ŽEMAITIJOS PIENAS®

Statement by Responsible Persons

02/04/2015

Telšiai

In accordance with Article 21 of the Law on Securities of the Republic of Lithuania and Rules on Preparation and Submission of Periodical and Additional Information of the Board of the Bank of Lithuania, we, Robertas Pažemeckas, Acting General Director of Žemaitijos Pienas, AB, and Dalia Gecienė, Chief Accountant, hereby confirm that to the best of our knowledge the attached annual audited consolidated and company's Financial Statements of the AB Žemaitijos Pienas for the year 2014 have been prepared in accordance with the International Financial Accounting Reporting Standards as applicable in the European Union, and give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the group of companies and the Consolidated Annual Statement includes a fair review of the development and performance of the business, and the position of the company and the group of companies in relation to the description of the main risks and contingencies faced thereby.

Acting General Director Robertas Pažemeckas

Chief Accountant Dalia Gecienė

LIETUVOS RESPUBLIKA
Akcinė bendrovė
ŽEMAITIJOS
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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF AB ŽEMAITIJOS PIENAS

Report on the financial statements

We have audited the accompanying set of separate and consolidated financial statements of AB Žemaitijos pienas and its subsidiaries (hereinafter – the Group), which comprise the separate and consolidated statements of financial position as at 31 December 2014, and the separate and consolidated statements of comprehensive income, the separate and consolidated statements of changes in equity, the separate and consolidated statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information (hereinafter – the financial statements).

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the legal acts of the Republic of Lithuania regulating the financial accounting and preparation of the financial statements, and 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 AB Žemaitijos pienas and the Group as at 31 December 2014, and its financial performance and its cash flows for the year then ended in accordance with the legal acts of the Republic of Lithuania regulating the financial accounting and preparation of the financial statements, and with International Financial Reporting Standards as adopted by the European Union.

Report on Other Legal and Regulatory Requirements

We have read the accompanying consolidated annual report of AB Žemaitijos pienas and the Group for the year 2014 and have not identified any material inconsistencies between the financial information included in it and the financial statements of AB Žemaitijos pienas and the Group for the year ended at 31 December 2014.

Auditor, member of the Board Laimė Jablonskienė
Auditor's certificate No. 000091

16 March 2015
Taikos av. 52C, Klaipėda,

UAB Grant Thornton Rimess, A. Gostauto str. 40B, Vilnius
Audit company's certificate No. 001410

ŽEMAITIJOS PIENAS AB

Company's code 180240752, Sedos str. 35, Telšiai, Lithuania

STATEMENTS OF FINANCIAL POSITION
AS OF 31 DECEMBER 2014
(All amounts in LTL thousands unless otherwise stated)

ASSETS	Notes	The Group 31 12 2014	The Group 31 12 2013	The Company 31 12 2014	The Company 31 12 2013
Non-current assets					
Intangible assets	5	661	376	659	368
Property, plant and equipment	5,6	63.160	62.979	54.344	43.213
Investment assets	5,6	600	919	4.244	4.755
Investments into subsidiaries	1	4	4	10.882	10.882
Loans granted	7	16.248	5.535	16.248	5.535
Other financial assets		54	-	54	-
Deferred income tax asset	23	5.011	3.505	4.856	3.366
Total non-current assets		**85.738**	**73.318**	**91.287**	**68.119**
Current assets					
Inventories	8	86.127	112.720	78.782	99.830
Prepayments		2.493	1.513	2.408	1.482
Trade accounts receivable	9	35.714	28.899	34.246	31.695
Other accounts receivable	10	4.197	5.290	3.696	6.323
Cash and cash equivalents	11	24.233	6.958	21.491	5.153
Total current assets		**152.764**	**155.380**	**140.623**	**144.483**
TOTAL ASSETS		**238.502**	**228.698**	**231.910**	**212.602**
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	12	48.375	48.375	48.375	48.375
Own shares (-)		(4.569)	(4.569)	(4.569)	(4.569)
Legal reserve		4.838	4.838	4.838	4.838
Other reserves		15.764	15.764	15.764	15.764
Retained earnings		111.929	102.713	106.511	96.496
Equity attributable to equity holders of the Company		**176.337**	**167.121**	**170.919**	**160.904**
Minority interest		2.260	2.371	-	-
Total Equity		**178.597**	**169.492**	**170.919**	**160.904**
Non-current liabilities					
Grants received	13	7.366	5.929	6.165	3.632
Borrowings	14	-	-	-	-
Obligations under finance lease	15	109	369	109	369
Deferred income tax liability		-	1.203	-	-
Other current liabilities	23	18	38	18	38
Total non-current liabilities		**7.493**	**7.539**	**6.292**	**4.039**
Current liabilities					
Borrowings	14	-	1.568	-	1.568
Obligations under finance lease	15	260	426	260	426
Trade accounts payable	17	39.880	31.562	42.929	29.726
Income tax payable		842	2.869	841	2.869
Other accounts payable	18	11.430	15.242	10.669	13.070
Total current liabilities		**52.412**	**51.667**	**54.699**	**47.659**
Total liabilities		**59.905**	**59.206**	**60.991**	**51.698**
TOTAL EQUITY AND LIABILITIES		**238.502**	**228.698**	**231.910**	**212.602**

The accompanying explanatory notes are an integral part of these consolidated financial statements and financial statements:

The financial statements were approved on 13 March 2015 and signed by:

Robertas Pažemeckas
Acting General Director

Dalia Gecienė
Senior accountant

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2014
(All amounts in LTL thousands unless otherwise stated)

		The Group		The Company	
	Notes	Jan-Dec 2014	Jan-Dec 2013	Jan-Dec 2014	Jan-Dec 2013
Sales	19	556.466	529.185	542.275	522.783
Cost of sales		(465.482)	(428.554)	(463.851)	(430.829)
GROSS PROFIT		**90.984**	**100.631**	**78.424**	**91.954**
Operating expenses	20	(81.106)	(74.811)	(68.625)	(72.423)
Other operating income and expenses	21	1.145	1.053	2.538	2.733
(LOSS) PROFIT FROM OPERATIONS		**11.023**	**26.873**	**12.337**	**22.264**
Finance costs		(42)	(88)	(42)	(87)
Other financial income and expenses	22	723	345	364	446
(LOSS) PROFIT BEFORE TAX		**11.704**	**27.130**	**12.659**	**22.623**
Income tax (benefit) expense	23	(2.599)	(3.898)	(2.644)	(3.152)
NET (LOSS) PROFIT		**9.105**	**23.232**	**10.015**	**19.471**
ATTRIBUTABLE TO:					
Equity holders of the Company		9.216	22.774	10.015	19.471
Minority interest		(111)	458	-	-
		9.105	**23.232**	**10.015**	**19.471**
Basic and diluted earnings per share (LTL)	25	**0,19**	**0,47**	**0,21**	**0,40**

