trumpa (through the majority of shareholding). The remaining 35.69 per cent of the Company's share capital are widely held. The Company's related parties, such as the Company's Board, PPIV, board, management of the Company or the Group and their close family members, together hold 70.27 per cent (2011: 66,41 per cent) of the Company's shares with voting rights.

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

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

Group At 31 December 2012	Group At 31 December 2011		Company At 31 December 2012	Company At 31 December 2011
		(i) The following transactions were carried out with related parties:		
13,941	13,688	Purchase of raw milk from other related parties	105,305	85,298
-	20	Purchase of non-current assets	10	280
-	-	Purchase of inventory	26,187	86,747
3,300	5,449	Purchases of services	7,145	10,729
-	-	Purchase of consulting services	-	713
1	5	Sales of transportation services to other related parties	19,978	21,903
1,481	1,067	Sales of production and other inventories	139,476	205,839
-	-	Sale of non-current assets	18	-
161	81	Interest charges on credit facility	161	81

With effect from 1 January 2012 and based on the agreement signed on 2 January 2012, the Group's management decided to use a zero price for purchases of raw materials used in the production of exported goods of Rokiškio Sūris AB, whereas the goods produced by Rokiškio Pienas UAB would be sold as services, i.e. net of the cost of raw materials to ensure a fair disclosure of the inter-company sales/purchases between Rokiškio Sūris AB and Rokiškio Pienas UAB. As a result of amendments to this agreement, there was a significant decrease in the Company's sales of goods and raw materials, as well as in acquisition of inventories.

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

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

2012	2011		2012	2011
171	181	Non-interest bearing loans granted to Senior Management (and their families)	171	181
18,220	9,338	Credit facility granted to Pieno Pramonės Investicijų Valdymas UAB	18,220	9,338
-	-	Loan granted to Jekabpils Piena Kombinats SIA	6,001	5,550
-	972	Trade payables to other related parties	12,478	17,910
-	-	Trade receivables from other related parties	-	17,144

(iii) Compensation of key management

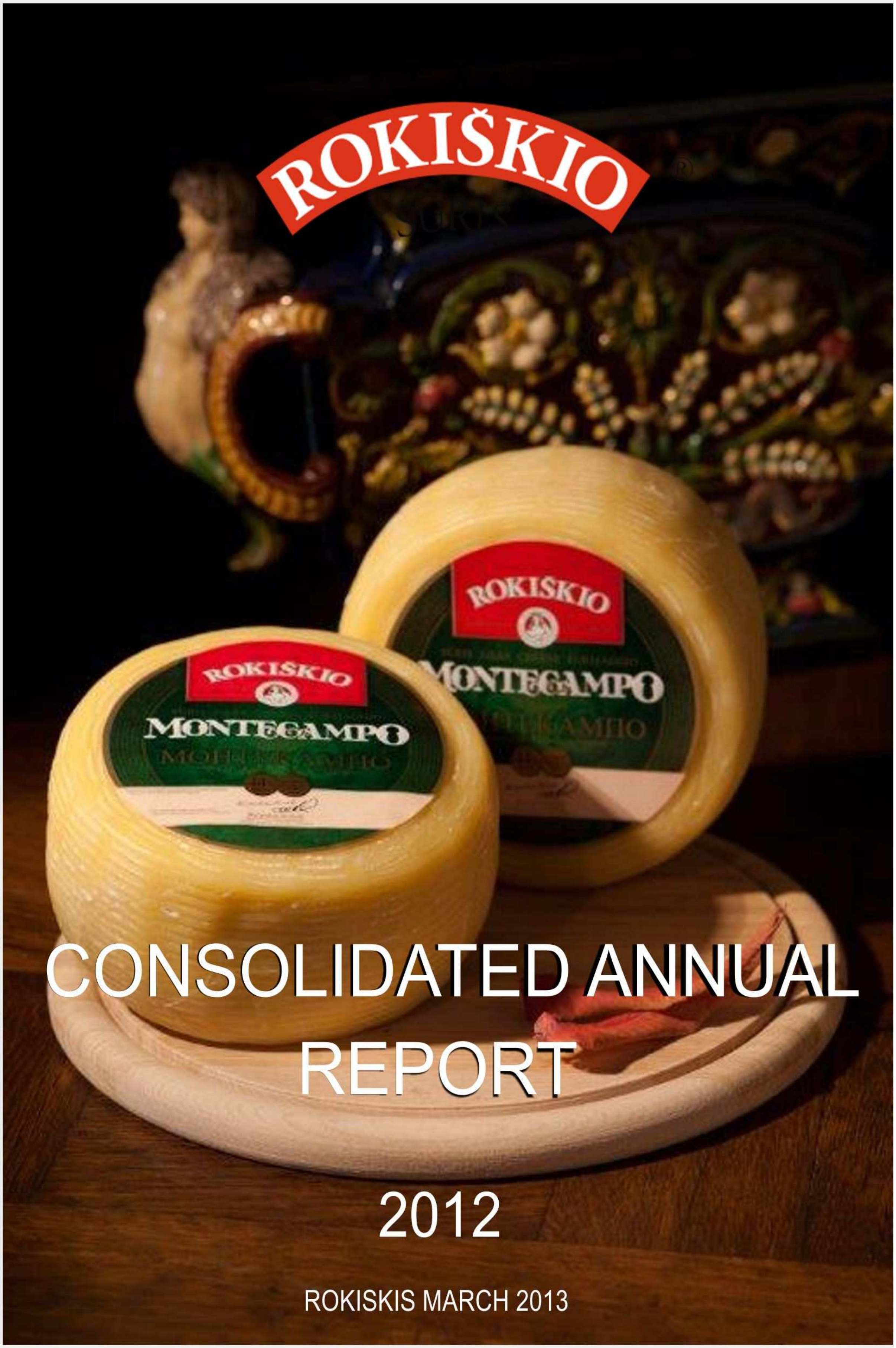
2012	2011		2012	2011
643	676	Salaries	643	615
1,168	1,168	Bonuses	1,168	1,168
180	190	Social security contributions	180	171
1,991	2,034		1,991	1,954

Key management includes 9 (2011: 9) members of the Board and Senior Management.

34. Events after the end of the reporting period

On 25 February 2013, amendment to the credit agreement was signed with the bank in relation to the extension of the repayment term of overdraft (LTL 2m) until 31 January 2014, and the extension of the repayment term of credit limit (EUR 18m) until 15 February 2014. The total credit limit is LTL 64,150 thousand, with no repricing of interest rates.

On 28 February 2013, the shareholder adopted Decision No. 18 to initiate the reorganisation of the Comany Rokiškio Pienas UAB by way of unbundling (and approve the drafting of unbundling terms and conditions), whereby a part will be separated from the Company Rokiškio Pienas UAB, which will continue milk product distribution activities, and on the basis of assets, rights and obligations attributed to that part, a new company with the same legal status will be established – Rokiškio Pieno Gamyba UAB – which will basically be engaged in milk product production activities.



CONSOLIDATED ANNUAL REPORT

2012

ROKISKIS MARCH 2013

TABLE OF CONTENTS

1. Reporting term of the prepared annual report.

The consolidated annual report is prepared for the year 2012.

2. Key information of the issuer:

Name of the issuer: Joint stock Company "Rokiskio suris".
Legal base: Joint Stock Company.
Address – Pramones str. 3, LT 42150 Rokiskis, Republic of Lithuania.
Telephone: +370 458 55 200, fax +370 458 55 300.
E-mail address: rokiskio.suris@rokiskio.com
Website: www.rokiskio.com
Registered in on 28th February 1992 by the Authorities of Rokiskis region.
Re-registered in on 28th November 1995 by the Ministry of Economy of the Republic of Lithuania.
Company code 173057512.
Manager of registry of legal entities – State company “Registru centras”.
The authorized capital of AB ”Rokiskio suris” equals to LTL 35,867,970.
There are 35,867,970 shares. Nominal value per share equals to LTL 1 (one litas).

3. Information on the issuer's daughter enterprises and subsidiaries

As at 31st December 2012, the consolidated group (hereinafter the “Group”) consists of the Parent Company AB “Rokiskio suris“, two branches, four subsidiaries and one joint venture. The following tables introduce the subsidiaries and branches:

	Actively performing as at 31st December 2012			**Share of the group (%) as at 31st December 2012**	
Branches	**2012**	**2011**	**Subsidiaries**	**2012**	**2011**
Utenos pienas	Yes	Yes	UAB „Rokiškio pienas“	100.00	100.00
Ukmergės pieninė	Yes	Yes	PK „Žalmargė“	100.00	100.00
			SIA Jekabpils piena kombinats	100.00	100.00
			SIA Kaunata*	60.00	60.00
			Joint venture		
			UAB „Pieno upės“	50.00	50.00

*- The subsidiaries are not consolidated with the Group due to their insignificance.

<u>Subsidiaries of AB “Rokiškio sūris”:</u>

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

Dairy cooperative „Žalmargė“ legal address: Kalnalaukio g.1, Širvintos. Company code: 178301073.
Latvian company SIA Jekabpils piena kombinats (company code 45402008851, legal address: Akmenu iela 1, Jekabpils, Latvija LV-5201).
SIA „Kaunata“ was acquired on May 11th, 2010. The company is not consolidated in the financial account of the Group of AB „Rokiškio sūris“ due to its insignificance, furthermore SIA Kaunata is not directly subordinate to AB „Rokiškio sūris“ (there are no transactions between the companies).

Co-controlled company:

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

Branches of AB "Rokiškio sūris":

AB „Rokiškio sūris“ branch Utenos pienas (Company code: 110856741, Pramonės g. 8, LT-28216 Utena);
AB „Rokiškio sūris“ branch Ukmergės pieninė (Company code: 182848454, Kauno g. 51, LT-20119, Ukmergė).

4. Characterization of key operations of the issuer.

Basic business of the group of "Rokiškio sūris":

- Dairying and cheese production (EVRK 10.51);

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

Daughter enterprises:
Basic business of UAB „Rokiškio pienas“ production and sales of fresh dairy products (fluid milk, kefir, sour milk, butter, curds, fresh cheese, sour cream, chocolate coated curds dessert, desserts).
Basic business of KB „Žalmargė“ is purchase of raw milk.
Basic business of SIA Jekabpils piena kombinats – production of fermented cheese and purchase of raw milk.
Basic business of SIA Kaunata – purchase of raw milk and transportation.

Co-controlled company:
Basic business of UAB „Pieno upės“ is purchase of raw milk.

Branches of AB "Rokiškio sūris":
Basic business of AB „Rokiškio sūris“ branches Utenos pienas and Ukmergės pieninė is purchase of raw milk.

5. Contracts with financial brokers

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

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

35,867,970 ordinary registered shares of AB “Rokiškio sūris”. Nominal value per share LTL 1 (one litas). (VVPB symbol RSU1L; ISIN code – LT0000100372). Total nominal value equals to LTL 35,867,970.

AB ”Rokiškio sūris“ shares are traded on Vilnius Stock Exchange NASDAQ OMX, the shares are included on the Official Trading List. The Company was included on the trading lists on 25th July 1995.

The Company’s shares are traded on the comparative index of Baltic countries in OMX Baltic Benchmark.

As from 22nd November 2010, trade by the Company’s shares is made in euros on Stock Exchange NASDAQ OMX Vilnius.

7. Authorized capital of the issuer:

As at 31st December 2012, the Authorized capital of AB “Rokiškio sūris“ comprised of:

Type of shares	Number of shares	Nominal value, LTL	Total nominal value, LTL	Share of authorized capital (%)
Ordinary registered shares	35,867,970	1	35,867,970	100.00

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

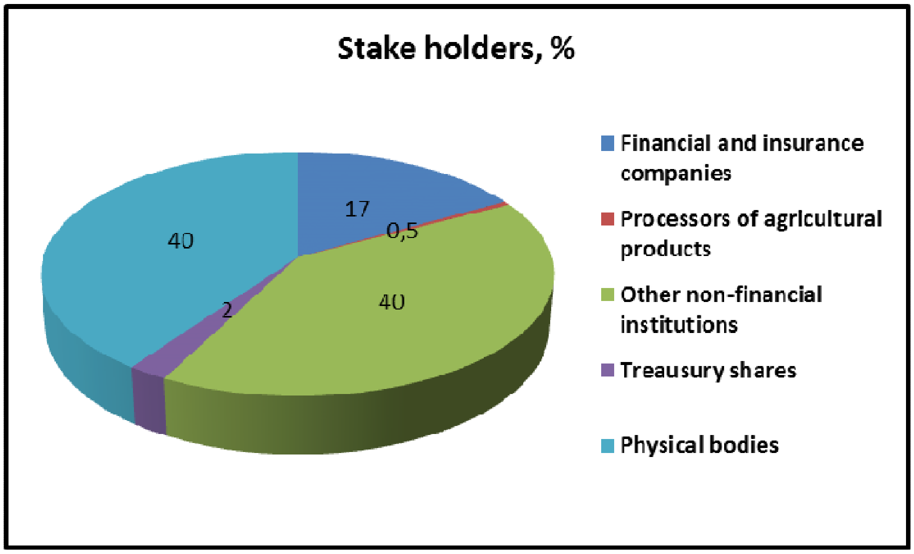
8. Limitation on transference of securities:

There are no limitations to be applied to the block of shares or any regulations according to which an agreement with the company or other owners of securities is required.

9. Shareholders.

Total number of shareholders (as at 31.12.2012) – 5,683 shareholders.

Distribution of ownership according to holder groups



The shareholders having or owning over 5 percent of the issuer's authorized capital (as at 31.12.2012):

Name, surname Name of company	Address	Proprietary rights			With associated persons	
		Number of shares	Share of the capital %	Share of votes %	Share of the capital %	Share of votes %
UAB ”Pieno pramonės investicijų valdymas” Company code 173748857	Pramonės g. 3, Rokiškis Lithuania	14,022,173	39.09	39.99	68.70	70.27
Antanas Trumpa	Sodų 41a, Rokiškis Lithuania	8,240,053	22.97	23.50	68.70	70.27
East Capital Baltic Fund Company code 556546-8435	Box 364, 111 93 Stockholm, Sweden	2,142,884	5.97	6.11	-	-
Swedbank clients Company code 10060701	Liivalaia 8, Tallinn Estonia	2,506,617	6.99	7.15	-	-
AB „Rokiškio sūris“ Company code 173057512	Pramonės g.3, Rokiškis Lithuania	802,094	2.24	-	-	-

10. Shareholders' rights

Shareholders have the following non-economic rights:

1) to attend the general meetings of shareholders;
2) to make advance inquiries addressed to the company in regards with the items on the agenda of general meeting of shareholders;
3) based on the rights provided with the shares to vote on the general meetings of shareholders;
4) according with Part 1 of Article 18 of the Law on the Joint Stock Companies to obtain information on the company's operations;
5) to address the court requesting to bring an action of damages against the company if the damage was caused by noncompliance or inadequate compliance with duties of the company manager and board of directors as stated by the Law on Joint Stock Companies of the Republic of Lithuania or other laws, as well as the Articles of Association and or in any other cases as stated by the Lithuanian Laws;
6) other non-economic rights established by the Lithuanian Laws.

Shareholders have the following property rights:

1) to receive a certain portion of the Company's profit (dividend);
2) to receive a certain portion of the company's funds when its authorized capital is decreased in order to pay out the fund to shareholders;
3) to receive shares without payment if the authorised capital is increased from the funds of the Company;
4) to have priority in acquiring the newly issued shares or convertible bonds of the Company unless the General Meeting of the Shareholders resolves to waive such right complying with the applicable Law;
5) to lend to the Company as determined by the Laws of the Republic of Lithuania, the company however cannot mortgage its assets when borrowing from shareholders. When the company borrows from shareholders the interest cannot exceed the average interest rate of the local commercial banks on the day of contracting. In this case the company and shareholders must not agree regarding the higher rate of interest;
6) to receive a portion of assets of the Company in liquidation;
7) other property rights established by the Lithuanian Laws.

The rights identified by points 1, 2, 3 and 4 are provided to the persons who were the company's shareholders at the end of the tenth working day after the corresponding general meeting of shareholders.

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

There are no shareholders with special control rights.

12. Overall limitations of voting rights.

As at 31st December 2012, AB „Rokiškio sūris“ owns 802,094 units of own shares. The shares are not assigned with the voting right. It makes 2.24% of the Authorized capital of AB “Rokiškio sūris”. There are no other shares with limited voting rights.