The accompanying explanatory notes are an integral part of these consolidated financial statements and financial statements:

The financial statements were approved on 13 March 2015 and signed by:

Robertas Pažemeckas
Acting General Director

Dalia Gecienė
Senior accountant

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014
(All amounts in LTL, in thousands, unless otherwise stated)

The Group	Share capita	Own shares (-)	Legal reserve	Reserves for own shares	Other reserves	Retained earnings	Equity	Minority interest	Total
Balance as of 31 December 2012	**48.375**	**(3.002)**	**4.838**	**15.000**	**-**	**82.985**	**148.196**	**1.947**	**150.143**
Dividends	-	-	-	-	-	(2.315)	(2.315)	-	(2.315)
Transfer to other reserves	-	-	-	-	764	(764)	-	-	-
The use of reserves	-	-	-	-	-	-	-	-	-
Acquisitions of owvn shares	-	(1.567)					(1.567)	-	(1.567)
Subsidiary company liquidation result						33	33	(34)	(1)
Net profits	-	-	-	-	-	22.774	22.774	458	23.232
Balance as of 31 December 2013	**48.375**	**(4.569)**	**4.838**	**15.000**	**764**	**102.713**	**167.121**	**2.371**	**169.492**
Dividends	-	-	-	-					
Transfer to other reserves	-	-	-						
The use of reserves	-		-	-	-				
Acquisitions of owvn shares	-	-	-	-	-				
Subsidiary company liquidation result	-	-	-	-	-	9.216	9.216	(111)	9.105
Balance as of 31 December 2014	**48.375**	**(4.569)**	**4.838**	**15.000**	**764**	**111.929**	**176.337**	**2.260**	**178.597**

The accompanying explanatory notes are an integral part of these consolidated financial statements and financial statements:
The financial statements were approved on 13 March 2015 and signed by:

Robertas Pažemeckas	Dalia Gecienė
Acting General Director	Senior accountant

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014
(All amounts in LTL, in thousands, unless otherwise stated)

The Company	Share capital	Own shares (-)	Legal reserve	Reserves for own shares	Other reserves	Retained earnings	Total
Balance as of 31 December 2012	**48.375**	**(3.002)**	**4.838**	**15.000**	-	**80.104**	**145.316**
Dividends	-	-	-	-	-	(2.315)	(2.315)
Transfer to reserves	-	-	-		764	(764)	-
Reserves used	-	-	-		-	-	-
Acquisition of own shares		(1.567)				-	(1.567)
Net profit	-	-	-	-	-	19.471	19.471
Balance as of 31 December 2013	**48.375**	**(4.569)**	**4.838**	**15.000**	**764**	**96.496**	**160.904**
Dividends	-	-	-		-	-	-
Transfer to reserves	-	-	-		-	-	-
Reserves used	-	-	-	-	-	-	-
Acquisition of own shares	-	-	-	-	-	-	
Net profit	-	-	-		-	10.015	10.015
Balance as of 31 December 2014	**48.375**	**(4.569)**	**4.838**	**15.000**	**764**	**106.511**	**170.919**

The accompanying explanatory notes are an integral part of these consolidated financial statements and financial statements.
The financial statements were approved on 13 March 2015 and signed by:

Robertas Pažemeckas
Acting General Director

Dalia Gecienė
Senior accountant

Company's code 180240752, Sedos str. 35, Telšiai, Lithuania

CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014
(All amounts in LTL thousands unless otherwise stated)

	The Group		The Company	
	Jan-Dec 2014	**Jan-Dec 2013**	**Jan-Dec 2014**	**Jan-Dec 2013**
Cash flow from operating activities				
Profit (loss) for the period	9.105	23.232	10.015	19.471
Adjustments:				
Depreciation and amortization	22.679	14.999	10.330	12.845
Amortization of grants received	(2.638)	(864)	(853)	(515)
Gain (loss) on disposal of non-current assets	(293)	(174)	(276)	(175)
Corporate income tax expenses	(2.715)	(1.236)	(1.490)	(1.268)
Impairment of accounts receivable	285	324	285	324
Impairment of property, plant and equipment	-	-	-	-
Impairment of inventories to net realizable value	(3.782)	8.710	(3.884)	8.094
Net financial expenses (income)	(681)	(257)	(322)	(359)
Elimination of non-cash items	423	(3.073)	1.473	(3.223)
Loss from liquidation of subsidiaries	-	-	-	-
Net cash flows from ordinary activities before changes in working capital	**22.383**	**41.661**	**15.279**	**35.194**
Changes in working capital:				
(Increase) decrease in inventories	30.375	(23.755)	24.932	(17.690)
(Increase) decrease in trade receivables	(7.100)	3.755	(2.837)	23
(Increase) decrease in prepayments	(980)	227	(926)	215
(Increase) decrease in other receivables	226	1.658	(355)	1.792
(Decrease) increase in trade payables	8.318	4.279	13.203	4.125
(Decrease) increase other accounts payable	(4.254)	120	(3.893)	338
Corporate income tax paid	(2.028)	2.817	(2.028)	2.817
Net cash flows from operating activities	**46.940**	**30.762**	**43.373**	**26.814**
Cash flows from (to) investing activities				
Acquisition of intangible assets and property, plant and equipment.	(23.672)	(14.979)	(22.082)	(12.821)
Proceeds on sale of property, plant and equipment	1.096	986	1.059	986
Acquisition of subsidiaries	-		-	
Sale of investments available for sale	-	-	-	-
Repayment of loans granted	4.194	5.257	6.032	5.257
Loans granted	(13.757)	(5.980)	(13.757)	(5.980)
Interest received	418	438	419	481
Net cash flows (to) investing activities	**(31.720)**	**(14.278)**	**(28.330)**	**(12.077)**
Cash flows from (to) financing activities				
Acquisition of own shares	-	(1.567)	-	(1.567)
Dividends, bonus paid	-	(1.147)	-	(1.147)
Grants received	3.800	2.403	3.386	2.403
Loans received	9.160	68.510	9.160	68.510
Repayment of loans	(10.727)	(80.866)	(10.727)	(80.866)
Financial lease payments	(426)	(2.457)	(426)	(2.212)
Interest paid	(42)	(88)	(42)	(87)
Other financial (income) and expenses	290	(103)	(55)	(45)
Net cash flows from financial activities	**2.055**	**(15.315)**	**1.295**	**(15.011)**
Net increase (decrease) in cash and cash equivalents	**17.275**	**1.169**	**16.338**	**(274)**
Cash and cash equivalents at the beginning of the year	**6.958**	**5.789**	**5.153**	**5.427**
Cash and cash equivalents at the end of the year	**24.233**	**6.958**	**21.491**	**5.153**

The accompanying explanatory notes are an integral part of these consolidated financial statements and financial statements.