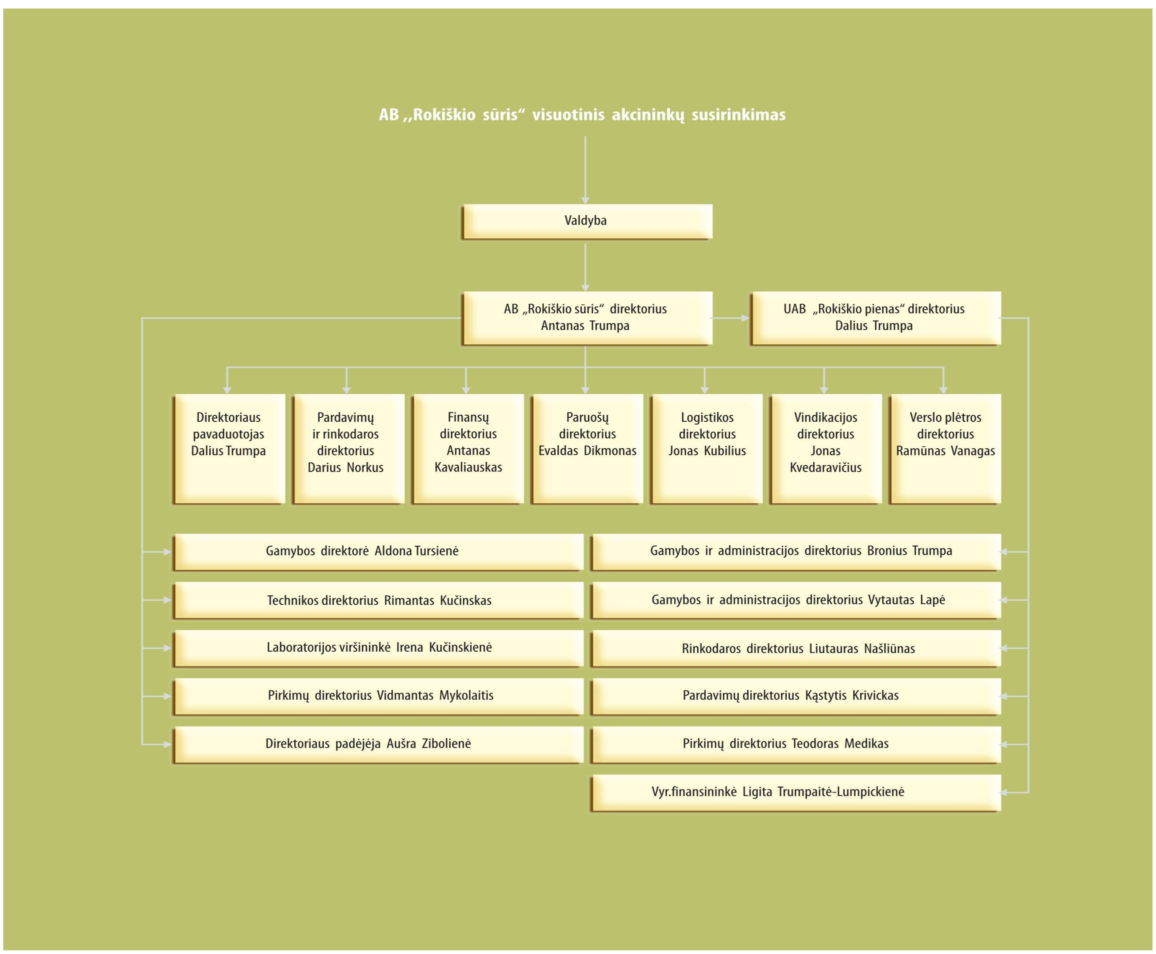
13. Overall agreements between shareholders.

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

14. Employees

Management structure of the Group of AB „Rokiškio sūris“

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



The employees of AB „Rokiškio sūris“ are provided with wide opportunities to deepen their knowledge and improve their skills in various trainings. In order to obtain higher financial resources to be used for this purpose, on April 15th 2009 it was signed a trilateral agreement between the Ministry of Social Security and Labour, Support Foundation European Social Fund Agency and AB „Rokiškio sūris“ for the administration and support of the human resources development project. Total size of the project is up to LTL 2 million. The main target of the project is to enable a group of employees of AB „Rokiškio sūris“ and UAB „Rokiškio pienas“ to improve their essential competencies, helpful in implementation of the innovative technologies as well as their application in dairy processing sector. In the beginning of 2010, the Company signed a contract with a training company “OVC mokymai”. In June 2011, it was signed an agreement with UAB “Divine training” for additional training which was financed from the accumulated resources of the project. Within 2010-2011, the trainings were attended by 187 employees. As intended, the trainings were organized in two directions: development of general skills and specific trainings to improve production technology knowledge. The project ended on 14th April 2012. The budget was used by 100 per cent. Benefits are reflected by higher quality of products and operations, new knowledge and competencies.

Also, the Company arranged some targeted trainings and seminars for farmers in order to enhance their knowledge of animal health and its protection, maintenance of milking equipment as well as milk cooling and storage equipment, and to modernize their dairy farms. A modern dairy farm, raw milk quality and healthy herd ensure successful dairy business.

Learning of languages is a key issue of training program also. There are language lessons at the company as well as lessons organized by external organizations.

Both AB “Rokiskio suris” and UAB “Rokiskio pienas” are socially responsible companies ensuring good conditions for the employee work and relaxation as well as supporting lots of the country’s events in the field of science, sports, and culture. In October 2012, “Bureau Veritas Lit” performed an audit of UAB “Rokiskio pienas”. Consequently, the company was granted the ISO certificate confirming that the system of social responsibility currently effective in the Company was evaluated and it complies with the requirements of management system standard SA8000:2008.

Employees of both companies have their right to participate in the activities of trade unions. There is a Trade-Union Committee established in the companies which protects the economic and social rights and interests of its members in light of employment, social guarantees, training, professional improvement as well as establishment of professional ethics, and aim to increase income of the food industry employees.

The company has put in practice Labour Deals. The contract is made between the director of AB Rokiskio sûris and Trade-Union Committee of AB Rokiskio sûris. The main purpose of the contract is to harmonize performance of the collective, and to guarantee better rights and conditions of employment, remuneration, safety and health protection, social guarantees and similar, compared to the ones established by the Laws and other legal documents of the Republic of Lithuania.

Rights and responsibilities of the company employees are provided by Job descriptions. There are no special rights and responsibilities provided by job contracts.

In accordance with the corporate strategy approved by the Board of Directors the Company’s key operational targets cover all functional areas such as finance, marketing, procurement, production and control of human resources and their achievements. In order to reach the set targets the company has established an internal control system as well as the Audit Committee. The main

functions include analyzing and evaluation, also providing recommendations for improvement of the Company’s operational performance. The findings of Audit Committee are presented to the Company’s management, and an action plan is prepared accordingly in order to eliminate identified weaknesses. The Company’s accounting and financial reports are made in accordance with the International Accounting Standards applied in the European Union.
The Company’s performance is managed and controlled in assistance with the informational technologies. Security of the data on the Company’s information system is ensured by document copying.

As at 31st December 2012, the number of employees working for the group of AB „Rokiškio sūris“ amounted to 1,688 (average number of employees).

The table shows average number of employees of Rokiškio sūris group and variation of average salaries in 2012:

Average number of employees	**2011.12.31**	**2012.12.31**
Total:	1599	1688
Incl. Managers	10	10
Specialists	315	313
Workers	1274	1365
Average monthly salary, Lt	**2011.12.31**	**2012.12.31**
Total:	**2319**	**2437**
managers	4784	5090
specialists	2093	2200
workers	2143	2440

Education of the employees working for Rokiskio suris

Education	**2011.12.31**	**2012.12.31**
University degree	142	160
Vocational school	735	780
High school	677	716
Unfinished high school	45	32

15. Procedure for amendments of the Articles of Association

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

16. Transactions with related parties and significant agreements

1. The Group is controlled by UAB „Pieno pramonės investicijų valdymas” (established in Lithuania) and Antanas Trumpa (Director of the Company) who altogether own 62.07 per cent of the Company's Authorized Capital. The Closed Joint stock Company „Pieno pramonės investicijų valdymas” is controlled by Antanas Trumpa (as a major shareholder). The rest part of 35.69 per cent of the company's shares belongs to various minor shareholders in Lithuania and foreign countries. The company has acquired 802,094 own shares (2.24 per cent). The major shareholders of AB Rokiskio suris owning more than 5 per cent of the company's authorized capital are identified at point 9 of the report.

UAB „Pieno pramonės investicijų valdymas”, members of the Board of Directors, executive managers and their family members are considered to be related parties also.

Some cooperative companies directed to milk production are considered as related parties also, because the Company may have significant influence on them through close relatives of the directors and some employees.

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

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

Transactions with related persons/ parties are disclosed in Remark 33 of Financial accounting.

17. Key characteristics of the securities launched to the public trading:

As at 31st December 2012, it was launched to the public trading 35,867,970 (thirty five million eight hundred sixty seven thousand nine hundred seventy) ordinary registered shares. Nominal value equals to LTL 1 (one litas) per share, total nominal value of shares is LTL 35,867,970 (thirty five million eight hundred sixty seven thousand nine hundred seventy litas).

18. Securities listed on the official trading list

The 35,867,970 ordinary registered shares of AB "Rokiškio sūris" are listed on the **Official List of NASDAQ OMX Vilnius Stock Exchange**. (VVPB symbol RSU1L). Nominal value per share 1 (one) litas.

The Company has not issued any debt securities for the public stock trading.
The Company has not issued nor registered any debt securities for the non-public stock trading.
There are no securities which would not participate as a part of the Authorized Capital and be regulated by the Law on Securities.

The shares were not traded by other stock exchanges or similar regulated markets. As from 22nd November 2010 the trade on stock markets is performed in euros.

Trade by shares of AB Rokiskio sûris on NASDAQ OMX Vilnius Stock Exchange Vilnius Stock Exchange:

Trade on central market:

Reported period		Price (Eur)				Turnover (Eur)			
from	to	max	min	aver.	Last session	Date of last trading session	max	min	Last session
2010.01.01	2010.03.31	1.043	0.840	0.987	1.014	2010.03.31	135 646.90	0	14 822.98
2010.04.01	2010.06.30	1.054	0.970	1.026	0.973	2010.06.30	508 303.30	0	3 932.55
2010.07.01	2010.09.30	1.437	0.959	1.231	1.381	2010.09.30	368 253.90	0	13 667.75
2010.10.01	2010.12.31	1.830	1.410	1.735	1.792	2010.12.30	740 490.00	0	0
2011.01.01	2011.03.31	1.789	1.505	1.696	1.750	2011.03.31	92 633.76	0	0
2011.04.01	2011.06.30	1.807	1.410	1.574	1.440	2011.06.30	118 496.02	0	118 496.02
2011.07.01	2011.09.30	1.485	1.370	1.404	1.400	2011.09.30	223.147.30	0	14 035.60
2011.10.01	2011.12.30	1.478	1.205	1.256	1.298	2011.12.30	644 770.74	0	3 595.46
2012.01.01	2012.03.30	1.388	1.29	1.360	1.359	2012.03.30	118 945.00	0	0
2012.04.01	2012.06.30	1.40	1.25	1.36	1.360	2012.06.29	108 953.50	0	4 128.00
2012.07.01	2012.09.30	1.40	1.30	1.37	1.40	2012.09.28	641 665.74	0	1 158.70
2012.10.01	2012.12.31	1.47	1.33	1.37	1.40	2012.12.28	390 622.20	0	1 950.00

Trade in shares of AB “Rokiškio sūris” within January-December 2012

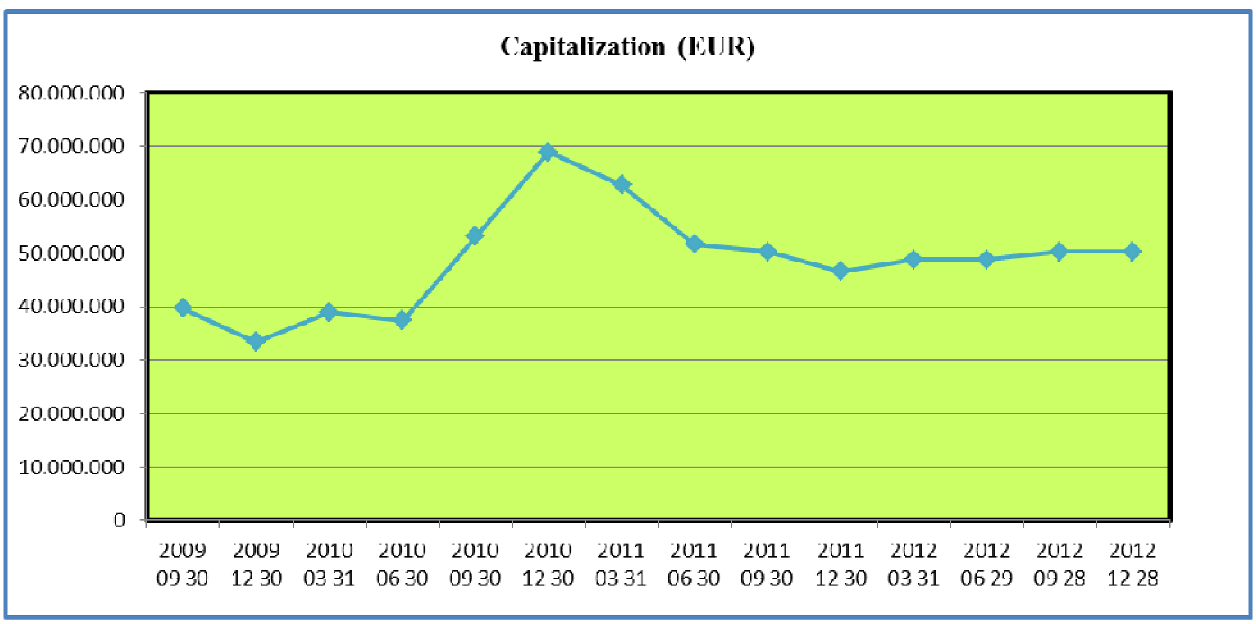
Price EUR

Data source – AB NASDAQ OMX Vilnius website:
http://www.nasdaqomxbaltic.com/market/?instrument=LT0000100372&list=2&date=2013-04-02&pg=details&tab=historical&lang=en&currency=0&downloadcsv=0&start_d=1&start_m=1&start_y=2012&end_d=31&end_m=12&end_y=2012

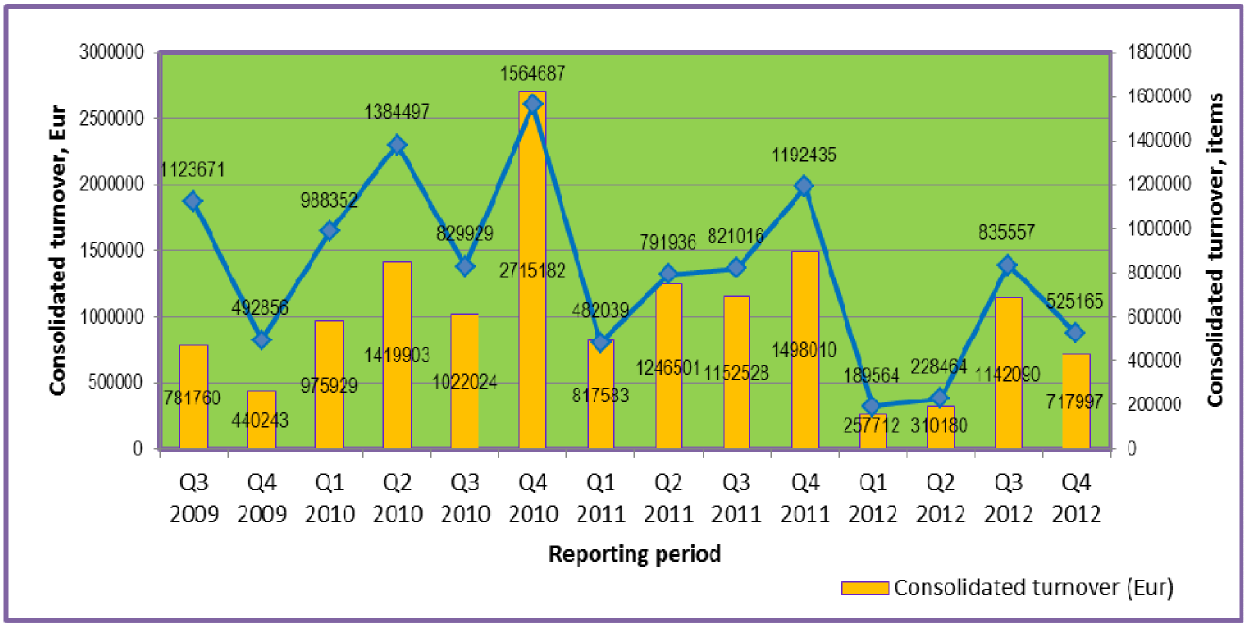
19. Capitalization of securities.

Reporting period		Total turnover		Date of last trading session	Capitalization (Eur)
from	to	(units)	(Eur)		
2009.07.01	2009.09.30	1 123 671	781 760	2009.09.30	39 712 715
2009.10.01	2009.12.31	492 856	440 243	2009.12.30	33 403 233
2010.01.01	2010.03.31	988 352	975 929	2010.03.31	38 983 123
2010.04.01	2010.06.30	1 384 497	1 419 903	2010.06.30	37 406 882
2010.07.01	2010.09.30	829 929	1 022 024	2010.09.30	53 092 399
2010.10.01	2010.12.31	1 564 687	2 715 182	2010.12.30	68 893 250
2011.01.01	2011.03.31	482 039	817 582.95	2011.03.31	62 768 948
2011.04.01	2011.06.30	791 936	1 246 500.83	2011.06.30	51 649 877
2011.07.01	2011.09.30	821 016	1 152 527.70	2011.09.30	50 215 158
2011.10.01	2011.12.30	1 192 435	1 498 010.23	2011.12.30	46 556 625
2012.01.01	2012.03.31	189 564	257 712.33	2012.03.31	48 744 571
2012.04.01	2012.06.30	228 464	310 179.89	2012.06.29	48 780 439
2012.07.01	2012.09.30	835 557	1 142 089.88	2012.09.28	50 215 158
2012.10.01	2012.12.31	525 165	717 997.30	2012.12.28	50 215 158

Capitalization the company‘s shares in 2009-2011, Eur



Turnover of the company‘s shares in 2009-2011, (units and Eur)



Indices of the Baltic markets:
(2012.01.01-2012.12.31)

Data of the diagram:

Index/Shares	01.01.2012	31.12.2012	+/-%
OMX Baltic Benchmark GI	431.94	546.98	26.63
OMX Vilnius	298.78	355.08	18.84
OMX Baltic Benchmark PI	287.07	345.21	20.25
RSU1L	1.30 EUR	1.40 EUR	7.86

Share price DIAGRAM: OMX Vilnius, AB „Rokiškio sūris“ (RSU1L), AB “Pieno žvaigždės“ (PZV1L), AB „Žemaitijos pienas“ (ZMP1L) and AB „Vilkyškių pieninė“ (VLP1L):
Indices of the Baltic markets:
(2012.01.01-2012.12.31)

Indices of the Baltic markets

Data of the diagram:

Indexes/Shares	01.01.2012	31.12.2012	+/-%
OMX Vilnius	298.78	355.08	18.84
RSU1L	1.30 EUR	1.40 EUR	7.86
PZV1L	1.69 EUR	1.78 EUR	5.39
ZMP1L	0.68 EUR	0.60 EUR	-11.63
VLP1L	1.20 EUR	1.23 EUR	2.50

20. The Group's consolidated and parent company's audited financial accounts for the year 2012

The Group's consolidated and parent company's audited financial accounts for the year 2012 are provided.

21. Information on purchase of issuer's own shares

During the financial year 2012, AB „Rokiškio sūris" has not bought any own shares. The currently owned treasury shares (802,094 ordinary registered shares) were bought via Stock Exchange NASDAQ OMX Vilnius, which is affecting the submarket of official tender offer. It was paid LTL 3,865,000 for the shares. The shares make 2.24 per cent of the company's authorized capital.
The company does not have the right to employ property and non-property rights using the own shares as stated by the Law on Joint Stock Companies.

22. Legal grounds of the issuer's performance

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

23. Belonging to the associated organizations

AB "Rokiškio sūris" is a member of the Lithuanian Dairymen Association "Pieno centras". Moreover, it participates in the activities of the Chamber of Commerce, Industry and Trade of Panevezys.
The activities of the Lithuanian Dairymen Association are regulated by the Law on Associations of the Republic of Lithuania and by the Confederation Regulations.
On 20th February 2010 AB „Rokiskio suris" established an association together with other processors of agricultural production. The activities of the Association are regulated by the Law on Associations of the Republic of Lithuania, articles of association and other legal acts.

24. Brief description of the issuer's history

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

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

In 1992, the state-owned enterprise “Rokiškio sūrio gamykla” was privatized and reorganized into a joint stock company “Rokiškio sūris”. In 1993 the remaining governmental enterprise shares were sold. Following the decisions of the Government, in 1994 the company indexed its property. During the period from 1993 to 2002 the company‘s share capital increased 7 times with the help of additional contributions, 2 times thanks to own means and 3 times due to reorganization. In 2000, after affiliation of AB “Utenos pienas“, and in 2002, after affiliation of ”Eišiškių pieninė” the authorized capital was no longer increased.
In 1997, 150 000 of nominal equity were distributed in the form of international depository notes (GDR).

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

In the months of November and December, 2000 AB “Rokiškio sūris“ increased the share portfolio of AB “Švenčionių pieninė“ up to 90.6%.
In December, 2000 AB “Rokiškio sūris“ acquired 49.9% of AB “Eišiškių pieninė“ share portfolio, whereas in March, 2002 AB “Rokiškio sūris“ increased the share portfolio of AB ”Eišiškių pieninė” up to 100% of authorized capital and votes.

In March, 2001 AB “Rokiškio sūris“ purchased 49.9% of AB “Varėnos pieninė“ share portfolio.
In October, 2001 AB ”Rokiškio sūris” purchased 49.9% of AB ”Ignalinos pieninė” and 100% UAB “Jonavos pieninė” share portfolio. On 1st of June, 2005 AB ”Rokiškio sūris“ sold the share portfolio of AB “Varėnos pieninė” and AB ”Ignalinos pieninė”.

On 26th April, 2002 at the general shareholder meeting of AB ”Rokiškio sūris“ the decision to reorganize the enterprises was made. It was decided to affiliate AB ”Eišiškių pieninė” and UAB ”Jonavos pieninė”; that is, the enterprises stopped functioning as legal persons.
On 4th July, 2002 AB ”Rokiškio sūris“ Board decided to stop the activities of AB ”Rokiškio sūris” subsidiary company “Šalčininkų pieninė“ and to sign it out from the Enterprises‘ Register.
On 30th December, 2002 the subsidiary company of AB ”Rokiškio sūris” “Šalčininkų pieninė“ was signed out from the Enterprises‘ Register of the Republic of Lithuania.
On 6th September, 2002 at the general meeting of AB ”Rokiškio sūris” shareholders the following decisions were made: reorganization of AB ”Rokiškio sūris”, AB “Eišiškių pieninė” and UAB ”Jonavos pieninė” was terminated; AB ”Eišiškių pieninė” and UAB ”Jonavos pieninė” property, rights and responsibilities acceptance and transfer acts were confirmed. AB ”Eišiškių pieninė” and UAB ”Jonavos pieninė” terminated their activities as legal persons and they were signed out from the Enterprises‘ Register.
On 14th November, 2002 AB ”Rokiškio sūris” Board decided to establish a subsidiary company “Eišiškių pieninė“. On 6th December, 2002 AB ”Rokiškio sūris” subsidiary company “Eišiškių pieninė“ was registered into the Enterprises‘ Register. On 29th October, 2005 AB “Rokiškio sūris“ Board decided to terminate the subsidiary company‘s activities. In April, 2006 the subsidiary company “Eišiškių pieninė“ was signed out from the register of legal persons.

On 14th February, 2003, following the decision of AB ”Rokiškio sūris” Board, the activities of AB ”Rokiškio sūris” subsidiary company “Zarasų pieninė“ were terminated. On 26th June, 2003 “Zarasų pieninė“ was signed out from the Enterprises‘ Register of the Republic of Lithuania.
On 20th August, 2003 AB ”Rokiškio sūris” bought 12 units of UAB ”Kalora” nominal equity, which composed 100% of UAB ”Kalora” authorized capital. In October, 2005 AB ”Rokiškio sūris” sold these shares.

On 18th February, 2005 an insolvency case with creditors, without the court process, was raised against AB “Švenčionių pieninė“. On 29th April, 2005, due to its bankruptcy, AB “Švenčionių pieninė“ was signed out from the register of legal persons.
On 14th June, 2005 AB “Rokiškio sūris“ sold 410,330 units of AB “Žemaitijos pieno investicija“ shares, that is, 11.63% of AB “Žemaitijos pieno investicija“ authorized capital.

On 3rd March 2006, in order to achieve more effective fresh dairy production results, AB ”Rokiškio sūris” Board decided to separate export-oriented cheese production business from fresh dairy production business oriented to the local market. For this reason a new subsidiary company was established. On 21st April, 2006 a subsidiary company UAB “Rokiškio pienas“ was registered into the register of legal persons. The subsidiary is totally owned by AB “Rokiškio sūris“.
After termination of the activities of subsidiary Eišiškių pieninė on 5th April 2006 the subsidiary of AB „Rokiškio sūris“ Eišiškių pieninė was registered out from Juridical Register of the Republic of Lithuania.

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

In 2009, UAB “Skeberdis ir partneriai“ and UAB „Pečupė“ were liquidated and registered out of the Registry of Legal Entities. In 2010, shares of UAB „Batėnai“ were sold.
In March 2011, UAB „Skirpstas“ was liquidated and registered out of the Registry of Legal Entities.

In January 2008, AB „Rokiškio sūris“ acquired 50.05 per cent of block of shares of Latvian company SIA Jekabpils piena kombinats. SIA Jekabpils piena kombinats specializes in production of fermented cheese and sales of raw milk. In May 2011, the Company acquired the rest part of the shares of SIA Jekabpils piena kombinats which amounted to 49.95 per cent.
AB “Rokiškio sūris” owns 100 per cent of the Latvian company SIA Jekabpils piena kombinats.

In July 2008 the company acquired UAB “Europienas” whose main business is purchase of raw milk. In 2009, UAB “Europienas” was liquidated and registered out from Registry of Legal Entities.

In May 2010, the company acquired 40 per cent of the shares of Latvian company SIA „Kaunata“.

The information on the subsidiaries of AB „Rokiškio sūris“ is provided at point 3 of the report.

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

The Group‘s production is developed in the towns of Rokiškis (AB „Rokiškio sūris“), Utena (UAB „Rokiškio pienas“) and Ukmerge (UAB „Rokiškio pienas“ subsidiary „Ukmergės pieninė“).

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

The Companies are highly concerned about food safety and quality issues in order to satisfy customer needs and comply with the environmental requirements.

In 2001, the Company was the first in Lithuania who was certified in accordance with the Hazard Analysis and Critical Control Point systems (HACCP), and the first of dairy companies who was certified in accordance with the Quality management and Environment management systems. In 2002, the systems were implemented and certified in Utena and Ukmerge also.

Certificates granted by the international company **Bureau Veritas** prove that the systems fully comply with ISO 9001:2008, ISO 14001:2004, ISO 22000:2005 or requirements of Dutch Standard for Food Safety “Requirements for the system based on HACCP. CC v HACCP, 2006“. There are certain rules made in accordance with standard requirements, and they guarantee production of stabile, smooth, qualitative and safe products in order to improve effectiveness of whole system of environment protection going in line with the corporate politics. The system covers all procedures from raw milk procurement to satisfaction of customer needs.
The systems are reviewed on the constant basis and improved in order to maintain high product quality, satisfy customer needs and have wide product range for the market.

AB „Rokiškio sūris“

The key activity of AB Rokiskio suris is production fermented cheese.
The cheese produced by the company comprises of fresh, semi-hard and hard cheese. The group of fresh cheese includes ,,Cagliata“ (various fat content and weight), ,,Mozzarella“. The group of semi-hard cheese includes the following products: “Rokiškio sūris“ (various fat content and weight), Saulės sūris, Lietuviškas, ,,Gouda“, Edamo sūris, Sūris „Visiems“, „Žaloji karvutė“ etc., whereas Kietasis suris (various fat, moisture content and weigth), “Montecampo“ and “Gojus“ belong to the hard cheese type.

Besides the main production of fermented cheese, AB ”Rokiškio sūris” produces liquid whey protein concentrate (WPC) which is followed by the production of WPC powder, and also milk sugar (lactose), processed cheese, and smoked cheese.

The year 2012 was a good year for AB “Rokiskio surius” in terms of production. The company produced highest levels of cheese, WPC powder and lactose compared to all previous periods.

UAB „Rokiškio pienas“

The company is highly concerned to maintain excellent quality of the produce and its safety, therefore the production costs are constantly reduced in order to maintain high level of operations and reduce negative impact on the environment whilst using lower quantities of hazardous substances and generating lower amount of waste.

Specialization of Utena production plant – fresh dairy products for the local market, whey protein concentrate, milk powder and butter production.
The line of yogurt production was modernized, consequently a new yogurt packaging equipment was installed. It allows production of wide range of yogurts, and desserts, also it prolongs shelf life of the products.

In 2011, it was mounted a new automatic equipment „Elopak“ for packing 2 liter packs.
In 2012, it was mounted a robot and conveyors for loading the production on pallets.

In 2012, the customers were introduced to a new yogurt brand „Rokiškio Tikras“.The yogurt is enriched with dairy proteins, various additives of berries and fruits, consistence is very soft.

Production / Year	2010	2011	2012
Fresh dairy products, t	54,770	61,880	62,772
Butter and spreadable fat blends, t	3,084	2,865	4,101
Dry milk products, t	4,657	7,360	8,442
Exported cream, t	5,355	8,212	9,165

In 2012, UAB „Rokiškio pienas“ implemented a new Standard of social responsibility SA8000. The Standard covers requirements for a company which employs expertise in order to demonstrate its socially responsible attitude to employment conditions.

Purpose of Standard SA8000 is to establish requirements based on international norms related with human rights and national legislation concerning employment in order to secure all employees throughout the management chain, as well as all other employees who produce goods or supply services to the company, including the employees hired directly by the company, and its suppliers and subcontractors.

Keeping in line with the standard’s requirements the company will be able to:

- create, maintain and implement the politics and procedures related with the issues being in its control or sphere of influence.
- demonstrate to the third parties that the company's politics, procedures and practices conform to the standard requirements.

Politics of the company:
The company's business operations are based on human and employee rights recognized internationally. We endeavor honest and honorable treatment of all employees. We expect and seek our suppliers and subcontractors as well as further chain of supply to follow similar rules. We believe that the dialogue between the employer and employees is and can contribute to the sustainable success for the company and its employees.

Fundamentals of social responsibility:
Accountability (for impact on the society, economics, and environment);
Transparency (decisions and the operations influencing the society and environment);
Ethical conduct;
Honor in regards with the third parties' interests (hear and react);
Honor the superiority of laws;
Follow the international conduct norms;
Honor human rights.

Subsidiary of UAB „Rokiškio pienas“ Ukmergės pieninė

Specialization of Ukmerge production plant – curd and curd cheese production. It is one of the biggest curd production plants in Lithuania.
Modern technologies and equipment, as well as compliance with sanitary and hygiene requirements allow maintenance of all best nourishment and energetical values of curd products, and it ensures longer shelf life of the product. It is highly important to ensure stability of product quality.
The plant continuously changes the assortment as new products are created.

A new ammonium compressor room was equipped in the plant. A boiler-room was expanded with the second boiler. Implementation of these projects ensures well stabilized supply of steam, hot and icy water whilst effectively consuming power resources.

In 2012, a new cooling room for curds and curd products was equipped, and cooling equipment was mounted. The expanded cooling area guarantees maintenance of sanitary and hygiene standards, semi manufactures are cooled until packaging/marking. A newly opened storage room of ready production is equipped with cooling system and automatic gates with loading ramp. It allows loading two trucks whilst the product flow is not interrupted.
Curds packaging line was moved to a new room. A new line of curds packaging of 500gr and 200gr was bought and installed.

Every year the company creates new products, the assortment is renewed, and packaging designs are improved. The plant started packaging of products with fixed weight: fresh cheese BRAZILIŠKAI with spices, 45% fat in DM, 250 gr each; semi-fat curds TIKRAS, 9% fat, 300gr each.

Production quantities.

Production, t/ year	**2009**	**2010**	**2011**	**2012**
Curds	2943	2789	3389	3765
Curd cheese	592	546	760	586
Chocolate coated curd bars	1060	724	647	460
Melted products	334	332	298	296
Fermented cheese (unmatured)	-	99	113	121

In 2010, the pant Ukmergės pieninė submitted an application to the Ministry of Agriculture of the Republic of Lithuania regarding registration of the name of Lithuanian Curd Cheese as geographically protected in accordance with the EC Register No. 510/2006 regarding protection of geographical an original places of agricultural and food products. The company expects to receive the confirmation in the nearest future.

The plant is proud of the achievements which were reached in the production of 9% curds “NAMINĖ“, which is packed in exclusive brand packaging in 500gr and 200gr:

In 2012, in an exhibition in Moscow the curds NAMINĖ was granted Gold medal for innovative packaging comfortable for customers.

Following an order of UAB „Naisių vasara“ to support development of Lithuanian cinematography it was started production of the following products:

- curd cheese, 22% fat, **NAISIŲ VASARA**, in vacuum packaging, with and without cumin;
- curd, 9% and 0.5%, **NAISIŲ VASARA,**180gr;
- Chocolate coated curd bars, **NAISIŲ VASARA, 23**%, 40gr, 4 flavours – apple and cinnamon, vanilla, strawberries, and chocolate.

The plant aims to produce safe and qualitative products in order to protect customers from negative impact on human health.

26. Sales and marketing

The biggest part of production is exported. As before, the main direction of export is European Union (mainly Italy, Germany) and Russian markets.

The biggest part of exported production is fermented cheese. In the EU region the main part of sales make unmatured cheese, in the Russian market – semi hard cheese and hard cheese which becomes more and more popular.

The Group’s export sales of traditional products such as butter, cream, milk powder and by-products (Whey protein concentrate and lactose) are increasing.

Rokiškis group is one of the dairy leaders on the local market with market share of 23 per cent. The company produces around 250 products of high quality and reasonably price for the final customer. In Lithuania Rokiškis is famous for its cheese and also other fresh dairy products such as kefir, fluid milk, sour cream, butter, curd products, yogurts, chocolate coated curd bars.

In accordance with the Lithuanian trade association the most popular goods in 2012 it was **Rokiškio butter 200g 82% fat, Rokiškio sūris 240g 45% dm.**

The company owns a range of strong brands targeted to various customer groups, the brands are perceived as high quality production. The product assortment produced by the group‘s companies is added with new qualitative value added products and packaging every year. In 2012, the product family TIKRAS was expanded, new flavours of yogurts and curd bars were introduced to the market.

In spite of rather weak market situation, the sales of Rokiškio group in Lithuania in 2012 reached LTL 241 million and were by 7 per cent higher compared to 2011.

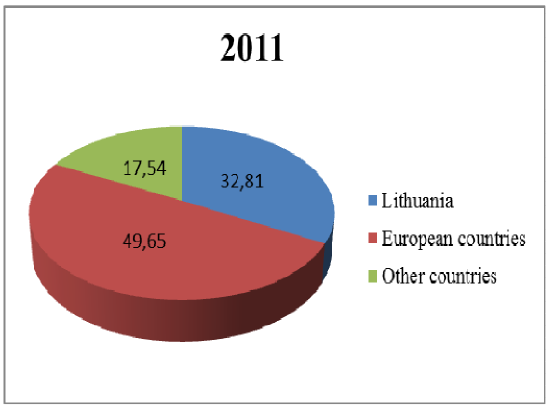
The Group aims to further increase reliability of its produce, encourage healthy life style, and to increase consumption of dairy products per person.

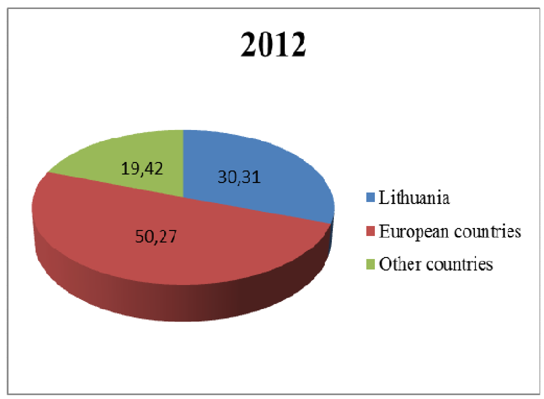
Brands as follows:

A key factor is stability of the produce quality which is essential for implementation of marketing strategy.