The financial statements were approved on 13 March 2015 and signed by:

Robertas Pažemeckas
Acting General Director

Dalia Gecienė
Senior accountant

1.GENERAL INFORMATION

Reporting entity

AB "Žemaitijos Pienas" (hereinafter – the Company) is a public limited liability company registered in the Republic of Lithuania. The address of the Company's registered office is as follows: Sedos Str. 35, Telšiai, Lithuania.

The Company produces dairy products and sells them in the Lithuanian and foreign markets. The Company has a number of wholesale departments with storage facilities and transport means in major Lithuanian towns. The Company started its operations in 1984.

AB "Žemaitijos Pienas" is a Lithuanian public listed company with shares traded on AB NASDAQ OMX Vilnius.

As on the 31th of December 2014, its shares are held by the following shareholders

Shareholder	31 12 2014 Number of shares	31 12 2014 Ownership %	31 12 2013 Number of shares	31 12 2013 Ownership %
Pažemeckas Algirdas	21.589.380	44,63%	21.589.380	44,63%
SKANDINAVISKA ENSKILDA BANKEN CLIENTS code 50203290810, SERGELS TORG 2 10640 STOCKHOLM, SWEDEN	-	-	-	-
SEB SA OMNIBUS, Liuksemburg	3.413.962	7,06%	3.413.962	7,06%
AB „Klaipėdos pienas“ code 240026930, Šilutės pl. 33, 91107 Klaipėda	2.901.844	6,00%	2.901.844	6,00%
Pažemeckienė Danutė	3.025.820	6,25%	3.025.820	6,25%
AB „Žemaitijos pienas“	2.070.621	4,28%	2.070.621	4,28%
Other shareholders	15.373.373	31,78%	15.373.373	31,78%
Total share capital, LTL	**48.375.000**	**100,00%**	**48.375.000**	**100,00%**

The authorized capital was divided into 4.837.500 units of ordinary registered shares of one Litas per value. All the shares are issued, subscribed and fully paid.
Taking into account the legal requirements the Company prepares consolidated financial statements.

As on the 31th of December 2014 the Group consisted of AB "Žemaitijos Pienas" and the following subsidiaries (hereinafter the Group):

Subsidiary	Registration address	Ownership of the Group	Percentage in consolidation	Cost of investment 2014	Cost of investment 2013	Net assets as of 31 December 2014	Main activities
Šilutės Rambynas ABF	Klaipėdos str. 3, Šilutė, Lithuania	87,82%	87,82%	10.878	10.878	18.556	Cheese production and selling
SIA Muižas piens“	Skaitkalnes g. 1, Riga, Latvija	32%	-	4	4	-	Retail sale, wholesale
				10.882	**10.882**		

The Company employed 1.192 staff members as on the 31th of December 2014 (1.205 staff members as on the 31th of December 2013). The Group employed 1.371 staff members as on the 31th of December 2014 (1.381 staff members as on the 31th of December 2013).

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The Company accounted for in these financial statements all amounts are measured and presented until 31 of December 2014 in the national currency of the Republic of Lithuania Litas. The financial statements are presented in Litas, which until 2014 of 31 December is the Company's function currency. Since 2015 of 1 January Lithuanian national currency is the Euro. The Litas is replaced by the Euro exchange rate of 3,4528 = 1 Euro. Since 2015 of 1 January the Euro has become the Company's functional currency.
The financial statements are prepared on the historical basis.
Financial year of the Company and other entities of the Group coincides with calendar year.

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

Judgements made by Management on application of IFRS as adopted by the European Union that have significant effect on the financial statements, and estimates of significant adjustments in the next year are discussed in other Note.

The accounting principles of the Company as set forth below have been consistently applied and coincide with those applied last year.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) prepared as of 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities.

Acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets and liabilities that meet the recognition conditions under IFRS 3 are recognized at their fair values at the acquisition date. The initial accounting for the subsidiaries assets and liabilities are adjusted within twelve months of the acquisition date if additional data is received that allows a more precise determination of fair value of the subsidiaries' assets and liabilities.

Investments in subsidiaries in the Company's stand alone balance sheet are recognized at cost. The dividend income from the investment is recognized only to the extent that the dividends are received from accumulated profits of the subsidiary arising after the date of acquisition. Distributions received in excess of such profits are regarded as a recovery of investment and are recognized as a reduction of the cost of the investment.
The result of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

The interest of minority shareholders in the acquiree is measured at the minority's proportion of the net fair value of the assets and liabilities recognized.

All intercompany transactions, balances, income, expenses and unrealized profits (losses) between Group companies are eliminated on consolidation. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

The influence of application of new standards, amendments of the standards in force and new explanations on financial statements

The Company has adopted the following amendments to the standards:

Amendment to IAS 1 Financial Statement Presentation - Presentation of Items of Other Comprehensive Income.
The amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon de-recognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has no impact on the Group's financial position or performance.

Amendment to IAS 12 Income tax. Deferred tax – Recovery of Underlying Assets.
The amendment did not impact the Company's financial statements.

Amendment to IAS 27 Consolidated and Separate Financial Statements.
This standard was amended to contain accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements.
Effective for annual periods beginning on or after 1 January 2013.
The amendment did not impact the Company's financial statements.

Amendment to IAS 28 Investments in Associates and Joint Ventures.
This standard was renamed and addresses the application of the equity method to investments in joint ventures in addition to associates.
Effective for annual periods beginning on or after 1 January 2013.
The amendment did not impact the Company's financial statements.

Amendment to IAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities
This amendment clarifies the meaning of "currently has a legally enforceable right to set-off" and also clarifies the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems).
Effective for annual periods beginning on or after 1 January 2014.
This amendment is not relevant to the Company.

Amendments to IAS 36 Impairment of Assets
The objective of the amendments is to clarify that the scope of the disclosures of information about the recoverable amount of assets, where that amount is based on fair value less costs of disposal, is limited to impaired assets.
Effective for annual periods beginning on or after 1 January 2014.
The amendment did not impact the Company's financial statements.

Amendments to IAS 39 Financial Instruments: Recognition and Measurement entitled Novation of Derivatives and Continuation of Hedge Accounting.
The objective of the amendments is to provide relief in situations where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations
Effective for annual periods beginning on or after 1 January 2014.
The amendment did not impact the Company's financial statements.

Amendment to IFRS 7 Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities.
The amendment introduces common disclosure requirements. These disclosures would provide users with information that is useful in evaluating the effect or potential effect of netting arrangements on an entity's financial position. The amendments to IFRS 7 are to be retrospectively applied.

Effective for annual periods beginning on or after 1 January 2013.
This amendment is not relevant to the Company.