Sales markets in Jan-Dec 2011 and 2012

Names of countries	Sold			
	Jan-Dec 2011		Jan-Dec 2012	
	kLTL	%	kLTL	%
Lithuania	225 725	32.81	241 387	30.31
European countries	341 615	49.65	400 368	50.27
Other countries	120 685	17.54	154 652	19.42
Total	**688 025**	**100**	**796 407**	**100**





In 2012, the consolidated non-audited sales of AB „Rokiškio sūris“ group made LTL 796.407 million, i.e. 15.75 per cent more than during the same period last year. In 2011, the consolidated audited sales made LTL 688.025 million.

The better results were caused by higher quantities of production sold for export.

27. Purchase of raw milk

In 2012 in Lithuania, it was purchased 1360 thousand tons of natural milk, i.e. 3.1 per cent more than in 2011 (1317 thousand tons). The national raw milk quota of ten months of 2012-2013 was used by 68.78 per cent. Last year this number was equal to 68.19 per cent.

The most significant change in raw milk sector was decrease of raw milk prices and increase of the purchased amount.
Raw milk price paid in January 2013 to farmers delivering over 40 tons/month of milk increased by 1 per cent compared to December 2012 (from LTL 1,179/t to LTL 1,191/t), and compared to January 2012 – by 0.9 per cent (from LTL 1,181/t to LTL 1,191/t).

The table below shows prices of raw milk paid by the Group to large farmers with the farms of European size delivering over 40 tons raw milk per month during the 2011 - 2012.

Month	Raw milk purchase price	
	2011 (Lt/t)	2012 (Lt/t)
January	1,142	1,173
February	1,197	1,204
March	1,201	1,155
April	1,230	1,130
May	1,212	1,012
June	1,087	948
July	1,052	931
August	1,057	936
September	1,137	982
October	1,171	1,125
November	1,204	1,139
December	1,182	1,164
Average price per 12 months	**1,153**	**1,072**

Due to the increased amount of purchased raw milk within 2012, the production of fermented cheese as well as by products (WPC, lactose, cream etc.) increased also. Consequently, the production costs rose as well. In addition, the increase of key costs was caused by higher prices of power resources, mostly steam and gas. The increase of costs of transportation of raw milk and finished products was caused by higher petrol prices.

28. Risk factors related with the issuer‘s performance.

Economic factors:

Unfavourable influences related with raw milk production and sales of finished products:

a) decrease in number of cows in Lithuania;
b) lowering purchasing power of Lithuanian residents;
c) cheaper Polish products on Lithuanian market;
d) high competition;
e) substitution of dry milk products with cheaper ingredients for further production;
f) uncontrollable increase of prices for fuel/power;
g) abolishment of EU export subsidies to third countries;
h) bureaucratic restrains;
i) volatility in export prices;
j) inadequate attention of the government in regards with business;
k) volatility in the Russia market;
l) inflexible politics in regards with VAT and excise taxes;
m) volatile competition due to instable currency ration between euro and Russian ruble;
n) weakened currencies in non-EU markets;
o) oncoming crisis in the EU.

Lithuania is dominated by small milk farms. Such a high number of raw milk suppliers causes increase of costs for raw milk quality testing, and raw milk collection and accounting costs.
Inadequate government support for dairy farms compared to Latvia and Estonia.
In addition, small farms cannot ensure sufficient and consistent raw milk quality, and impede investment into milk farms. Average dairy farm in Lithuania is the least in EU, moreover it is smaller thirteen times as much compared to the average figure in EU.
Raw milk production in Lithuania is heavily influenced by seasonality: collection of raw milk in summer period is almost twice as much compared to winter period. It has a negative impact on the effectiveness of milk processing, utilization of equipment capacities and cut of work places during the low session period.

Low productivity of milking cows:

Low productivity of cows is caused by insufficient genetic potential of herd and poor feedstuffs. Diminishing small farms. Decrease of population in rural areas.

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

Social factors:
During the past few years, emigration of residents of Lithuania increased. Now it is experienced lack of qualified work power. Decrease in reimbursement system. Low birthrate.
People lose their trust in the government, and there is no certainty in the future. Passive residents.
Farming is dominated by older farmers. Community of villages is getting older also. High unemployment rate. Bankruptcy of companies. Consumption decrease due to higher taxes applied to residents. Uncontrolled rise in the prices for fuel and power resources strongly influences decrease of consumption and lower satisfaction of customer needs.

Inefficiency of the government to create new labour places, high level of unemployment, politics of allowances, which do not encourage the will to work, lost of trust in the government politics, and the government’s inefficiency.

Risk factors related to food safety issues:
Food safety risk factors of AB „Rokiškio sūris“ are determined by HACCP program.

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

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

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

Ecological:

Based on Regulation of European Parliament and Community 2008/1/EB “Regarding integrated prevention and control of pollution” (TIPK), AB Rokiskio suris is attributed to the equipment of Annex 1 which obliges to obtain the TIPK permission. The first TIPK permission was obtained on 30-12-2005, it was issued by the Department of environment protection of Panevezys region. Following the submitted application to regional Panevezys department of environment protection, on 28th December 2009 the License for integrated prevention and control of pollution (TIPK) was renewed, later on it was corrected on 01-07-2011. The company introduced most effective production forms (GPGB), and the consumption of resources and emission of pollution complies with the EU regulations.

In 2001, the company implemented environment protection system ISO 14001. The certification and auditing is made by an international company Bureau Veritas Lietuva. In 2010, the environmental protection system was successfully recertified.

The environment protection politics of AB ”Rokiškio sūris” covers continuous decrease of negative impact on environment, ensuring minimal consumption of resources, and strengthening waste treatment in order to minimize negative impact on air, water and earth. In 2012, during the external and internal audit it was identified 3 remarks and no non-compliancy. The targets are set for every year in order to improve the system and reduce ecological risks. The 2012 Environmental

Protection Program was implemented. The evaluation and analysis of performance is made periodically.

The following five programs are implemented in the company in order to evaluate and analyze the impact on environment: 1) Monitoring program for field fertilization by waste from AB “Rokiškio sūris”, 2) Monitoring program for treated waste from AB „Rokiškio sūris“ to Ruopiškis (Alseta) lake in Rokiškis district, 3) Monitoring program for underground water of AB “Rokiškio sūris”, 4) Monitoring program for underground water in petrol stations of AB “Rokiškio sūris” in Rokiškis and Obeliai. The monitoring is made by a research company UAB Geoaplinka, 5) The monitoring testing of pollution sources is made by the following certified laboratories: UAB Ekometrija, UAB Rokvesta. Certificates are submitted to Panevėžys RAAD. There is no objectionable influence identified.

In 2012, the stationary air pollution resources discharged 2.66 t of pollutants. The transport department consisted of 284 vehicles: 199 trailers, 80 automobiles, 5 other vehicles. 52 per cent of the vehicles comply with the requirements of EURO 1-5.

The company has constructed its own waste water treatment plant in order to target loads for pollutants as required by the EU standards. In 2012, it was treated 1,099 thousand m^3 of waste, 8.8 per cent of waste was directed to the outside waste treatment plant UAB “Rokiskio vandenys”. 5236 t of sludge was used for field fertilizing. The effectiveness of waste treatment is equal to 96-99%. In 2012, due to economic reasons it was ceased processing of dairy waste into bio-gas and electricity. Consequently, the compound by-products were sold to other companies as raw material.
AB “Rokiskio suris” uses modern technologies to separate water from whey and to purify it, up to 28 per cent of this water is used for the equipment cleaning, and it helps to save underground water.

The former dairy waste accumulation site of AB „Rokiškio sūris“ in Celkiai, Rokiškis district, was inspected and the Ministry of Environment issued a positive evaluation, therefore, the site is going to be taken out of the register of dangerous objects.

The company has undergone through risk analysis, consequently a plan of preventive actions and accident liquidation was prepared. The most dangerous company’s sites: ammonium compressor room, storage of chemical materials of waste water treatment plant, warehouse of chemical materials, petrol station. The company’s buildings were evaluated and marked as required by the fire protection regulations. Fire alarms were equipped were necessary in order to improve fire-protection and minimize potential risk.

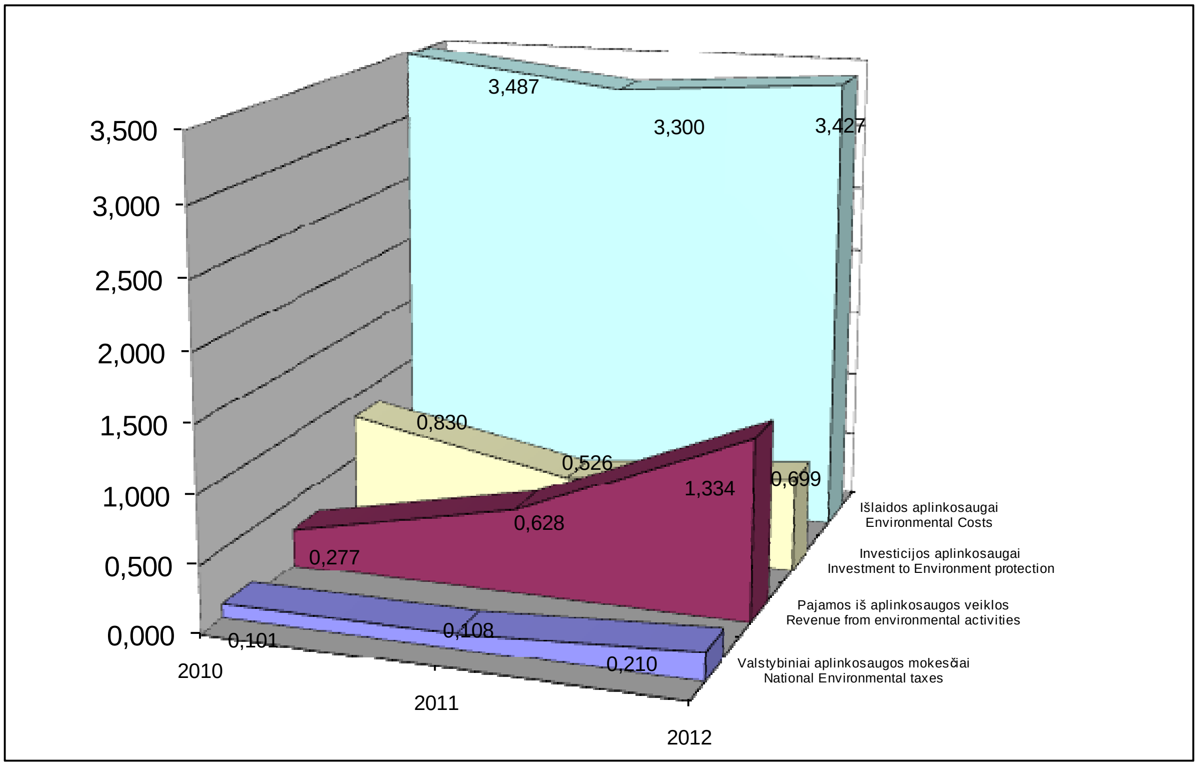
Key environmental indices:

	2011	**2012**	**GPGB – ES***
Quantity of issued waste per ton of raw material	0.002	0.0	**-**
Fee for pollution per ton of raw material	0.07	0.06	-
Quantity of waste pollutants according to BDS7 in kg per ton of raw material	0.26	0.37	-
Quantity of waste per ton of raw material, m^3	1.31	1.22	**0.7-6**
Consumption of chemical materials in kg per ton of raw material	1.9	1.86	**1.1-10.7**
Power consumption in kWh per ton of raw material	39.6	35.4	**60-208**
Thermo-power consumption in kWh per ton of raw material	**66.2**	**62.8**	**60-820**

*- GPGB- “Integrated Pollution Prevention and Control, Reference Document on Best Available Techniques in the Food, Drink and Milk Industries “ August 2006

Environmental activities, LTL million

	2010	2011	2012
Taxes for environment pollution	0.101	0.108	0.210
Income from the environmental operations	0.277	0.628	1.334
Investment into environment protection	0.830	0.526	0.699
Expenditure for environment	3.487	3.300	3.414



29. Key aspects of formation of consolidated financial accounting related with the systems of internal control and risk management

These consolidated financial statements have been prepared according to International Financial Reporting Standards (IFRS) as adopted by the European Union.

The preparation of consolidated and parent company’s financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The estimates are based on the knowledge obtained by the management as well as current situation and actions.

The financial accounts include consolidated financial accounting of the Group and individual financial accounting of the Company.

Subsidiaries are all entities (including special purpose entities) over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognizes any non-controlling interest in the acquirer either at fair value or at the non-controlling interest's proportionate share of the acquirer's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquirer and the acquisition-date fair value of any previous equity interest in the acquire over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the statement of comprehensive income.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

The group treats transactions with non-controlling interests as transactions with equity owners of the group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.
When the group ceases to have control or significant influence, any retained interest in the entity is re-measured to its fair value, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

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

30. Financial risk monitoring

In its operations the Company and the Group faces various financial risks. Overall risk monitoring program of the Group focuses on uncertainties of the financial markets and it aims to diminish any expected impact onto the financial results of the Group's operations.

The risk factors faced by the Company and the Group are described upon Remark 3 (page 22) of the 31st December 2012 financial report of consolidated and parent company AB „Rokiškio sūris“.

31. Information about the authorization given by the Board members

Members of the Board of Directors have not authorized any other third parties to perform the functions attributable to the Board of Directors.

32. Key ratios of the company performance, their dynamics

The table below shows consolidated figures describing the Group's operations.

No.	Ratios		2008	2009	2010	2011	2012
1.	Net profit %	Net profit / Sales and services	(3)	3	4	4	4
2.	Average return on assets	Net profit / Average assets	(0.05)	0.04	0.07	0.07	0.06
3.	Debt ratio	Liabilities / Assets	0.52	0.47	0.40	0.35	0.31
4.	Debt-to-equity ratio	Liabilities / Equity	1.08	0.88	0.66	0.55	0.44
5.	General liquidity ratio	Current assets / Current liabilities	0.94	1.42	1.63	1.85	2.16
6.	Assets turnover ratio	Revenues / Assets	1.89	1.61	1.72	1.54	1.75
7.	Book value per share, Lt	Equity / Number of ordinary shares	4.07	4.82	5.06	8.07	8.79
8.	Net earnings per share, Lt	Net profit / Number of ordinary shares	(0.45)	0.38	0.65	0.79	0.84
9.	Price to profit per share ratio, Lt	Market share price / Profit per share	(3.84)	7.90	9.52	5.75	5.75

No	Ratios	2008	2009	2010	2011	2012
1.	Income (thousand litas)	681 821	560 395	553 760	688 025	796 407
2.	EBITDA (thousand litas)	12 785	52 272	55 413	58 821	70 886
3.	EBITDA margin (%)	1.88	9.33	10.01	8.55	8.90
4.	Operational profit (thousand litas)	(14 995)	22 358	29 663	35 141	35 971
5.	Operational profit margin (%)	(2.20)	3.99	5.36	5.11	4.52
6.	Return on equity ROE (%)	(10.55)	8.08	12.65	9.56	9.35
7.	Profitability margin (EBT margin) (%)	(3.08)	3.59	5.18	4.83	4.32

33. Investment projects implemented during the last 3 fiscal years:

Every year AB „Rokiškio sūris“ give great attention to new investment into the production procedures, modernization of existing production facilities and their maintenance, procurement of raw material, continuation of environmental protection, and transport.

When Lithuania became a member of European Union, the company employed some EU support to increase investment facilities. Therefore, it was successfully used the EU financing in accordance with SAPARD and BPD 2004-2006 programs.

During 2003-2005, following the first priority sector ‘Milk and Dairy Products’ of the SAPARD rural development programme ‘Development of Agricultural and Fishery Product Processing and Marketing’, AB “Rokiškio sūris” received financial support, equal to 12.5 million litas, for production modernization. The BPD program was used for improvement of whey collection and treatment. The financial support reached LTL 3.45 million.

Upon implementation of those modern technologies, there are no product leftover for discharge into waste treatment plant. Also, during the high production season (summer) when the capacities are used at maximal levels, all whey will be collected and processed.

The investment according to the above programs was implemented successfully, the equipment is used in full capacities and the company continues to implement new investments and modernization of procedures.

The top management team of AB Rokiskio suris is very much concerned to have most modern production facilities, and to process the raw milk which would be delivered by modern vehicles with sufficient isolation and accounting systems. It is aimed to maintain high quality of purchased raw milk which fully complies with the requirements for food safety and veterinary. Also, the products should be produced with the most modern equipment.

During the last 3 fiscal years the main investments were directed to reconstruction and modernization of cheese production.

In general, AB Rokiskio suris investments are organized in the way to ensure food safety requirements within the production procedures and external surrounding including raw milk processing, production, slicing, packaging, loading and delivery of produce to the customer.

In 2007-2010, AB „Rokiškio sūris“ continued the investment program, consequently some new equipment and milk trucks were bought, and the production equipment was modernized which also resulted into the better work conditions for employees, lowered power consumption, and supported environment protection program.

A part of investment was directed into improvement of raw milk quality. In 2007-1010, the main investments were made in accordance with KPP program for the period of 2007-2013. The investments were used not only for the parent company AB Rokiskio suris but for the subsidiary UAB Rokiskio pienas also. The subsidiary prepared four business plans to employ the support. Total sum of the investment plans amounts to LTL 13.81 million.

In 2007, AB „Rokiškio sūris“ and its subsidiary UAB Rokiskio pienas prepared business plans according to 2007-2013 KPP measure „Processing of agricultural products and increase of added value“ first section „Marketing of agricultural products“. In 2008, a part of the investment was made from the fund and the other part from own resources. In 2007, the Group invested LTL 19.6 million.

In 2008, the group‘s allocation to investment amounted up to 34.7 million litas, in 2009 it was 8.5 million litas.

Also, it was purchased some new vehicles for raw milk collection and transportation, and also the trucks with refrigeration system for transportation of finished products.

In 2010, AB Rokiskio suris prepared two business plans in accordance with 2007-2013 program. They are „Modernization, of raw milk processing by AB Rokiskio suris in order to increase competitive ability of the company“ and „Modernization, of raw milk processing by AB Rokiskio pienas in order to increase competitive ability of the company“.
Total sum of investment in 2010 amounted to LTL 6.5 million.
Total sum of investment in 2011 amounted to LTL 16.4 million.
Total sum of investment in 2012 amounted to LTL 11.4 million.

The main directions of the investment in 2012:

- Production of high value added products (long maturing various packaging and shapes fermented and processed-smoked cheese);
- Cheese loading into boxes and on pallets using a robot;
- Production of big wheels of had grated cheese, 35 kilos each;
- Modernization of technological process of whey products;
- Acquire sets of various shapes of cheese moulds;
- Modernization of the departments servicing production facilities (thermo and energy supply departments, compressor room, water supply department, laboratory);
- Renewal of assortment and packaging of fresh dairy products;
- Maintenance of competitive ability level in the market;
- Improvement of sanitary and hygiene level in the production facilities (in the way of equipment of ventilation systems, humidity collectors, and CIP sites);
- Improvement of quality, control and monitoring;
- Software engagement into the equipment of cheese packaging and scaling;
- Implementation of new technologies;
- Saving power resources complying with EU requirements;
- Continuation of environment protection politics;
- Increase of competitive ability by high added value products;
- Increase of level of competitiveness introducing added value products to the market;
- Modernization of warehouses of finished products (reconstruction of premises and equipment);
- Modernization of internal transport;
- Automatization of cheese loading/unloading from containers;
- Improvement of work conditions of employees;
- Modernization of cheese packaging complying with customer needs;
- Implementation of new technologies;
- Modernization of heating system and compressor room, implementation of accounting system;

All investments were made in Lithuania: Rokiskis and the related sites in Utena and Ukmerge.

34. Future plans, forecasts and investments envisaged in 2013

In 2013, the group of AB „Rokiškio sūris“ is going to make investments amounting to LTL 25.3 million.
Mainly the investments in 2013 will be directed into further processing of whey. The expected investment will be used for development of AB “ Rokiškio sūris” and UAB “Rokiškio pienas”. Therefore, the whey processing equipment will be reconstructed and a new processing line will be acquired for the production of this product.
The greatest part of the investment 2013 will be allocated for this project.
Fluid whey concentrate will be made in AB “Rokiškio sūris”, and the drying part will be completed in a subsidiary UAB “Rokiškio pienas”.

In addition, a part of investment is directed to the KPP 2007-2013 programme, as well as completion of the projects in progress in order to ensure smooth and stabile operations of the equipment and creation of new products. A part of investments will be directed to creation of new product packaging designs and production of new fresh dairy products.
In 2013, all the investments provided by the KPP 2007-2013. Program will be completed.

The main target of the investments is to continue effective usage of current equipment by modernization and improvement of technological procedures.

It is provided that acquisition of equipment should first satisfy customer needs in terms of finished production. It is aimed the equipment would ensure safety and quality of the product as well as variability of packaging responding to growing market demand.

Great attention is paid to the departments providing services to the production plants and modernization of their equipment: cooling systems, power supply, waste utilization, ventilation systems.

Also, to the storage and delivery of ready-to-cook products and finished products within the company’s departments. Therefore, some more fork-lifts will be bought.

The 2013 investments are targeted to enhance the company’s competitiveness, as well as improved employment of production facilities by implementing additional equipment and considering environment protection.

35. Dividends paid

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

Type of shares	2006			2007		
	Amount of dividends, Lt	**Per share**	**Dividend/ Net profit**	**Amount of dividends, Lt**	**Per share**	**Dividend/ Net profit**
Ordinary registered share	10,081,101.08	2.36 Lt (23.60%)	0.77 Lt	9,902,131.20	0.24 Lt (24.00%)	0.29 Lt

Table continued

Type of shares	2008			2009		
	Amount of dividends, Lt	**Per share**	**Dividend/ Net profit**	**Amount of dividends, Lt**	**Per share**	**Dividend/ Net profit**
Ordinary registered share	Dividends were not paid			3,844,483.40	0.10 Lt (10.00%)	0.26 Lt

Table continued

Type of shares	2010			2011		
	Amount of dividends, Lt	**Per share**	**Dividend/ Net profit**	**Amount of dividends, Lt**	**Per share**	**Dividend/ Net profit**
Ordinary registered share	3,586,797,00	0.10 Lt (10.00%)	0.15 Lt	3,506,588.00	0.10 Lt (10.00%)	0.13 Lt

36. Management bodies of the issuer

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

General meeting of shareholders:

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

General meeting of shareholders have the following exclusivity rights:

1. to amend the articles of association;
2. to change the company's legal address;
3. to elect a supervisory body, yet if this is not formed then to elect the management board members. In case both bodies are not formed, then to elect the company's executive manager;
4. to recall the supervisory body or its members, as well as the elected board of directors and the company's executive manager;
5. to elect and recall the company's auditor executing annual financial reports, determine its payment module;
6. to establish the class, number, nominal value and minimal price of share emission;
7. to convert of one type of shares into the shares of another type, approval of exchange procedure of the Company's shares;
8. to approve annual financial reports;
9. to adopt resolution regarding distribution of profit (loss);
10. to form, use, decrease or cancel reserves;
11. to approve interim financial accounting prepared on purpose to accept resolution regarding dividends payout for the period shorter than a financial year;

12. to accept resolution regarding dividends payout for the period shorter than a financial year;
13. to resolve regarding emission of convertible bonds;
14. to resolve regarding cancellation of prerogative right to all shareholders to acquire the Company’s shares of a certain emission;
15. to resolve regarding increase of the authorized capital;
16. to resolve regarding decrease of the authorized capital;
17. to resolve regarding purchase of the company’s shares;
18. to resolve regarding reorganization or segregation of the Company and approval of terms for reorganization or segregation;
19. to resolve regarding reformation of the Company;
20. to resolve regarding restructuration of the Company;
21. to resolve regarding liquidation of the Company or cease of liquidation unless the Law on Joint Stock Companies provides differently;
22. to elect and recall the company’s liquidator unless the Law on Joint Stock Companies provides differently;

General meeting of shareholders may discuss other issues assigned by the articles of association of the company if the Law on Joint Stock Companies does not assign those functions to other management bodies and in general they are not the functions of management body.

A resolution of general meeting of shareholders is considered to be accepted when a simple majority votes for the resolution rather than against, except in case of points 1, 6, 7, 9, 10, 12, 13, 15, 16, 18, 19, 20, 21 which requires the participated majority of 2/3 of shares with the voting right. Resolution for an item of point 14 may be adopted with the participated majority of 3/4 of shares with the voting right.

37. Committees formed in the Company

Audit Committee of AB Rokiskio suris:

The company‘s Audit Committee is made of 3 members one of which is independent. The cadency of the Audit Committee is four years. Upon recommendation of the company‘s Board of Directors the members of Audit Committee are elected by the general meeting of shareholders. The members of Audit Committee were elected by the 24th April 2009 general meeting of shareholders.

Members of Audit Committee:

Kęstutis Kirejevas – independent member, director of UAB „EuropaPrint“, has no shares of AB „Rokiškio sūris“;

Rasa Žukauskaitė – works for AB „Rokiskio suris“, in the financial department, has 2 shares of AB „Rokiškio sūris“;

Asta Keliuotytė - works for AB „Rokiskio suris“, in the financial department, has no shares of AB „Rokiškio sūris“.

Key functions of Audit Committee include the following:

1) supervision of preparation of financial accounts;

2) supervision of functional internal control of the company, risk management and internal audit system,
3) supervision of the Company’s auditing procedure;
4) supervision how an auditor pursues the principles of independency and impartiality;
5) honest and responsible operation in favour of the Company and its shareholders.

The Audit Committee is a collegial body accepting its decisions at the meetings. The Audit Committee may adopt resolutions and its meeting is considered to be valid when it is attended by at least 2 (two) members of the committee. A resolution is adopted when it is voted for by at least two members of the Audit Committee.

Members of the Audit Committee are elected and recalled by the company‘s general shareholders‘ meeting following recommendations of the Board of Directors.

Cadency period of the Audit Committee ends in April 2013.

There are no other committees formed in the company.

38. Management bodies

Management of the company:
Chief Executive Officer - Antanas Trumpa
Deputy CEO - Dalius Trumpa
Chief Financial Officer - Antanas Kavaliauskas
Development Director – Ramūnas Vanagas
Central Services Director – Jonas Kvedaravičius
Logistics Director – Jonas Kubilius
Procurement Director – Evaldas Dikmonas
Sales and Marketing Director – Darius Norkus

System of bonuses for the management:

As the management of the company consists of the same members as the Board of Directors, they receive tantiemes in accordance with the company’s performance results, also all members of the management receive wages and variable payouts which depend on the company’s performance results, market situation and other factors.

39. Members of collegial bodies

The Board of Directors of AB “Rokiskio suris”

The Board of Directors is a collegial management body comprised of 4 (four) members. The Board members are elected and recalled by the general shareholders’ meeting pursuing the procedure set by the Law on Joint Stock Companies.

Members of managing bodies:

Dalius Trumpa (Chairman), Antanas Kavaliauskas (Deputy Chairman), Ramūnas Vanagas, and Darius Norkus.

The members were elected by the 17th July 2012 general meeting of shareholders of AB „Rokiškio sūris“. Term of service of the Board of Directors is 4 years.

Board of Directors:
(as at 31-12-2012)

Dalius Trumpa – Board Chairman (elected on 17th July 2012). Owns 1,002,697 ordinary registered shares. i.e. 2.80% of the Authorized capital and 2.86% of votes of AB „Rokiškio sūris“.
Education – university degree. Works for the company since 1991. As from 2002 in the capacity of production director. As from 2007 appointed a deputy director. Also the director of UAB Rokiskio pienas from 2007.
Participation in the activities of other companies:
Shareholder of UAB” Pieno pramonės investicijų valdymas”, having 3.91% of the company’s shares and votes;
Chief executive officer of UAB „Rokiškio pienas“, having no shares;
Director of UAB “Rokvalda”, having 100% of shares and votes.

Antanas Kavaliauskas Deputy Chairman (elected on 17th July 2012), the Chief Financial Officer of AB „Rokiškio sūris“, having no ownership of AB „Rokiškio sūris“.
Works for the company since 2002 in the capacity of finance director. Education – university degree. In 1997, obtained a master degree of finance management in Kaunas technology university.
Participation in the activities of other companies:
Shareholder of UAB ”Pieno pramonės investicijų valdymas” owning 3.91% of shares of UAB” Pieno pramonės investicijų valdymas”.
Board Chairman of Latvian company SIA Jekabpils piena kombinats, having no shares;
Director of Lithuanian dairy association “Pieno centras”, having no shares

Ramūnas Vanagas - Board member (elected on 17th July 2012), Development Director of AB „Rokiškio sūris“, having no ownership of shares of AB „Rokiškio sūris“.
Education – university degree. Works for the company since 2005 in the capacity of business development director.
Participation in the activities of other companies:
No participation in other companies’ activities.

Darius Norkus – Board member, (elected on 17th July 2012), Sales and Marketing director of AB „Rokiškio sūris“, having no shares of the company.
Education – university degree. Works for the company since 2001 in the capacity of the sales and marketing director.
Participation in the activities of other companies:
Shareholder of UAB ”Pieno pramonės investicijų valdymas”, having 3.91 % of the company’s shares and votes.

Term of election of the Board of Directors is 4 years. The cadence ends on 17th July 2016.

<u>Manager of the Company:</u>

The Chief Executive Officer is a one-man management body who organizes everyday activities of the company. Within relationship between the company and other persons, the Chief Executive Officer acts determinatively on behalf of the company.

Information on the company’s manager (director):

The CEO of the Company:

Antanas Trumpa owning 8,240,053 ordinary registered shares of AB „Rokiškio sūris“, i.e. 22.97% of the authorized capital of AB “Rokiškio sūris“ and 23.50% of votes.
Education – university degree. Works for the company as from 1966. In 1979, prepared a dissertation "Organizing the work of vacuum apparatus“ in Kaunas Polytechnic Institute, consequently on 12th October 1994 was granted a doctor degree by Lithuanian Science Council.
Participation in the activities of other companies:
Board Chairman of UAB “Rokiškio pienas”.
Shareholder of UAB ”Pieno pramonės investicijų valdymas” with 6,758, i.e. 67.04% of the shares and votes of UAB” Pieno pramonės investicijų valdymas”.

Information on the company’s finance director:

Chief Financial Officer Antanas Kavaliauskas
For more information about the Chief Financial Officer see point 12 as per information about the management bodies.

Data on the allocated funds

In 2012, it was allocated the following sums to the members of the Board of Directors of AB „Rokiškio sūris“, manager of the Company and the chief finansist, average amounts are calculated falling on one member of management bodies, as well as transferred property and guarantees:

Members of collegial bodies	Number of people	Total allocated sums (wages and tantiemes), thou Lt	Average amount per person, (wages and tantiemes), thou Lt	Transferred property, thou Lt	Guarantees given, thou Lt
Members of the Board of Directors	4	1 219.8	305.0	-	-
Manager of the company and chief finansist	2	153.4*	76.7*	-	-

* As they are not members of the Board of Directors, there are no tantiemes, only income in form of wages

40. Information on observance of the Company management codex.

Annex to the Consolidated annual report

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

41. Information on the publicly announced data

1. The 27th April 2012 resolutions of the general meeting of shareholders of AB „Rokiškio sūris“

1. Auditor’s findings regarding the set of consolidated financial reports and annual report.
Resolution:
To endorse the auditor’s report (enclosed).

2. The Audit Committee report.
Resolution:

To endorse the report of the Audit Committee (enclosed).
3. The Company’s annual report for the year 2011.
Debriefed with the annual consolidated report of AB “Rokiškio sūris“ 2011 evaluated by the auditors and approved by the Board of Directors (enclosed).

4. Approval of the company’s consolidated financial accounting for the year 2011.
Resolution:

To approve the set of audited consolidated financial reports for the year 2011 (enclosed).

5. Allocation of the Company's profit (loss) of 2011.
Resolution:
To approve allocation of the Company's profit (loss) of 2011.

	Title	kLTL	kEUR
1.	Non-distributable profit (loss) at beginning of year	89 123	25 812
2.	Approved by shareholders dividends related to the year 2010	3 688	1 068
3.	Transfers to reserves provided by law	-	-
4.	Profit share transferred to reserves for acquisition of own shares	20 000	5 792
5.	Non-distributable profit (loss) at beginning of year after dividend payout and transfer to reserves	65 435	18 951
6.	Net profit (loss) of fiscal year	27 569	7 985
7.	Distributable profit (loss)	93 004	26 936
8.	Profit share for mandatory reserve	-	-
9.	Profit share for other reserves	-	-
10.	Profit share for dividend payout	3 506	1 015
11.	Profit share for annual payments (tantiemes) to the Board of Directors, employee bonuses and other	1 168	338
12.	Non-distributable profit (loss) at end of year transferred to the next fiscal year	88 330	25 582

Allotted for the dividends related to 2011 – LTL 3,506,588 (EUR 1,015,578), i.e. LTL 0.10 (EUR 0.029) per ordinary share (before taxes).

The Law on Companies of the Republic of Lithuania provides that dividends shall be paid to the shareholders who at the end of the tenth business day following the Annual General Meeting that adopts a decision on dividend payment (rights accounting day) will be on the Shareholders' List of the Company, i.e. the shareholders of AB Rokiskio suris on 14 May 2012.

Following Lithuanian laws dividends paid to natural persons-residents of the Republic of Lithuania and natural persons-residents of foreign countries are subject to withholding Personal income tax of 20 per cent. Dividends paid to legal entities of the Republic of Lithuania and legal entities-residents of foreign countries are subject to withholding Corporate income tax of 15 per cent, unless otherwise provided for by the law.

6. Election of the Company's auditor and establishment of payment conditions.

Resolution:
To appoint UAB "PriceWaterhouseCoopers" as an Auditor of JSC Rokiskio suris. The Board of Directors shall establish a fee for the auditor's work. The Company's Chief Executive Officer shall sign a contract with the auditor.

7. Regarding purchase of own shares.

Resolution:
1). To purchase up to 10 per cent of own shares.

2). Purpose of acquisition of own shares – maintain and increase the price of the company's shares.
3). Period during which the company may purchase own shares - 18 months from the approval of resolution.
4). Maximal purchase price per share set as – EUR 3.475 (LTL 12.00) minimal purchase price per share is set equally to nominal value of share – EUR 0.290 (LTL 1.00).
5). Minimal sales price per share of the treasury shares is equal to the price at which the shares were purchased. When selling treasury shares it should be established equal opportunities for all shareholders to acquire the company's shares. Also, it shall be provided the opportunity to annul treasury shares.
6). To authorize the Board of Directors to organize purchase and sales of the own shares, establish an order for purchase and sales of the own shares, as well as their price and number, and also complete all other related actions pursuing the resolutions and requirements of the Law on Joint Stock Companies

8. Regarding compounding the reserve to acquire own shares.

Resolution:
Reserve for acquisition of own shares accumulated amounts up to LTL 40 287 thousand (EUR 11 668 thousand).

9. Election of the Board members.

The following members of the Board of Directors were elected: Evaldas Dikmonas (Procurement Director of Rokiskio suris AB), Antanas Kavaliauskas (Chief Financial Officer of Rokiskio suris AB), Jonas Kubilius (Logistics Director of Rokiskio suris AB), Petras Kudaras (Investment Manager of Invalda AB), Jonas Kvedaravičius (Central services Director of Rokiskio suris AB), Darius Norkus (Export sales and maturing Director of Rokiskio suris AB), Andrius Trumpa (Lecturer of Vilnius Gedimino Technikos University), Dalius Trumpa (CEO of Rokiskio pienas UAB), Ramūnas Vanagas (Business Development Director of Rokiskio suris AB).