IFRS 10 Consolidated Financial Statements.
IFRS 10 establishes a single control model that applies to all entities, including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled and, therefore, are required to be consolidated by a parent. IFRS 10 replaces the part of IAS 27 Consolidated and Separate Financial Statements related to consolidated financial statements and replaces SIC 12 Consolidation — Special Purpose Entities.
Effective for annual periods beginning on or after 1 January 2013.
The amendment did not impact the Company's financial statements.

Amendments to IFRS 10, IFRS 12 and IAS 27 - Investment Entities
The amendments apply to entities that qualify as investment entities.
Effective for annual periods beginning on or after 1 January 2014.
This interpretation is not relevant to the Company.

IFRS 11 Joint Arrangements.
IFRS 11 eliminates proportionate consolidation of jointly controlled entities.
Effective for annual periods beginning on or after 1 January 2013.
This amendment is not relevant to the Company.

IFRS 12 Disclosures of Interests in Other Entities.
IFRS 12 combines the disclosure requirements for an entity's interests in subsidiaries, joint arrangements, investments in associates and structured entities into one comprehensive disclosure standard. A number of new disclosures also will be required such as disclosing the judgments made to determine control over another entity.
Effective for annual periods beginning on or after 1 January 2013.
The amendment did not impact the Company's financial statements.

IFRS 13 Fair Value Measurement.
This standard does not change when an entity is required to use fair value but, rather, provides guidance on how to measure fair value under IFRS when fair value is required or permitted by IFRS.
Effective for annual periods beginning on or after 1 January 2013.
The amendment did not impact the Company's financial statements.

Standards and their interpretations announced by the International Accounting Standards Board but not yet adopted by the EU as well as standards adopted by EU but not yet effective

Amendment to IAS 16 Property, plant and equipment
Provides guidance on how the carrying amount of that asset is adjusted to the revalued amount when an item of property, plant and equipment is revalued. At the date of the revaluation the asset should be treated in one of the indicated ways.
Effective for annual periods beginning on or after 1 July 2014.
The Company considers the impact of this standard on its financial position and operating results.

Amendment to IAS 19 Employee Benefits
There are numerous amendments to IAS 19, they range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording.
The Group has not yet evaluated the impact of the implementation of this amendment.
Effective for annual periods beginning on or after 1 July 2014.
The Company considers the impact of this standard on its financial position and operating results.

Amendment to IAS 24 Related Party Disclosures
The amendment supplements the terms are used in this standard and the information shall be disclosed.
Effective for annual periods beginning on or after 1 July 2014.
The Company considers the impact of this standard on its financial position and operating results.

Amendment to IAS 38 Intangible Assets
Provides guidance on how the carrying amount of that asset is adjusted to the revalued amount when an item of intangible assets is revalued. At the date of the revaluation the asset should be treated in one of the indicated ways.
Effective for annual periods beginning on or after 1 July 2014.
The Company considers the impact of this standard on its financial position and operating results.

Amendment to IAS 40 Investment Property
Amendment determines additional classification of property as investment property and determines whether the acquisition of investment property is the acquisition of an asset or a group of assets or a business combination.
Effective for annual periods beginning on or after 1 July 2014.
The Company considers the impact of this standard on its financial position and operating results.

Amendment to IFRS 2 Share-based Payment
Provides guidance on how entity shall account a grant of equity instruments upon satisfying specified vesting conditions.
Effective for annual periods beginning on or after 1 January 2015. Earlier adoption is permitted.
The Company considers the impact of this standard on its financial position and operating results.

Amendment to IFRS 3 Business Combinations
Provides guidance on how the acquirer shall classify an obligation to pay contingent consideration and how shall recognise changes in the fair value of contingent consideration.
Effective for annual periods beginning on or after 1 July 2014.
This amendment is not relevant to the Company. In financial year.

IFRS 9 Financial Instruments – Classification and Measurement
The IASB has issued the first two parts of the standard, establishing a new classification and measurement framework for financial assets and requirements on the accounting for financial liabilities.
Effective for annual periods beginning on or after 1 January 2015. Earlier adoption is permitted.
The Company considers the impact of this standard on its financial position and operating results.

3. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.
The cost of Company's assets consists of the expenses directly related to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour costs and other expenses incurred to produce these assets before setting them into use and expenses of disassembling, transportation and production site cleaning.

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

Subsequent costs

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

Depreciation

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

The estimated useful lives are as follows:

- Buildings and structures 20–40 years
- Plant and machinery 5 years
- Vehicles 4–10 years
- Other assets 4–10 years

Depreciation methods, residual values and useful lives are reassessed on each day of presenting financial statements. The Group capitalizes property, plant and equipment purchases with useful life over one year and an acquisition cost above LTL 500. Until 1 September 2012 the minimum acquisition cost was LTL 3.000.
Construction-in-progress represents property, plant and equipment under construction. Such assets are carried at acquisition cost, less any recognized impairment losses. Cost includes design, construction works, plant and equipment being mounted and other directly attributable costs.

Investment property

Investment property of the Group and the Company consist of investments in land and buildings that are held to earn rentals, rather than for own use in the ordinary course of business. Investment property is stated at cost less accumulated depreciation and any accumulated impairment losses.
Depreciation is computed on a straight-line basis over the estimated useful life of 20 - 40 years.
Transfers to or from investment property are made when and only when there is an evidence of a change in use.

Non-current intangible assets

Intangible assets that have limited useful life and that include computer software and other licences and trademarks acquired by the Company are stated at cost less accumulated amortisation and impairment.

Amortisation is charged to the income statement on a straight-line basis over the entire service life. The amortisation rates of intangible assets can be specified as follows:

- Software and licences 3 years

Subsequent expenses of intangible assets are capitalised only when they increase the future economic benefits from this particular asset, which relates to the expenses. All other expenses are written off when incurred.

Leased assets

Leases, in terms of which the Company assumes substantially all the risks and rewards of ownership, are classified as financial leases. Assets acquired by way of financial lease are stated at an amount equal to the lower of fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses. All other lease is treated as operational lease.
Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets.

Inventories

Inventories, including work in progress, are valued at the lower of cost or net realisable value. Net realisable value is the selling price, less the estimated cost of completion, marketing and distribution.

The costs of inventories is determines based on FIFO principle.

In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity distributed according to norms calculated considering the use of production capacities.

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

Governmental grants

Grants are accounted following the principle of accumulation, i.e. received grants or parts thereof are recognised as used in the periods, within which grant-related costs are incurred.

Grants are related to assets

Grants that are related to assets encompass grants received in the form of non-current assets or allotted for acquisition of non-current assets. Grants are accounted at the fair value of the assets received and later recognised as income, reducing asset depreciation costs within the respective useful service life of the assets.

Impairment

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

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

Financial asset is impaired if there are if there is objective evidence that certain event or events could have an adverse impact on asset-related cash flows in the future. Individually significant financial assets must be tested for impairment on an individual basis. The remaining financial assets are grouped according to their credit risk and the impairment for those groups is measured on a portfolio basis. An asset that is deemed impaired on an individual basis and its impairment loss is continually recognised cannot be included in any group of assets that is tested for impairment on a portfolio basis.