2. Resolutions of AB „Rokiskio suris“ for the 17th April 2012 Extraordinary General meeting of shareholders

1. Amendments of the Company's Articles of Association.

Resolution:
1. Amendments of the Company's Articles of Association in relation with the updated Law on Joint Stock Companies and reconstruction of management bodies. (Articles of Association attached).
2. The CEO Antanas Trumpa is authorized to sign the Company's Articles of Association and to proceed with any actions related with the amendment of the Articles of Association and its registering in the Register of Juridical Bodies.

2. Recall the Board of Directors.

Resolution:
To recall all Board of Directors.

3. Election of the Board members.
The following members of the Board of Directors were elected: Antanas Kavaliauskas (Chief Financial Officer of Rokiskio suris AB), Darius Norkus (Export sales and maturing Director of Rokiskio suris AB), Dalius Trumpa (CEO of Rokiskio pienas UAB), and Ramūnas Vanagas (Business Development Director of Rokiskio suris AB).

3. Regarding the situation elated to AB Ūkio bankas

Rokiskio suris AB notifies that the company and its group have no deposits or securities in Ukio bankas AB, therefore the 12th February 2013 resolution made by the Bank of Lithuania to temporarily suspend the operations of Ukio bankas AB will not influence the operational results of the group of Rokiskio suris AB.

4. Regarding reorganization of daughter enterprise

The 28th February 2013 Board of Directors of AB Rokiskio suris resolved to reorganize the daughter company UAB Rokiskio pienas in the manner of segregation of the company’s long term assets and establishing a new company which would be 100 per cent owned by AB Rokiskio suris. This kind of segregation will not have any significant influence onto the consolidated financial results of the group of AB Rokiskio suris as well as the ownership of the shareholders.

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

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

42. Information on the publicly announced data after the end of fiscal year

Other information on the important events after the end of fiscal year is presented with the 31st December 2012 consolidated and parent company AB Rokiskio suris financial reports, under Remark 34 (page 49).

43. Information on audit

The audit of AB “Rokiškio sūris” (The Group) consolidated balance sheet and related comprehensive income statement as at 31st December 2012, as well as cash flow and changes in equity statements were prepared by UAB “PricewaterhouseCoopers”.

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

Mission

***AB „Rokiškio sūris“* = Reliable Dairy Industry Professionals (Patikimi Pieno Pramonės Profesionalai).**

***Key values*:**

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

Long-term Objectives

- Creation of a solid and profitable EU market for AB “Rokiškio sūris” products and services
- Ensuring of a stable and coordinated waste-free production programme
- Maintenance of stabile relationships with raw milk suppliers.

***Key values and strengths*:**

- Harmonized team and sustainable management.
- Modern technologies.
- Experience.
- Financial stability.
- Fast and flexible decision making and reaction the external changes.
- Continuous improvement.

In the Baltic region we are:

- The most effective dairy producer because:
  - We have a reliable quality management system,
  - We are a reliable partner of milk producers,
  - We are attractive employer,
  - The company’s brand is a guarantee of reliability and quality, well known in the Baltic region, and the Eastern and Western markets.
- Leader of dairy industry in Lithuania and the Baltics in accordance with the following:
  - Quantity of processed milk,
  - Production of fermented cheese,
  - Turnover and profit.

SUPPLEMENT TO THE CONSOLIDATED ANNUAL REPORT 2012

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

Rokiskio suris AB, following Article 21 paragraph 3 of the Law on Securities of the Republic of Lithuania and item 24.5 of the Listing Rules of AB NASDAQ OMX Vilnius, discloses its compliance with the Corporate Governance Code for the Companies Listed on NASDAQ OMX Vilnius, and its specific provisions.

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
Principle I: Basic Provisions **The overriding objective of a company should be to operate in common interests of all the shareholders by optimizing over time shareholder value.**		
1.1. A company should adopt and make public the company’s development strategy and objectives by clearly declaring how the company intends to meet the interests of its shareholders and optimize shareholder value.	Yes	The Company announces its development strategy and objectives publicly in its annual reports and interim reports which are submitted via the central base of regulated information and the company’s website.
1.2. All management bodies of a company should act in furtherance of the declared strategic objectives in view of the need to optimize shareholder value.	Yes	The Company’s managing bodies act in furtherance of the strategic plan according to which the mission is to form a strong, financially sound and technically modern enterprise creating and constantly increasing its value for shareholders.

1.3. A company’s supervisory and management bodies should act in close co-operation in order to attain maximum benefit for the company and its shareholders.	Yes	As the Company does not have a supervisory body – a Supervisory Board, the function of supervision is acted by the Audit Committee, as well as the Board of Directors and the Company’s manager in the manner of close cooperation (the Company’s manager, and members of the Board when needed, are invited to participate at the meetings of the Audit Committee. They submit reports on the company’s performance, implementation of strategic plan and budgeting, provide recommendations for the financial reporting), which benefits to both the Company and shareholders.
1.4. A company’s supervisory and management bodies should ensure that the rights and interests of persons other than the company’s shareholders (e.g. employees, creditors, suppliers, clients, local community), participating in or connected with the company’s operation, are duly respected.	Yes	The Company’s Board of Directors and managing bodies ensure the rights and interests of shareholders, employees, raw material suppliers are duly respected. Employees can enjoy opportunities to improve their qualification at various seminars and courses in Lithuania and abroad, development of milk farms is supported, and organic farms are encouraged. The great part of employees and milk producers are shareholders of the Company.
Principle II: The corporate governance framework **The corporate governance framework should ensure the strategic guidance of the company, the effective oversight of the company’s management bodies, an appropriate balance and distribution of functions between the company’s bodies, protection of the shareholders’ interests.**		
2.1. Besides obligatory bodies provided for in the Law on Companies of the Republic of Lithuania – a general shareholders’ meeting and the chief executive officer, it is recommended that a company should set up both a collegial supervisory body and a collegial management body. The setting up of collegial bodies for supervision and management facilitates clear separation of management and supervisory functions in the company, accountability and control on the part of the chief executive officer, which, in its turn, facilitate a more efficient and transparent management process.	No	The Company’s managing bodies are a general shareholders’ meeting, the Board of Directors and the Chief Executive Officer. The Company does not have a collegial supervisory body, and its functions are overtaken by the Board of Directors. The Company’s CEO is accountable to the Board of Directors.

2.2. A collegial management body is responsible for the strategic management of the company and performs other key functions of corporate governance. A collegial supervisory body is responsible for the effective supervision of the company’s management bodies.	Yes	Functions of the collegial management body are carried out by the Board of Directors.
2.3. Where a company chooses to form only one collegial body, it is recommended that it should be a supervisory body, i.e. the supervisory board. In such a case, the supervisory board is responsible for the effective monitoring of the functions performed by the company’s chief executive officer.	No	The Company has only one collegial management body and it is the Board of Directors who carries out the functions of the supervisory board.
2.4. The collegial supervisory body to be elected by the general shareholders’ meeting should be set up and should act in the manner defined in Principles III and IV. Where a company should decide not to set up a collegial supervisory body but rather a collegial management body, i.e. the board, Principles III and IV should apply to the board as long as that does not contradict the essence and purpose of this body.	Yes	The Company has a collegial management body – the Board of Directors. Principles III and IV of the Code are applied to the Board of Directors.
2.5. Company’s management and supervisory bodies should comprise such number of board (executive directors) and supervisory (non-executive directors) board members that no individual or small group of individuals can dominate decision-making on the part of these bodies.	Yes	According to the Articles of Association the Board of Directors consists of 5 members. Currently there are 4 Board members. One seat is vacant and it is expected for an independent candidate. As soon as the company‘s shareholders find an independent Board member, he/she will be introduced for election. The Company believes that 5 members are able to ensure productive work of the Board of Directors enabling to adopt resolutions and it is assumed that an individual member or small group do not dominate the decisions of the Board of Directors. Every Board member has one vote.
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	Yes	According to the Articles of the Association the Board of Directors is elected for the 4 year period. Number of cadencies is not limited. A possibility to resign or remove a member of the Board of Directors is regulated by the Lithuanian legislation – a Board member may resign before his/her cadency is ended if the company is informed about it in written not later than 14 days

than the removal procedure for an executive director or a member of the management board.		in advance. A Board member may be recalled by the same institution which elected, i.e. general meeting of shareholders.
2.7. Chairman of the collegial body elected by the general shareholders' meeting may be a person whose current or past office constitutes no obstacle to conduct independent and impartial supervision. Where a company should decide not to set up a supervisory board but rather the board, it is recommended that the chairman of the board and chief executive officer of the company should be a different person. Former company's chief executive officer should not be immediately nominated as the chairman of the collegial body elected by the general shareholders' meeting. When a company chooses to departure from these recommendations, it should furnish information on the measures it has taken to ensure impartiality of the supervision.	No	The Company's Board Chairman is not the Chief Executive Officer, but he is a director of daughter company.
Principle III: The order of the formation of a collegial body to be elected by a general shareholders' meeting **The order of the formation a collegial body to be elected by a general shareholders' meeting should ensure representation of minority shareholders, accountability of this body to the shareholders and objective monitoring of the company's operation and its management bodies.**		
3.1. The mechanism of the formation of a collegial body to be elected by a general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure objective and fair monitoring of the company's management bodies as well as representation of minority shareholders.	Yes	Only 1 Member of the Board of Directors of total 4 is a shareholder of the Company. Other members are not shareholders. Minor shareholders are not limited in their right to represent their interests and have their representative on the Board of Directors. Pursuing the resolution of general meeting of shareholders according to the Law on Joint Stock Companies the Board members are provided remuneration in the form of tantiemes
3.2. Names and surnames of the candidates to become members of a collegial body, information about their education, qualification, professional background, positions taken and potential conflicts of interest should be disclosed early enough before the general shareholders' meeting so that the shareholders would have sufficient time to make an informed voting decision. All factors	Yes	Information about the members of the Board of Directors (names, education, qualifications, professional experience, participation in the activities of other companies, other important professional obligations) is provided in the periodical reports.

affecting the candidate's independence, the sample list of which is set out in Recommendation 3.7, should be also disclosed. The collegial body should also be informed on any subsequent changes in the provided information. The collegial body should, on yearly basis, collect data provided in this item on its members and disclose this in the company's annual report.		
3.3. Should a person be nominated for members of a collegial body, such nomination should be followed by the disclosure of information on candidate's particular competences relevant to his/her service on the collegial body. In order shareholders and investors are able to ascertain whether member's competence is further relevant, the collegial body should, in its annual report, disclose the information on its composition and particular competences of individual members which are relevant to their service on the collegial body.	Yes	A candidate to the members of the Board inform general meeting of shareholders about his/ her education, professional performance, position and participation in the activities of other companies. Members of the Board provide information on the participation in qualification programs related with activities on the Board.
3.4. In order to maintain a proper balance in terms of the current qualifications possessed by its members, the desired composition of the collegial body shall be determined with regard to the company's structure and activities, and have this periodically evaluated. The collegial body should ensure that it is composed of members who, as a whole, have the required diversity of knowledge, judgment and experience to complete their tasks properly. The members of the audit committee, collectively, should have a recent knowledge and relevant experience in the fields of finance, accounting and/or audit for the stock exchange listed companies. At least one of the members of the remuneration committee should have knowledge of and experience in the field of remuneration policy.	Yes	The members of Company's collegial body – the Board of Directors – are the Company's Functional Directors leading some specific areas of the Company's performance, they are competent and qualified to maintain their functions. The Audit Committee consists of 3 members, one of which is independent and has at least 5 year experience in accounting. Other members of the Audit Committee are also qualified to maintain their functions. The Auditing Committee carries out independent and objective activities analyzing, evaluating and consulting the Company in order to improve the Company's performance and increase its added value.
3.5. All new members of the collegial body should be offered a tailored program focused on introducing a member with his/her duties, corporate organization and activities. The collegial body should conduct an annual review to identify fields where its members need to update their skills and knowledge.	No	All new Board members are informed on the Company's performance, organization and changes in the meetings of the Board of Directors.
3.6. In order to ensure that all material conflicts of interest related with a member of the collegial body are resolved	No	Currently there are no independent members on the Board of Directors, however there is one seat

properly, the collegial body should comprise a sufficient number of independent members.		left for an independent member of the Board.
3.7. A member of the collegial body should be considered to be independent only if he is free of any business, family or other relationship with the company, its controlling shareholder or the management of either, that creates a conflict of interest such as to impair his judgment. Since all cases when member of the collegial body is likely to become 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 should be based on the contents of the relationship and circumstances rather than their form. The key criteria for identifying whether a member of the collegial body can be considered to be independent are the following: 1) He/she is not an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) of the company or any associated company and has not been such during the last five years; 2) He/she is not an employee of the company or some any company and has not been such during the last three years, except for cases when a member of the collegial body does not belong to the senior management and was elected to the collegial body as a representative of the employees; 3) He/she is not receiving or has been not receiving significant additional remuneration from the company or associated company other than remuneration for the office in the collegial body. Such additional remuneration includes participation in share options or some other performance based pay systems; it does not include compensation payments for the previous office in the company (provided that such payment is no way related with later position) as	No	As from 1995 until 2006, the greatest part of the Board of the Company was made of independent members. When the structure of shareholders changed, and the Board of Directors resigned, the new members were elected, and they do not comply with the Code's independency criteria.

per pension plans (inclusive of deferred compensations); 4) He/she is not a controlling shareholder or representative of such shareholder (control as defined in the Council Directive 83/349/EEC Article 1 Part 1); 5) He/she does not have and did not have any material business relations with the company or associated company within the past year directly or as a partner, shareholder, director or superior employee of the subject having such relationship. A subject is considered to have business relations when it is a major supplier or service provider (inclusive of financial, legal, counseling and consulting services), major client or organization receiving significant payments from the company or its group; 6) He/she is not and has not been, during the last three years, partner or employee of the current or former external audit company of the company or associated company; 7) He/she is not an executive director or member of the board in some other company where executive director of the company or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) is non-executive director or member of the supervisory board, he/she may not also have any other material relationships with executive directors of the company that arise from their participation in activities of other companies or bodies; 8) He/she has not been in the position of a member of the collegial body for over than 12 years; 9) He/she is not a close relative to an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) or to any person listed in above items 1 to 8. Close relative is considered to be a spouse (common-law spouse), children and parents.		

3.8. The determination of what constitutes independence is fundamentally an issue for the collegial body itself to determine. The collegial body may decide that, despite a particular member meets all the criteria of independence laid down in this Code, he cannot be considered independent due to special personal or company-related circumstances.		
3.9. Necessary information on conclusions the collegial body has come to in its determination of whether a particular member of the body should be considered to be independent should be disclosed. When a person is nominated to become a member of the collegial body, the company should disclose whether it considers the person to be independent. When a particular member of the collegial body does not meet one or more criteria of independence set out in this Code, the company should disclose its reasons for nevertheless considering the member to be independent. In addition, the company should annually disclose which members of the collegial body it considers to be independent.	No	At present, there are no members who comply with the independency criteria.
3.10. When one or more criteria of independence set out in this Code has not been met throughout the year, the company should disclose its reasons for considering a particular member of the collegial body to be independent. To ensure accuracy of the information disclosed in relation with the independence of the members of the collegial body, the company should require independent members to have their independence periodically re-confirmed.	No	At present, there are no members who comply with the independency criteria. No other group of shareholders having no relations with the company’s management have not raised a will to have their member on the Company’s Board, so they didn’t offer a candidacy. Presently, it is expected to receive a proposal in regards with an independent Board member.
3.11. In order to remunerate members of a collegial body for their work and participation in the meetings of the collegial body, they may be remunerated from the company’s funds. The general shareholders’ meeting should approve the amount of such remuneration.	No	At present, there are no members who comply with the independency criteria.
Principle IV: The duties and liabilities of a collegial body elected by the general shareholders’ meeting **The corporate governance framework should ensure proper and effective functioning of the collegial body elected by the general shareholders’ meeting, and the powers granted to the collegial body should ensure effective monitoring of the company’s management bodies and protection of interests of all the company’s shareholders.**		

4.1. The collegial body elected by the general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure integrity and transparency of the company's financial statements and the control system. The collegial body should issue recommendations to the company's management bodies and monitor and control the company's management performance.	Yes	The Board of Directors approves and submits reciprocations and recommendations to a general meeting of shareholders regarding annual accountability of the Company, distribution of the profit, annual report of the Company, as well as carries out other functions.
4.2. Members of the collegial body should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders with due regard to the interests of employees and public welfare. Independent members of the collegial body should (a) under all circumstances maintain independence of their analysis, decision-making and actions (b) do not seek and accept any unjustified privileges that might compromise their independence, and (c) clearly express their objections should a member consider that decision of the collegial body is against the interests of the company. Should a collegial body have passed decisions independent member has serious doubts about, the member should make adequate conclusions. Should an independent member resign from his office, he should explain the reasons in a letter addressed to the collegial body or audit committee and, if necessary, respective company-not-pertaining body (institution).	Yes	By the Company's information, all Board members act in good will *vis-a-vis* the Company. They are guided by the Company's interests but not their own or any third parties seeking to maintain their independency when accepting decisions.
4.3. Each member should devote sufficient time and attention to perform his duties as a member of the collegial body. Each member of the collegial body should limit other professional obligations of his (in particular any directorships held in other companies) in such a manner they do not interfere with proper performance of duties of a member of the collegial body. In the event a member of the collegial body should be present in less than a half of the meetings of the collegial body throughout the financial year of the company, shareholders of the company should be notified.	Yes	Each member of the collegial body fulfills his/ her functions properly: actively participates at the meetings of collegial body, and devotes sufficient time to perform his/ her duties as a member of the collegial body. The quorum of each meeting was regulated so the Board of Directors would be enabled to accept decisions constructively. In 2012, there were 12 meetings of the Board. All Board meetings were participated by all members of the Board.
4.4. Where decisions of a collegial body may have a different effect on the company's shareholders, the collegial body should treat all shareholders impartially	Yes	The Company acts honestly and without bias with its shareholders. The shareholders are informed on the Company's activities in accordance with

and fairly. It should ensure that shareholders are properly informed on the company’s affairs, strategies, risk management and resolution of conflicts of interest. The company should have a clearly established role of members of the collegial body when communicating with and committing to shareholders.		the Lithuanian legislation by announcing the information in annual reports, through the Central information base and the company’s website.
4.5. It is recommended that transactions (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions), concluded between the company and its shareholders, members of the supervisory or managing bodies or other natural or legal persons that exert or may exert influence on the company’s management should be subject to approval of the collegial body. The decision concerning approval of such transactions should be deemed adopted only provided the majority of the independent members of the collegial body voted for such a decision.	Yes	The Company’s collegial body concludes transactions according to the Articles of Association of the Company and Work regulations of the collegial body.
4.6. The collegial body should be independent in passing decisions that are significant for the company’s operations and strategy. Taken separately, the collegial body should be independent of the company’s management bodies. Members of the collegial body should act and pass decisions without an outside influence from the persons who have elected it. Companies should ensure that the collegial body and its committees are provided with sufficient administrative and financial resources to discharge their duties, including the right to obtain, in particular from employees of the company, all the necessary information or to seek independent legal, accounting or any other advice on issues pertaining to the competence of the collegial body and its committees. When using the services of a consultant with a view to obtaining information on market standards for remuneration systems, the remuneration committee should ensure that the consultant concerned does not at the same time advice the human resources department, executive directors or collegial management organs of the company concerned.	No	The Company’s Board members are not independent from the Executive management of the Company. All four board members are the company’s employees. There is one seat left for an independent member. The Board of Directors pursues the Work Regulations of the Board in order to pass decisions. They work for benefit of the Company, and ensure continuous rise of shareholder value. The Company ensures that the collegial body – the Board of Directors – is provided with sufficient resources (including financial) 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. The Remuneration Committee is not formed at the Company.
4.7. Activities of the collegial body should be organized in	Yes/No	Pursuing the Law on Audit Article 52 part 1, the

a manner that independent members of the collegial body could have major influence in relevant areas where chances of occurrence of conflicts of interest are very high. Such areas to be considered as highly relevant are issues of nomination of company's directors, determination of directors' remuneration and control and assessment of company's audit. Therefore when the mentioned issues are attributable to the competence of the collegial body, it is recommended that the collegial body should establish nomination, remuneration, and audit committees. Companies should ensure that the functions attributable to the nomination, remuneration, and audit committees are carried out. However they may decide to merge these functions and set up less than three committees. In such case a company should explain in detail reasons behind the selection of alternative approach and how the selected approach complies with the objectives set forth for the three different committees. Should the collegial body of the company comprise small number of members, the functions assigned to the three committees may be performed by the collegial body itself, provided that it meets composition requirements advocated for the committees and that adequate information is provided in this respect. In such case provisions of this Code relating to the committees of the collegial body (in particular with respect to their role, operation, and transparency) should apply, where relevant, to the collegial body as a whole.		Company established the Audit Committee complying with the 21st August 2008 Resolution No. 1K-18 of the Securities Commission. Following the above requirements, the 24th April 2009 general meeting of shareholders approved Regulations of establishment and performance of the Audit Committee, also it elected an independent member of the committee, and approved full composition of the Audit Committee. The Audit Committee is an independent, and objective committee carrying out the functions of supervision, analyzing, evaluation and consultation in order to improve general organization and create value added. The main function of the Committee is systematic and versatile evaluation, as well as encouragement of better risk management, and sufficient control and maintenance procedures resulting in submission of recommendations to the Board of Directors and management. The nomination and remuneration committees are not formed at the Company.
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	No	The elected Audit Committee pursues the Regulations of the Audit Committee, including supervision of preparation of financial accounts, as well as functional internal control of the company, risk management and internal audit system, consequently the Committee will submit recommendations to the general meeting of shareholders in relation with the company's annual financial accounting and related matters. The collegial body remains fully responsible for the decisions made within its competence and adopts final decisions.

considered from the purview of the collegial body 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. Chairmanship and membership of the committees should be decided with due regard to the need to ensure that committee membership is refreshed and that undue reliance is not placed on particular individuals.	Yes	The Audit Committee consists of 3 members, one of which is an independent member.
4.10. Authority of each of the committees should be determined by the collegial body. Committees should perform their duties in line with authority delegated to them and inform the collegial body on their activities and performance on regular basis. Authority of every committee stipulating the role and rights and duties of the committee should be made public at least once a year (as part of the information disclosed by the company annually on its corporate governance structures and practices). Companies should also make public annually a statement by existing committees on their composition, number of meetings and attendance over the year, and their main activities. Audit committee should confirm that it is satisfied with the independence of the audit process and describe briefly the actions it has taken to reach this conclusion.	Yes	The Audit Committee pursues its duties following the work regulations approved by the general meeting of shareholders. The Committee is accountable to the general meeting of shareholders providing the information on the independency of auditing procedure.
4.11. In order to ensure independence and impartiality of the committees, members of the collegial body that are not members of the committee should commonly have a right to participate in the meetings of the committee only	Yes	The Audit Committee will invite the CEO of the Company as well as other employees related with the discussed issues to their meetings. Also, the Chairman of the Committee is provided with the

if invited by the committee. A committee may invite or demand participation in the meeting of particular officers or experts. Chairman of each of the committees should have a possibility to maintain direct communication with the shareholders. Events when such are to be performed should be specified in the regulations for committee activities.		right to communicate with shareholders.
4.12. Nomination Committee. 4.12.1. Key functions of the nomination committee should be the following: • Identify and recommend, for the approval of the collegial body, candidates to fill board vacancies. The nomination committee should evaluate the balance of skills, knowledge and experience on the management body, prepare a description of the roles and capabilities required to assume a particular office, and assess the time commitment expected. Nomination committee can also consider candidates to members of the collegial body delegated by the shareholders of the company; • Assess on regular basis the structure, size, composition and performance of the supervisory and management bodies, and make recommendations to the collegial body regarding the means of achieving necessary changes; • Assess on regular basis the skills, knowledge and experience of individual directors and report on this to the collegial body; • Properly consider issues related to succession planning; • Review the policy of the management bodies for selection and appointment of senior management. 4.12.2. Nomination committee should consider proposals by other parties, including management and shareholders. When dealing with issues related to executive directors or members of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) and senior management, chief executive officer of the company should be consulted by, and entitled to submit proposals to the nomination committee.	No	There is not a Nomination Committee in the Company.
4.13. Remuneration Committee. 4.13.1. Key functions of the remuneration committee	No	There is not a Remuneration Committee in the Company.

should be the following: • Make proposals, for the approval of the collegial body, on the remuneration policy for members of management bodies and executive directors. Such policy should address all forms of compensation, including the fixed remuneration, performance-based remuneration schemes, pension arrangements, and termination payments. Proposals considering performance-based remuneration schemes should be accompanied with recommendations on the related objectives and evaluation criteria, with a view to properly aligning the pay of executive director and members of the management bodies with the long-term interests of the shareholders and the objectives set by the collegial body; • Make proposals to the collegial body on the individual remuneration for executive directors and member of management bodies in order their remunerations are consistent with company's remuneration policy and the evaluation of the performance of these persons concerned. In doing so, the committee should be properly informed on the total compensation obtained by executive directors and members of the management bodies from the affiliated companies; • Ensure that remuneration of individual executive directors or members of management body is proportionate to the remuneration of other executive directors or members of management body and other staff members of the company; • Periodically review the remuneration policy for executive directors or members of management body, including the policy regarding share-based remuneration, and its implementation; • Make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies; • Assist the collegial body in overseeing how the company complies with applicable provisions regarding the remuneration-related information disclosure (in particular the remuneration policy applied and individual remuneration of directors); • Make general recommendations to the executive		

directors and members of the management bodies on the level and structure of remuneration for senior management (as defined by the collegial body) with regard to the respective information provided by the executive directors and members of the management bodies. 4.13.2. With respect to stock options and other share-based incentives which may be granted to directors or other employees, the committee should: • Consider general policy regarding the granting of the above mentioned schemes, in particular stock options, and make any related proposals to the collegial body; • Examine the related information that is given in the company’s annual report and documents intended for the use during the shareholders meeting; • Make proposals to the collegial body regarding the choice between granting options to subscribe shares or granting options to purchase shares, specifying the reasons for its choice as well as the consequences that this choice has. 4.13.3. Upon resolution of the issues attributable to the competence of the remuneration committee, the committee should at least address the chairman of the collegial body and/or chief executive officer of the company for their opinion on the remuneration of other executive directors or members of the management bodies. 4.13.4. The remuneration committee should report on the exercise of its functions to the shareholders and be present at the annual general meeting for this purpose.		
4.14. Audit Committee. 4.14.1. Key functions of the audit committee should be the following: • Observe the integrity of the financial information provided by the company, in particular by reviewing the relevance and consistency of the accounting methods used by the company and its group (including the criteria for the consolidation of the accounts of companies in the group);	Yes	The Audit Committee is independent, objective committee carrying out the functions of supervision, analyzing, evaluation and consultation in order to improve general organization and create value added. The key function of the Committee is systematic and versatile evaluation, as well as encouragement of better risk management, and sufficient control and maintenance procedures resulting in submission of recommendations to the general

• At least once a year review the systems of internal control and risk management to ensure that the key risks (inclusive of the risks in relation with compliance with existing laws and regulations) are properly identified, managed and reflected in the information provided; • Ensure the efficiency of the internal audit function, among other things, by making recommendations on the selection, appointment, reappointment and removal of the head of the internal audit department and on the budget of the department, and by monitoring the responsiveness of the management to its findings and recommendations. Should there be no internal audit authority in the company, the need for one should be reviewed at least annually; • Make recommendations to the collegial body related with selection, appointment, reappointment and removal of the external auditor (to be done by the general shareholders' meeting) and with the terms and conditions of his engagement. The committee should investigate situations that lead to a resignation of the audit company or auditor and make recommendations on required actions in such situations; • Monitor independence and impartiality of the external auditor, in particular by reviewing the audit company's compliance with applicable guidance relating to the rotation of audit partners, the level of fees paid by the company, and similar issues. In order to prevent occurrence of material conflicts of interest, the committee, based on the auditor's disclosed inter alia data on all remunerations paid by the company to the auditor and network, should at all times monitor nature and extent of the non-audit services. Having regard to the principals and guidelines established in the 16 May 2002 Commission Recommendation 2002/590/EC, the committee should determine and apply a formal policy establishing types of non-audit services that are (a) excluded, (b) permissible only after review by the committee, and (c) permissible without referral to the committee; • Review efficiency of the external audit process and responsiveness of management to recommendations made in the external auditor's management letter.		meeting of shareholders and the board of directors in order to implement set objectives. The Audit Committee analyses the consolidated financial information and provide their recommendations for the integrity of such information, the Committee make their recommendations regarding selection of the external auditor and inspects effectiveness of the external auditor's performance as well as the reaction of the Company's management to their recommendations which are provided by the letter to the management. All members of the committee are furnished with complete information on particulars of accounting, financial and other operations of the company. Company's management informs the Audit Committee of the methods used to account for significant and unusual transactions. The Audit Committee has a right to demand that the Board Chairman, Chief Executive Officer of the company, Chief Financial Officer would participate at its meetings. The committee is also entitled, when needed, to meet with any relevant person without executive directors and members of the management bodies present. The Audit Committee will present its performance report for the general meeting of shareholders, when the annual financial reports are being approved.

4.14.2. All members of the committee should be furnished with complete information on particulars of accounting, financial and other operations of the company. Company’s management should inform the audit committee of the methods used to account for significant and unusual transactions where the accounting treatment may be open to different approaches. In such case a special consideration should be given to company’s operations in offshore centers and/or activities carried out through special purpose vehicles (organizations) and justification of such operations. 4.14.3. The audit committee should decide whether participation of the chairman of the collegial body, chief executive officer of the company, chief financial officer (or superior employees in charge of finances, treasury and accounting), or internal and external auditors in the meetings of the committee is required (if required, when). The committee should be entitled, when needed, to meet with any relevant person without executive directors and members of the management bodies present. 4.14.4. Internal and external auditors should be secured with not only effective working relationship with management, but also with free access to the collegial body. For this purpose the audit committee should act as the principal contact person for the internal and external auditors. 4.14.5. The audit committee should be informed of the internal auditor’s work program, and should be furnished with internal audit’s reports or periodic summaries. The audit committee should also be informed of the work program of the external auditor and should be furnished with report disclosing all relationships between the independent auditor and the company and its group. The committee should be timely furnished information on all issues arising from the audit. 4.14.6. The audit committee should examine whether the		

company is following applicable provisions regarding the possibility for employees to report alleged significant irregularities in the company, by way of complaints or through anonymous submissions (normally to an independent member of the collegial body), and should ensure that there is a procedure established for proportionate and independent investigation of these issues and for appropriate follow-up action. 4.14.7. The audit committee should report on its activities to the collegial body at least once in every six months, at the time the yearly and half-yearly statements are approved.		
4.15. Every year the collegial body should conduct the assessment of its activities. The assessment should include evaluation of collegial body’s structure, work organization and ability to act as a group, evaluation of each of the collegial body member’s and committee’s competence and work efficiency and assessment whether the collegial body has achieved its objectives. The collegial body should, at least once a year, make public (as part of the information the company annually discloses on its management structures and practices) respective information on its internal organization and working procedures, and specify what material changes were made as a result of the assessment of the collegial body of its own activities.	No	There is no practice of collegial body assessment.
Principle V: The working procedure of the company’s collegial bodies **The working procedure of supervisory and management bodies established in the company should ensure efficient operation of these bodies and decision-making and encourage active co-operation between the company’s bodies.**		
5.1. The company’s supervisory and management bodies (hereinafter in this Principle the concept ‘collegial bodies’ covers both the collegial bodies of supervision and the collegial bodies of management) should be chaired by chairpersons of these bodies. The chairperson of a collegial body is responsible for proper convocation of the collegial body meetings. The chairperson should ensure that information about the meeting being convened and its	Yes	The Company’s Board of Directors is chaired by the Board Chairman acting in accordance with the approved Work Regulations. The Board Chairman is responsible for sufficient information about the meeting being convened and its agenda communication to all members of the body. He/ she also ensures order and working atmosphere during the meeting.

agenda are communicated to all members of the body. The chairperson of a collegial body should ensure appropriate conducting of the meetings of the collegial body. The chairperson should ensure order and working atmosphere during the meeting.		
5.2. It is recommended that meetings of the company's collegial bodies should be carried out according to the schedule approved in advance at certain intervals of time. Each company is free to decide how often to convene meetings of the collegial bodies, but it is recommended that these meetings should be convened at such intervals, which would guarantee an interrupted resolution of the essential corporate governance issues. Meetings of the company's supervisory board should be convened at least once in a quarter, and the company's board should meet at least once a month.	Yes	The company's collegial bodies should be carried out according to the schedule approved in advance at certain intervals of time, i.e. not less than once per three month period. 5 (five) days prior a meeting each Board member is provided with the announcement of the meeting to be convened and its agenda. Planned Board meetings are convened by the Board Chairman, in his absence – the Deputy Board Chairman.
5.3. Members of a collegial body should be notified about the meeting being convened in advance in order to allow sufficient time for proper preparation for the issues on the agenda of the meeting and to ensure fruitful discussion and adoption of appropriate decisions. Alongside with the notice about the meeting being convened, all the documents relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body are present or certain issues of great importance to the company require immediate resolution.	Yes	5 (five) days prior a meeting each Board member is provided with the announcement of the meeting to be convened and its agenda. Planned Board meetings are convened by the Board Chairman, in his absence – the Deputy Board Chairman. The agenda might be supplemented only if all members of the Board of Directors present at the meeting, and they all agree that the item is important enough to be put on the agenda.
5.4. In order to co-ordinate operation of the company's collegial bodies and ensure effective decision-making process, chairpersons of the company's collegial bodies of supervision and management should closely co-operate by co-coordinating dates of the meetings, their agendas and resolving other issues of corporate governance. Members of the company's board should be free to attend meetings of the company's supervisory board, especially where issues concerning removal of the board members, their liability or remuneration are discussed.	No	The Company does not have a Supervisory Board and this statement is not applied.

Principle VI: The equitable treatment of shareholders and shareholder rights **The corporate governance framework should ensure the equitable treatment of all shareholders, including minority and foreign shareholders. The corporate governance framework should protect the rights of the shareholders.**		
6.1. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all their holders.	Yes	As at 31st December 2012, the authorized capital of AB Rokiskio suris amounted up to 35,867,970 ordinary registered shares. Nominal value of the shares amounts to LTL 1. All company's owners have the same property and non-property rights, except treasury shares are not entitled to enjoy these rights. The company had bought 802,094 treasury shares which made 2.24 per cent of the company's authorized capital. The shares with voting right equals to 35,065,876.
6.2. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.	Yes	Investors have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance.
6.3. Transactions that are important to the company and its shareholders, such as transfer, investment, and pledge of the company's assets or any other type of encumbrance should be subject to approval of the general shareholders' meeting. All shareholders should be furnished with equal opportunity to familiarize with and participate in the decision-making process when significant corporate issues, including approval of transactions referred to above, are discussed.	No	According to the Articles of Association of the Company, important transactions, i.e. the decisions regarding investment, transference, lease or mortgage of non-current assets whose book value makes over 1/5 of the Company's Authorized Capital, as well as the decisions regarding execution, warranty or pledge of other bodies' liabilities whose total sum is over 1/5 of the Company's Authorized Capital, and the decisions to acquire non-current assets whose price is over 1/5 of the Company's Authorized Capital, do not require approbation by shareholders. Such resolutions (according to the Articles of Association) are approved by the Board of Directors.
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	Yes	Shareholder meetings are held in the company's office in Rokiskis, Pramonės str. 3. Usually, general meetings of shareholders are held on the last Friday of April. In 2012, general meeting of shareholders was held on 27th April 2012.

of the shareholders.		
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	The documents prepared for General meeting of shareholders including draft resolutions of the meeting are available not later than 21 day prior the date of general meeting of shareholders as required by the Law on Joint stock companies. The documents placed on the website of NASDAQ OMX security exchange and the company website are available in Lithuanian and English languages. Resolutions accepted by the general meeting of shareholders including financial reports, the audit report, annual report, amendments of articles of association etc. are announce in Lithuanian and English languages are announced via the central base of regulated information of NASDAQ OMX security exchange and the company website www.rokiskio.com
6.6. Shareholders should be furnished with the opportunity to vote in the general shareholders' meeting in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.	Yes	Shareholders of the company have the right to participate at general meeting of shareholders personally or appoint a representative if there is a proper Power of Attorney or Agreement to pass votes according to the applicable legislation. Also, the Company provides its shareholders with the right to fill in a common voting bulletin as it is required by the Law on Joint Stock Companies.
6.7. With a view to increasing the shareholders' opportunities to participate effectively at shareholders' meetings, the companies are recommended to expand use of modern technologies 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	This statement is not followed by the Company because there is not an opportunity to secure safety of the transmitted information and it is impossible to identify personality of the participator and voter.