An impairment loss is recognised wherever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Cash generating unit is the smallest cash generating asset group generating cash flows independent form other assets or asset groups. Impairment losses are recognised in the statement of comprehensive income.

Calculation of recoverable amount

The recoverable amount of non-financial assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

Reversals of impairment

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

In case of certain changes in events or circumstances, on the basis of which the recoverable value of non-financial assets was calculated, indicating that carrying value on non-financial assets can be recoverable, impairment loss is reversed. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Dividends

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

Employee allowances

The Company and the Group have no determined allowances and inducement plans or payment schemes concerning its chares. Liabilities against retired former employees of the Company and the Group are fulfilled by the State.

Provisions

Provisions are recognised in the statement of financial position when it is probable that an outflow of economic benefits will be required to settle the obligation arising from a past event or fulfilment of irrevocable undertakings.

Foreign currency

Translation of amounts in foreign currencies into the national currency

Transactions in foreign currencies are translated into Litas at foreign exchange rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Litas at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the statement of comprehensive income.

As on the 31[th] of December 2014 the applicable rates used for principal currencies were as follows:

year 2014		year 2013	
1 EUR	= 3,4528 LTL	1 EUR	= 3,4528 LTL
1 LVL	= - LTL	1 LVL	= 4,9184 LTL
1 USD	= 2,8387 LTL	1 USD	= 2,5098 LTL

Non-derivative financial instruments

Non-derivative financial instruments include trade and other receivables, cash and cash equivalents, loans and borrowings and trade and other payables.

Cash and cash equivalents include cash balances and demand deposits.

Non-derivative financial instruments are initially recognised at fair value plus (except for the instruments recognised in the income statement at fair value) any direct attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

Financial instruments are recognized on the day of transaction. The Company no longer recognises the financial assets when the contractual rights to the cash flows from this asset has expired or when the right to receive the agreed cash flows from this financial asset has been transferred during the transaction, i.e. all risk and benefits from the ownership of the financial assets has been transferred. Financial liability is no longer recognised when it has been covered, revoked or expired.

Receivables are non-derivative financial assets and are not quoted in an active market. They are included into current assets except for maturities greater than 12 months. Loans issued and receivables are initially recognised at fair value. Subsequently, loans and receivables are measured at amortised cost using the effective interest method, less impairment, if any. Current receivables are not discounted.

Loans, borrowings and other financial liabilities are stated at amortised cost on an effective interest method basis. Current liabilities are not discounted.

Financial derivatives

The Company and the Group did not use or have derivative financial instruments within the period ended on the 31th of December 2014.

Contingencies

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

A contingent asset is not recognized in the financial statements but disclosed in the explanatory notes of financial statements when an inflow or economic benefits is probable.

Revenue

Sales of goods

Revenue from the sale of goods is recognised in the statement of comprehensive income when significant risk and ownership is transferred to the buyer, when it is probable that economic benefits associated with the transaction will flow to the Company and the amount of the revenue can be measured reliably. Sales are recognised net of VAT, excise tax and price discounts directly related to the sales.

Services rendered, assets disposed

Revenue from the services rendered is recognised in the statement of comprehensive income as the services are rendered, considering the extent of completion of the services. The revenue recognised is net of discounts provided.

Revenue from lease is recognised in the statement of comprehensive income on a straight-line basis over the term of lease.

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

No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due or associated costs, or return of assets disposed is possible or when the significant risks and rewards of ownership cannot be regarded as transferred to the buyer.

Expenses

Expenses are recognized on an accrual basis when incurred.

Operating lease payments

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

Financial lease payments

Minimum lease payments are apportioned between the financial charge and the reduction of the outstanding liability applying the effective interest rate method. The financial costs are distributed over the whole period of financial lease, so as to produce a constant periodic interest rate on the remaining balance of the liability.

Net financing expenses

Net financing expenses consist of interest payable on borrowings calculated using the effective interest rate method, interest receivable on funds invested, foreign exchange gains and losses.

Interest income is recognised in the comprehensive income statement as accrued, using the effective interest method. The interest expense component of financial lease payments is recognised in the statement of comprehensive income, using the effective interest rate method.

Segment reporting

Segment is a distinguishable component of the Company that is engaged either in providing related products or services, or in providing products or services within a particular economic environment which is subject to risks and rewards that are different from those of other segments. In the presented financial statements a business segment means a constituent part of the Group and the Company participating in production of an individual product or provision of a service or a group of related products or services, the risk and returns whereof are different from other business segments.

Corporate income tax

Corporate income tax consists of current and deferred tax. Income tax is recognised in the statement of comprehensive income except to the extent it relates to the items recognised directly in equity, in which case it is recognised in equity.

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

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of the assets and liabilities for the financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not calculated for temporary differences recorded at the moment of initial recognition of assets or liabilities when such differences affect neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax asset is recognised only to the extent it is likely that the future taxable profits will be available against which the assets can be utilised. Deferred tax asset is revised on each date of provision of financial statements and is reduced to the extent it is no longer probable that the related tax benefit will be realised.

Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company and the Group intends to settle its current tax assets and liabilities on a net basis.

Basic and diluted earnings (loss) per share

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

Subsequent events

The events which occurred after the reporting period and provide additional information about the Group's and the Company's position at the balance sheet date (adjusting events) are reflected in the financial statements. The post balance sheet events which are not adjusting events are disclosed in the explanatory notes when are material.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and assumptions are continually reviewed and are based on historical experience and other factors, representing current situation and reasonable expected future events. Management of the Company, considering forecasts and budget, borrowing need, fulfilment of obligations, products and markets, financial risk management, having performed operation continuity assessment, considers that there are no obscurities in the assessment of continuity of the Company's activities or doubts concerning its further operation.

The Company makes estimates and assumptions concerning future events. Resulting accounting estimates will, by definition, seldom equal the related actual results. In preparing the financial statements of the Group and of the Company, management have to adopt certain decisions, estimates and assumptions, which influence the disclosures of income, costs, assets and liabilities as well as uncertainties as of the date of the financial statements. However, uncertainty of such estimates and assumptions can have an impact upon results, which may require significant corrections of book values of assets or liabilities in the future.

The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of the assets and liabilities within the next financial year are discussed below.