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

The corporate governance framework should encourage members of the corporate bodies to avoid conflicts of interest and assure transparent and effective mechanism of disclosure of conflicts of interest regarding members of the corporate bodies.

7.1. Any member of the company’s supervisory and management body should avoid a situation, in which his/her personal interests are in conflict or may be in conflict with the company’s interests. In case such a situation did occur, a member of the company’s supervisory and management body should, within reasonable time, inform other members of the same collegial body or the company’s body that has elected him/her, or to the company’s shareholders about a situation of a conflict of interest, indicate the nature of the conflict and value, where possible.	Yes	Management bodies conduct in a way to ensure there is no personal interest conflicts. There have not been any such situations so far.
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	The company follows the recommendation. A Board member abstains from voting, when discussing the transactions or other issues in which he/ she has certain interests.
7.4. Any member of the company’s supervisory and management body should abstain from voting when	Yes	The company follows the recommendation. A Board member abstains from voting, when

decisions concerning transactions or other issues of personal or business interest are voted on.		discussing the transactions or other issues in which he/ she has certain interests.
Principle VIII: Company's remuneration policy **Remuneration policy and procedure for approval, revision and disclosure of directors' remuneration established in the company should prevent potential conflicts of interest and abuse in determining remuneration of directors, in addition it should ensure publicity and transparency both of company's remuneration policy and remuneration of directors.**		
8.1. A company should make a public statement of the company's remuneration policy (hereinafter the remuneration statement) which should be clear and easily understandable. This remuneration statement should be published as a part of the company's annual statement as well as posted on the company's website.	No	The company does not announce any reports on the remuneration system because it is regarded to be an internal confidential document. General information on the remuneration politics, average wages of the Company employees according to groups and total annual payouts to the Company's top management are publically announced in the Company's consolidated annual report and consolidated financial accounts.
8.2. Remuneration statement should mainly focus on directors' remuneration policy for the following year and, if appropriate, the subsequent years. The statement should contain a summary of the implementation of the remuneration policy in the previous financial year. Special attention should be given to any significant changes in company's remuneration policy as compared to the previous financial year.	Yes	As from 2004 and up to date, the Company applies a remuneration system which conforms all the statements of this point. The system is approved by the Company's manager, but it is not announced publicly. Information on total annual payouts to the Company's top management are publically announced in the Company's consolidated annual report and consolidated financial accounts.
8.3. Remuneration statement should leastwise include the following information: • Explanation of the relative importance of the variable and non-variable components of directors' remuneration; • Sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration; • An explanation how the choice of performance criteria contributes to the long-term interests of the company; • An explanation of the methods, applied in order to determine whether performance criteria have been fulfilled; • Sufficient information on deferment periods with regard	No	As there is not a Remuneration Committee, the statements are not determined.

to variable components of remuneration; • Sufficient information on the linkage between the remuneration and performance; • The main parameters and rationale for any annual bonus scheme and any other non-cash benefits; • Sufficient information on the policy regarding termination payments; • Sufficient information with regard to vesting periods for share-based remuneration, as referred to in point 8.13 of this Code; • Sufficient information on the policy regarding retention of shares after vesting, as referred to in point 8.15 of this Code; • Sufficient information on the composition of peer groups of companies the remuneration policy of which has been examined in relation to the establishment of the remuneration policy of the company concerned; • A description of the main characteristics of supplementary pension or early retirement schemes for directors; • Remuneration statement should not include commercially sensitive information.		
8.4. Remuneration statement should also summarize and explain company’s policy regarding the terms of the contracts executed with executive directors and members of the management bodies. It should include, inter alia, information on the duration of contracts with executive directors and members of the management bodies, the applicable notice periods and details of provisions for termination payments linked to early termination under contracts for executive directors and members of the management bodies.	No	The company does not announce any information on remuneration amounts or any other benefits received by the directors because the company believes this is a confidential information.
8.5. Remuneration statement should also contain detailed information on the entire amount of remuneration, inclusive of other benefits, that was paid to individual directors over the relevant financial year. This document should list at least the information set out in items 8.5.1 to 8.5.4 for each person who has served as a director of the company at any time during the relevant financial year. 8.5.1. The following remuneration and/or emoluments-related information should be disclosed:	No	

• The total amount of remuneration paid or due to the director for services performed during the relevant financial year, inclusive of, where relevant, attendance fees fixed by the annual general shareholders meeting; • The remuneration and advantages received from any undertaking belonging to the same group; • The remuneration paid in the form of profit sharing and/or bonus payments and the reasons why such bonus payments and/or profit sharing were granted; • If permissible by the law, any significant additional remuneration paid to directors for special services outside the scope of the usual functions of a director; • Compensation receivable or paid to each former executive director or member of the management body as a result of his resignation from the office during the previous financial year; • Total estimated value of non-cash benefits considered as remuneration, other than the items covered in the above points. 8.5.2. As regards shares and/or rights to acquire share options and/or all other share-incentive schemes, the following information should be disclosed: • The number of share options offered or shares granted by the company during the relevant financial year and their conditions of application; • The number of shares options exercised during the relevant financial year and, for each of them, the number of shares involved and the exercise price or the value of the interest in the share incentive scheme at the end of the financial year; • The number of share options unexercised at the end of the financial year; their exercise price, the exercise date and the main conditions for the exercise of the rights; • All changes in the terms and conditions of existing share options occurring during the financial year. 8.5.3. The following supplementary pension schemes-related information should be disclosed: • When the pension scheme is a defined-benefit scheme, changes in the directors’ accrued benefits under that scheme during the relevant financial year; • When the pension scheme is defined-contribution		

scheme, detailed information on contributions paid or payable by the company in respect of that director during the relevant financial year. 8.5.4. The statement should also state amounts that the company or any subsidiary company or entity included in the consolidated annual financial report of the company has paid to each person who has served as a director in the company at any time during the relevant financial year in the form of loans, advance payments or guarantees, including the amount outstanding and the interest rate.		
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.	Yes	The Company applies the remuneration system according to which compensation for work consists of variable parts. The variable constituents are allocated to every function according to the overall functional management system.
8.7. Award of variable components of remuneration should be subject to predetermined and measurable performance criteria.	Yes	The variable constituents are allocated by the Company’s management, taking into account the results of the Company’s performance, number of employees, market situation and other factors.
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.	Yes	When a variable part of compensation is allocated, the biggest part of the payment of variable part of compensation is reserved to the first quarter.
8.9. Contractual arrangements with executive or managing directors should include provisions that permit the company to reclaim variable components of remuneration that were awarded on the basis of data which subsequently proved to be manifestly misstated.	No	The variable part of compensation is only paid when its validity is fully certain.
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	Termination payments are paid in accordance with the statements of Work Codex of the Republic of Lithuania article 140, and the statements of Corporate Agreement approved by the Company.
8.11. Termination payments should not be paid if the termination is due to inadequate performance.	Yes	Termination payments are not paid out if the job contract is terminated due to bad performance results.

8.12. The information on preparatory and decision-making processes, during which a policy of remuneration of directors is being established, should also be disclosed. Information should include data, if applicable, on authorities and composition of the remuneration committee, names and surnames of external consultants whose services have been used in determination of the remuneration policy as well as the role of shareholders' annual general meeting.	No	The company doesn‘t have any other remuneration system designed to the directors except the variable part of salary which depends on the company‘s performance results, market situation and other factors.
8.13. Shares should not vest for at least three years after their award.	No	Remuneration is not based on share award.
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.	No	Remuneration is not based on share award.
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).	No	See point 8.13.
8.16. Remuneration of non-executive or supervisory directors should not include share options.	No	See point 8.13.
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.	No	Shareholders are encouraged to attend general meetings of shareholders, yet the meetings do not consider issues of the directors' remuneration system. It is considered to be a prerogative of the Board of Directors.
8.18. Without prejudice to the role and organization of the relevant bodies responsible for setting directors' remunerations, the remuneration policy or any other significant change in remuneration policy should be included into the agenda of the shareholders' annual general meeting. Remuneration statement should be put for voting in shareholders' annual general meeting. The vote may be either mandatory or advisory.	No	See point 8.13.

8.19. Schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements should be subject to the prior approval of shareholders' annual general meeting by way of a resolution prior to their adoption. The approval of scheme should be related with the scheme itself and not to the grant of such share-based benefits under that scheme to individual directors. All significant changes in scheme provisions should also be subject to shareholders' approval prior to their adoption; the approval decision should be made in shareholders' annual general meeting. In such case shareholders should be notified on all terms of suggested changes and get an explanation on the impact of the suggested changes.	No	Schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements are not determined at the Company.
8.20. The following issues should be subject to approval by the shareholders' annual general meeting: • Grant of share-based schemes, including share options, to directors; • Determination of maximum number of shares and main conditions of share granting; • The term within which options can be exercised; • The conditions for any subsequent change in the exercise of the options, if permissible by law; • All other long-term incentive schemes for which directors are eligible and which are not available to other employees of the company under similar terms. Annual general meeting should also set the deadline within which the body responsible for remuneration of directors may award compensations listed in this article to individual directors.	No	Schemes anticipating remuneration of directors in shares are not determined at the Company.
8.21. Should national law or company's Articles of Association allow, any discounted option arrangement under which any rights are granted to subscribe to shares at a price lower than the market value of the share prevailing on the day of the price determination, or the average of the market values over a number of days preceding the date when the exercise price is determined, should also be subject to the shareholders' approval.	No	There are no share subscription transactions or grants based on share price fluctuation.
8.22. Provisions of Articles 8.19 and 8.20 should not be	No	The employees of the company and subsidiaries

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.		do not get remuneration with shares.
8.23. Prior to the annual general meeting that is intended to consider decision stipulated in Article 8.19, the shareholders must be provided an opportunity to familiarize with draft resolution and project-related notice (the documents should be posted on the company's website). The notice should contain the full text of the share-based remuneration schemes or a description of their key terms, as well as full names of the participants in the schemes. Notice should also specify the relationship of the schemes and the overall remuneration policy of the directors. Draft resolution must have a clear reference to the scheme itself or to the summary of its key terms. Shareholders must also be presented with information on how the company intends to provide for the shares required to meet its obligations under incentive schemes. It should be clearly stated whether the company intends to buy shares in the market, hold the shares in reserve or issue new ones. There should also be a summary on scheme-related expenses the company will suffer due to the anticipated application of the scheme. All information given in this article must be posted on the company's website.	No	See point 8.19.
Principle IX: The role of stakeholders in corporate governance **The corporate governance framework should recognize the rights of stakeholders as established by law and encourage active co-operation between companies and stakeholders in creating the company value, jobs and financial sustainability. For the purposes of this Principle, the concept "stakeholders" includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interest in the company concerned.**		
9.1. The corporate governance framework should assure that the rights of stakeholders that are protected by law are respected.	Yes	The corporate governance framework assures the rights of stakeholders that are protected by law are respected. The company applies a Corporate Contract with employees, and the contract is signed by the CEO and Trade Union. Also it is ensured the interest holders are able to participate
9.2. The corporate governance framework should create conditions for the stakeholders to participate in corporate governance in the manner prescribed by law. Examples of		

mechanisms of stakeholder participation in corporate governance include: employee participation in adoption of certain key decisions for the company; consulting the employees on corporate governance and other important issues; employee participation in the company's share capital; creditor involvement in governance in the context of the company's insolvency, etc.		in governance. For example, participation of the company's employees and raw milk suppliers in the company governance. The greatest part of shareholders is the company's employees and raw milk suppliers. The interest holders have the right to receive information required.
9.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.		
Principle X: Information disclosure and transparency **The corporate governance framework should ensure that timely and accurate disclosure is made on all material information regarding the company, including the financial situation, performance and governance of the company.**		
10.1. The company should disclose information on: • The financial and operating results of the company; • Company objectives; • Persons holding by the right of ownership or in control of a block of shares in the company; • Members of the company's supervisory and management bodies, chief executive officer of the company and their remuneration; • Material foreseeable risk factors; • Transactions between the company and connected persons, as well as transactions concluded outside the course of the company's regular operations; • Material issues regarding employees and other stakeholders; • Governance structures and strategy. This list should be deemed as a minimum recommendation, while the companies are encouraged not to limit themselves to disclosure of the information specified in this list.	Yes	The company announces the information immediately via the central base of regulated information in both the Lithuanian and English languages. The information is placed immediately so the information would be accessible to each shareholder simultaneously. In addition, the company when possible provides information before or after trading sessions of NASDAQ OMX Vilnius in order to ensure all shareholders and investors of the Company would have equal opportunities to get the information needed to make appropriate investment decisions. The company does not disclose any information possibly influencing share price prior it is announced publicly via the central data base of the regulated information.
10.2. It is recommended to the company, which is the parent of other companies, that consolidated results of the whole group to which the company belongs should be disclosed when information specified in item 1 of Recommendation 10.1 is under disclosure.	Yes	The Company's consolidated annual reports and consolidated financial accounts disclose some information on the annual payments to employees, total sums annually paid to the top management and amount of tantiemes paid to the

		Board members. The information on the Board and top management is provided separately.
10.3. It is recommended that information on the professional background, qualifications of the members of supervisory and management bodies, chief executive officer of the company should be disclosed as well as potential conflicts of interest that may have an effect on their decisions when information specified in item 4 of Recommendation 10.1 about the members of the company's supervisory and management bodies is under disclosure. It is also recommended that information about the amount of remuneration received from the company and other income should be disclosed with regard to members of the company's supervisory and management bodies and chief executive officer as per Principle VIII.		The company's annual reports include information about the activities of Board members, participation in the activities of other companies as well as the amount of shares of the company owned by the members. Also, there is information about the average payment amounts.
10.4. It is recommended that information about the links between the company and its stakeholders, including employees, creditors, suppliers, local community, as well as the company's policy with regard to human resources, employee participation schemes in the company's share capital, etc. should be disclosed when information specified in item 7 of Recommendation 10.1 is under disclosure.	Yes	Also, consolidated report includes information if the Board of Directors or top management were granted any loans, guarantees or support, as well as the information on any payments received for the work done at the collegial body.
10.5. Information should be disclosed in such a way that neither shareholders nor investors are discriminated with regard to the manner or scope of access to information. Information should be disclosed to all simultaneously. It is recommended that notices about material events should be announced before or after a trading session on the Vilnius Stock Exchange, so that all the company's shareholders and investors should have equal access to the information and make informed investing decisions.	Yes	The company announces the information immediately via the central base of regulated information in both the Lithuanian and English languages. The information is placed immediately so the information would be accessible to each shareholder simultaneously. In addition, the company when possible provides information before or after trading sessions of NASDAQ OMX Vilnius in order to ensure all shareholders and investors of the Company would have equal opportunities to get the information needed to make appropriate investment decisions. The company does not disclose any information possibly influencing share price prior it is announced publicly via the central data base of the regulated information.
10.6. Channels for disseminating information should	Yes	In the company's website, the company publishes

provide for fair, timely and cost-efficient or in cases provided by the legal acts free of charge access to relevant information by users. It is recommended that information technologies should be employed for wider dissemination of information, for instance, by placing the information on the company's website. It is recommended that information should be published and placed on the company's website not only in Lithuanian, but also in English, and, whenever possible and necessary, in other languages as well.		all its reports which are placed in the central information base in Lithuanian and English, including the Company's annual report, a set of financial statements and other periodical reports prepared by the Company, as well as other stock events.
10.7. It is recommended that the company's annual reports and other periodical accounts prepared by the company should be placed on the company's website. It is recommended that the company should announce information about material events and changes in the price of the company's shares on the Stock Exchange on the company's website too.	Yes	In the company's website, the company publishes all its reports which are placed in the central information base in Lithuanian and English, including the Company's annual report, a set of financial statements and other periodical reports prepared by the Company, as well as other stock events.
Principle XI: The selection of the company's auditor **The mechanism of the selection of the company's auditor should ensure independence of the firm of auditor's conclusion and opinion.**		
11.1. An annual audit of the company's financial reports and interim reports should be conducted by an independent firm of auditors in order to provide an external and objective opinion on the company's financial statements.	Yes	An independent audit company performs auditing of the Company's and its subsidiaries individual and consolidated (the group) annual financial reports in accordance with International Accounting Standards applicable in the EU. An independent auditing company also evaluates conformity of annual report to the audited financial statements.
11.2. It is recommended that the company's supervisory board and, where it is not set up, the company's board should propose a candidate firm of auditors to the general shareholders' meeting.	Yes	The Board of Directors proposes an auditing firm to the general meeting of shareholders.
11.3. It is recommended that the company should disclose to its shareholders the level of fees paid to the firm of auditors for non-audit services rendered to the company. This information should be also known to the company's supervisory board and, where it is not formed, the company's board upon their consideration which firm of auditors to propose for the general shareholders' meeting.	Yes	The Audit Company has been paid for the service to supervise tax management. Such information shall be provided to the general meeting of shareholders.