Impairment losses on receivables

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

Amount receivable impairment losses recognised to be paid after the delay of 120 days or more.
Management estimates future cash flows from the debtors based on historical loss experience of debtors with similar credit risk. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Impairment of non-financial assets

The Company's management assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. The non-financial assets are tested for impairment when there are indicators that the carrying amounts of value may not be recoverable. When the calculations of value in use are undertaken, the management must estimate the expected future cash flows from the asset or cash generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Deferred Tax Assets and Liabilities

Deferred profit tax assets and liabilities are recognised for temporary differences between the carrying amounts of the assets and liabilities for the financial reporting purposes and the amounts used for taxation purposes. Based on the Company's and the Group's management judgements are recognized the significant deferred tax assets amounts that can be recognised based on the expected future taxable profits in periods and sizes, and with regard to the Company's tax planning strategies.

5. INTANGIBLE AND TANGIBLE NON-CURRENT ASSETS

Note No 5 – Intangible and tangible non-current assets (In the statement of financial position)

Changes in intangible assets of the Group as of 31 December 2014:

The Group	Licenses and patents	Computer software	Other intangible assets	Total
Acquisition cost				
As of 31 December 2012	**109**	**523**	**928**	**1.560**
- acquisition	22	105	119	246
- transfers between accounts	(1)	(3)	(29)	(33)
As of 31 December 2013	**130**	**625**	**1.018**	**1.773**
- acquisition	4	265	405	674
- sold or written-off assets	-	(50)	(42)	(92)
As of 31 December 2014	**134**	**840**	**1.381**	**2.355**
Accumulated depreciation				
As of 31 December 2012	**46**	**419**	**687**	**1.152**
- amortization	38	78	159	275
- amortization of transferred and written-off assets	-	(3)	(27)	(30)
As of 31 December 2013	**83**	**495**	**819**	**1.397**
- amortization	34	120	198	352
- amortization of transferred and written-off assets	-	(50)	(5)	(55)
As of 31 December 2014	**117**	**565**	**1.012**	**1.694**
Net book value:				
As of 31 December 2013	**47**	**130**	**199**	**376**
As of 31 December 2014	**17**	**275**	**369**	**661**

Changes in intangible assets of the Company as of 31 December 2014:

The Company	Licences and patents	Computer software	Other intangible assets	Total
Acquisition cost				
As of 31 December 2012	**109**	**421**	**928**	**1.458**

-acquisition	22	105	119	246
-sold or written-off assets	(1)		(28)	(29)
-transfers between accounts	-	-	-	-
As of 31 December 2013	**130**	**526**	**1.017**	**1.673**
-acquisition	4	263	405	672
-sold or written-off assets	-	-	(42)	(42)
As of 31 December 2014	**134**	**789**	**1.380**	**2.304**
Accumulated depreciation				
As of 31 December 2012	**46**	**342**	**687**	**1.075**
-amortization	38	61	158	257
-amortization of transferred and written-off assets	-	-	(27)	(27)
As of 31 December 2013	**84**	**404**	**818**	**1.305**
-amortization	34	112	198	344
-amortization of transferred and written-off assets	-	-	(5)	(5)
As of 31 December 2014	**118**	**516**	**1.011**	**1.645**
Net book value:				
As of 31 December 2013	**47**	**122**	**199**	**368**
As of 31 December 2014	**17**	**273**	**369**	**659**

In 2014 amortization of non-current intangible assets of the Group and the Company amounts to LTL 352 thousand and LTL 344 thousand respectively (In 2013 – LTL 275 thousand and LTL 257 thousand).
Investments in the purchase of non-current intangible assets made by the Group and the Company in 2014 amount to LTL 674 thousand and LTL 672 thousand respectively (In 2013 - LTL 246 thousand and LTL 246 thousand). As all the assets of the Group and the Company are located in Lithuania, all the investments were made in the Lithuanian geographic segment.

Changes in property, plant and equipment of the Group as of 31 December 2014:

The Group	Land, buildings and constructions	Machinery and equipment	Vehicles	Other property, plant and equipment	Construction in progress and prepayments	Total
Acquisition cost						
As of 31 December 2012	**43.364**	**148.387**	**37.277**	**12.893**	**1.288**	**243.208**
-acquisition	25	1.138	1.111	848	11.483	14.605
-sold or written-off assets	(19)	(1.172)	(1.934)	(387)	-	(3.512)
-recalculation of the accounting policy change	-	-	-	(41)	(52)	(93)
-transfers to investing assets	(727)	-	-	-	-	(727)
-transfers between accounts	-		-		-	-
-adding value	1	-	158	2	-	161
-reclassification	877	2.318	13	-	(3.208)	-
As of 31 December 2013	**43.521**	**150.671**	**36.624**	**13.315**	**9.510**	**253.642**
-acquisition	4	2.288	3.085	1.190	16.188	22.755
-recalculation of the accounting policy change	-	-	-	-	-	-
-sold or written-off assets	(134)	(318)	(1.302)	(249)	-	(2.003)
-adding value	-	126	-	84	-	210
-reclassification	3.457	10.669	-	35	(14.161)	-
-transfers to investing assets	-	-	-	-	-	-
-transfers between accounts	-	-	-	-	-	-
As of 31 December 2014	**46.849**	**163.437**	**38.407**	**14.375**	**11.537**	**274.605**

Accumulated depreciation As of 31 December 2012	**19.457**	**120.743**	**27.514**	**10.793**	-	**178.507**
-depreciation	2.040	9.398	2.188	1.033	-	14.658
-depreciation of written-off and sold assets	(18)	(1.119)	(1.245)	(363)	-	(2.745)
-recalculation of the accounting policy change	14	9	-		-	23
-transfers to investing assets	-	-	-	-	-	-
As of 31 December 2013	**21.493**	**129.030**	**28.457**	**11.463**	-	**190.443**
-depreciation	2.119	6.948	2.284	1.018	-	12.369
-depreciation of written-off and sold assets	(54)	(293)	(864)	(189)	-	(1.400)
-recalculation of the accounting policy change	465	5.417	3.965	14	-	9.861
-reclassification	-	-	-	-	-	-
-transfers to investing assets	-	-	-	-	-	-
-transfers between accounts	-	-	-	-	-	-
As of 31 December 2014	**24.024**	**141.102**	**33.841**	**12.306**	-	**211.273**
Accumulated impairment losses As of 31 December 2012	**180**	**18**	-	**36**	**7**	**242**
-impairment losses	-	-	-	-	-	-
-reversal of impairment	(14)	(9)	-	-	-	(23)
As of 31 December 2013	**166**	**9**	-	**36**	**7**	**219**
-impairment losses	-	-	-	-	-	-
-reversal of impairment	(18)	(7)	-	(21)	-	(46)
As of 31 December 2014	**149**	**2**	-	**15**	**7**	**173**
Net book value:						
As of 31 December 2013	**21.862**	**21.632**	**8.168**	**1.814**	**9.503**	**62.979**
As of 31 December 2014	**22.676**	**22.333**	**4.567**	**2.054**	**11.530**	**63.160**

Changes in property, plant and equipment of the Company as of 31 December 2014:

The Company	**Land, buildings and constructions**	**Machinery and equipment**	**Vehicles**	**Other property, plant and equipment**	**Constructio n in progress and prepayments**	**Total**
Acquisition cost						
As of 31 December 2012	**27.768**	**131.152**	**26.359**	**11.676**	**1.277**	**198.232**
-acquisition	25	1.136	1.111	684	9.456	12.414
-recalculation of the accounting policy change	-	-		-	-	-
-sold or written-off assets	(2)	(842)	(1.934)	(387)	-	(3.165)
-adding value	1	-	158	2	-	161
-reclassification	862	362	13	-	(1.237)	-
-transfers to accounts investing assets	(857)	-	-	-	-	(857)
As of 31 December 2013	**27.797**	**131.808**	**25.707**	**11.975**	**9.498**	**206.785**
-acquisition	4	2.186	3.085	1.096	14.796	21.167
-recalculation of the accounting policy change	-	-	-	-	-	-
-sold or written-off assets	(80)	(139)	(863)	(185)	-	(1.267)
-adding value	-	126	-	84	-	210
-reclassification	2.399	10.335	-	34	(12.768)	-
-transfers to accounts investing assets	-	-	-	-	-	-
-transfers from investing assets	-	-	-	-	-	-
As of 31 December 2014	**30.120**	**144.316**	**27.929**	**13.004**	**11.525**	**226.895**
Accumulated depreciation						
As of 31 December 2012	**10.367**	**110.636**	**22.909**	**9.673**	-	**153.586**

-depreciation	1.509	8.231	1.601	966	-	12.307
-depreciation of written-off and sold assets	(1)	(789)	(1.245)	(321)	-	(2.356)
-recalculation of the accounting		-		-		-
-transfers to investing assets	(14)	-	-	-		(14)
-reclassification	-	-	-	-	-	-
As of 31 December 2013	**11.862**	**118.078**	**23.265**	**10.317**	**-**	**163.522**
-depreciation	1.608	5.763	1.375	951	-	9.697
-depreciation of written-off and sold assets	(21)	(114)	(425)	(126)	-	(686)
-recalculation of the accounting policy change	-	-	-	-	-	-
-reclassification	-	-	-	-	-	-
-transfers to investing assets	-	-	-	-	-	-
-transfers from investing assets	-	-	-	-	-	-
As of 31 December 2014	**13.449**	**123.727**	**24.215**	**11.141**	**-**	**172.533**
Accumulated depreciation						
As of 31 December 2012	**6**	**9**	**-**	**36**	**-**	**51**
- impairment losses	-	-	-	-	-	-
- reversal of impairment	-	-	-	-	-	-
As of 31 December 2013	**6**	**9**	**-**	**36**	**-**	**51**
- impairment losses	-	-	-	-	-	-
- reversal of impairment	(4)	(7)	-	(21)	-	(32)
As of 31 December 2014	**2**	**2**	**-**	**15**	**-**	**19**
Net book value						
As of 31 December 2013	**15.930**	**13.721**	**2.442**	**1.622**	**9.498**	**43.213**
As of 31 December 2014	**16.669**	**20.587**	**3.714**	**1.848**	**11.525**	**54.344**

For the year ending at 31 December 2014 the depreciation costs of the Group's and the Company's property, plant and equipment amounts to LTL 12.369 thousand and LTL 9.697 thousand respectively (31 December 2013 – LTL 14.658 thousand and LTL 12.307 thousand).

In order to unify the parent company AB "Žemaitijos pienas" and subsidaries ABF "Šilutės Rambynas" applicable depreciation rates decision was taken to account in the financial statements on 31 December 2014. Condition resulting from depreciation of fixed assets and amortization of support received related differences with differenct depreciation norms application ABF "Šilutės Rambynas" for income tax and financial accounting. For this reason, the Group,s fixed assets accumulated deprecation amount was increased by 9.861 thousand LTL on 31 December 2014.

On 31 December 2014, Company's fixed tangible assets, which residual value equalled LTL 1.817 thousand LTL (on 31 December 2013 it equalled LTL 8.611 thousand LTL), were pledged to the banks for the Company's received loans. On 31 December 2012 the subsidiary company ABF "Šilutės Rambynas" also had pledged fixed tangible assets for the Company's received loans, which residual value equalled LTL 37.4 thousand) (see Note 14) On 31 December 2013,2014 this Company hadn't pledged fixed tangible assets.

A part of the Group's and the Company's fixed tangible assets, which acquisition value on 31 December 2014 equalled LTL 153.565 thousand and LTL 130.954 thousand respectively, was completely depreciated (31 December 2013 respectively – LTL 129.994 thousand and LTL 122.254 thousand), however still used in the business.
Investments in the the acquiring of non-current tangible and intangible assets made by the Group and the Company in 2014 amounted to LTL 23.672 thousand and LTL 22.082 thousand (in 2013 - LTL 14.979 thousand and LTL 12.821 thousand LTL). All the acquisitions above relate to the geographic segment of Lithuania.

6. INVESTMENT PROPERTY

Note No 6 – Investment assets (In the statement of financial position)

Changes in the investment assets as of 31 December 2014:

	The Group	The Company
Acquisition cost		
As of 31 December 2012	**323**	**9.714**
- acquisition	-	-
- transfers from long-term assets	727	857
As of 31 December 2013	**1.050**	**10.571**
- acquisition		
- written -off assets	(311)	(311)
- transfers from long-term assets	-	-
As of 31 December 2014	**739**	**10.260**
Accumulated depreciation		
As of 31 December 2012	**64**	**5.521**
- depreciation	67	281
- transfers from long-term assets	-	14
As of 31 December 2013	**131**	**5.816**
- depreciation	98	290
- written -off assets	(90)	(90)
- transfers from long-term assets	-	-
As of 31 December 2014	**139**	**6.016**
Net book value, LTL thousand:		
As of 31 December 2013	**919**	**4.755**
As of 31 December 2014	**600**	**4.244**

The fair value of investment assets approximates its book value.
The Company's depreciation of the investment assets for the year 2014 amounted to LTL 290 thousand (2013 – LTL 281 thousand).
The Company's investment assets in 2014 and 2013 represents rented assets to ABF Šilutės Rambynas and UAB Čia Market.
All rent contracts are easily cancellable with a few months prior notice made by the lessee or the lessor.

7. LOANS GRANTED

Note No 7 – Loans granted (In the statement of financial position) (LTL thousand)

Loans granted as of 31 December 2014:

	The Group		The Company	
	31 12 2014	31 12 2013	31 12 2014	31 12 2013
Loans granted	**18.663**	**9.107**	**18.663**	**10.945**
Less: current portion of loans granted	(2.415)	(3.572)	(2.415)	(5.410)
Non- current loans granted	**16.248**	**5.535**	**16.248**	**5.535**

All granted loans are in LTL. Granted loan's payback periods are between 1 – 9 years.

8. INVENTORIES

Note No 8 – Inventories (In the statement of financial position) (LTL thousand)

Inventories as of 31 December 2014:

	The Group		The Company	
	31 12 2014	31 12 2013	31 12 2014	31 12 2013
Raw materials	11.975	11.770	10.132	9.567
Finished goods and work in process	84.043	114.632	77.824	103.329
Goods for resale	660	652	660	652
	96.679	**127.054**	**88.616**	**113.548**
Less: write off to net realizable value	(10.552)	(14.334)	(9.834)	(13.718)
Total:	**86.127**	**112.720**	**78.782**	**99.830**

9. TRADE ACCOUNTS RECEIVABLE

Note No 9 – Trade Accounts Receivable (In the statement of financial position)

Trade accounts receivable as of 31 December 2014 (LTL thousand):

	The Group		The Company	
	31 12 2014	31 12 2013	31 12 2014	31 12 2013
Trade accounts receivable	31.716	28.069	30.280	26.462
Accounts receivable from related parties	6.315	2.023	6.283	6.426
	38.031	**30.092**	**36.563**	**32.888**
Mi Impairment allowance for bad debts	(448)	(326)	(448)	(326)
Impairment allowance for bad debts of related parties	(1.869)	(867)	(1.869)	(867)
Net trade receivables:	**35.714**	**28.899**	**34.246**	**31.695**

Changes in impairment loss for bad debts for 2014 are included into operating expenses in the statement of comprehensive income.

Changes in the allowance for impairment of trade accounts receivable:

	The Group		The Company	
	31 12 2014	31 12 2013	31 12 2014	31 12 2013
Balance at beginning of year	1.193	869	1.193	869
Impairment allowance for bad debts	1.124	324	1.124	324
Balance at end of year	**2.317**	**1.193**	**2.317**	**1.193**

Amount receivable impairment losses recognised after the delay of 90-120 days or more.

Analysis of trade receivables based on the terms of payment on the 31st December, 2014

The Group

LTL thousand	Trade accounts receivables, which period has not passed	Trade accounts receivables which period has passed: Less than 60 days	60-120 days	More than 120 days	Total
Trade account receivables	31.926	3.495	1.460	1.150	**38.031**
Reduction of value	-	-	(1.167)	(1.150)	**(2.317)**

The Company

LTL thousand	Trade accounts receivables, which period has not passed	Trade accounts receivables which period has passed: Less than 60 days	60-120 days	More than 120 days	Total
Trade account receivables	30.480	3.473	1.460	1.150	**36.563**
Reduction of value	-	-	(1.167)	(1.150)	**(2.317)**

10. OTHER ACCOUNTS RECEIVABLE

Note No 10 – Other accounts receivable (In the statement of financial position)

Other accounts receivables as of 31 December 2014 (LTL thousand):

	The Group		The Company	
	31 12 2014	31 12 2013	31 12 2014	31 12 2013
Grants receivable	492	216	-	-
Current portion of long-term loans granted	2.415	3.572	2.415	5.410
VAT receivable	1.195	1.421	1.195	844
Other receivables	95	81	87	69
Total:	**4.197**	**5.290**	**3.697**	**6.323**

11. CASH AND CASH EQUIVALENTS

Note No 11 – Cach and cash equivalents (In the statement of financial position)

Cash and cash equivalents as of 31 December 2014 (LTL thousand):

	The Group		The Company	
	31 12 2014	31 12 2013	31 12 2014	31 12 2013
Cash at bank	23.849	6.712	21.107	4.914
Cash on hand	384	246	384	239
Total:	**24.233**	**6.958**	**21.491**	**5.153**

12. CAPITAL AND RESERVES

Share capital

The share capital is made of 48.375.000 ordinary shares with the nominal value of LTL 1 each, and the total share capital is LTL 48.375.000, fully paid. During the extraordinary shareholder's meeting on 8 February 2008, the decision was made to change the par value of the Company's shares from LTL 10 per share to LTL 1 per share and to replace each share held by shareholders by 10 shares accordingly.

The holders of the ordinary shares are entitled to one vote per fully paid share in the shareholders' meeting and are entitled to dividends as they are declared and to capital repayment in case of reduction of capital as well as other interest and non-interest as per the Company Law of the Republic of Lithuania as well as other statutes and legal acts.

On 31 December 2012 the Company acquired 1.360.010 of own shares, which constitutes 2.81% of the total shares. During year ended as of 31 December 2013 the Company acquired additionally 710.611 of own shares and in total on 31 December 2013, 2014 Company owned 4.28% of shares in total. On 31 December 2013, 2014 the Company had its own shares were purchased for 4.869 thousand LTL.The reason and purpose of the acquisition of own shares are to maintain and increase the price of shares in the market.

Legal reserve

Legal reserve is compulsory reserve under Lithuanian legislation. Annual contributions of at least 5% of the retained earnings available for distribution are required until legal reserve and the share premium reach 10% of the authorised capital. This reserve cannot be distributed. It can be used only for covering accumulated losses. Legal reserve of the Company was fully formed.

Other reserves

Other reserves are formed on basis of a decision of the General Shareholders' Meeting on appropriation of distributable profit. These reserves can be used only for the purposes approved by the General Shareholders' Meeting. According to the Law of Stock Companies, the reserves formed by the Company other than the legal reserve if not used or not planned to use should be restored to retained earnings and redistributed.

The reserve of LTL 15 million for the purchase of own shares was formed through the allocation of profits of year 2009 and 2010. During the meeting of the shareholders on 26 April 2013 was approved the reserve for the bonuses in the amount of LTL 764 thousand.

13. GOVERMENTAL GRANTS RECEIVED

Note No 13 – Grants received (In the statement of financial position)

Changes in the grants received by the Group and the Company (LTL thousand):

	The Group	The Company
Grants received		
As of 31 December 2012 (balance)	**20.453**	**13.872**

- received	2.403	2.403
As of 31 December 2013 (balance)	**22.856**	**16.275**
- received	4.076	3.386
As of 31 December 2014 (balance)	**26.932**	**19.661**
Accumulated amortisation		
As of 31 December 2012 (balance)	**16.064**	**12.127**
- amortization	864	515
As of 31 December 2013 (balance)	**16.928**	**12.642**
- amortization	2.638	853
As of 31 December 2014 (balance)	**19.566**	**13.495**
Net book value		
As of 31 December 2013	**5.929**	**3.632**
As of 31 December 2014	**7.366**	**6.165**

The amounts of the grant received are amortized in equal parts within the respective useful service life of the asset acquired from these funds. Grant amortisation is included in the statement of comprehensive income, the paragraphs on sales cost, and reduces depreciation costs of non-current assets.

In March 2010 the grant of LTL 684 thousand was received for the implementation of a project "Increasing the Competitiveness of AB "Žemaitijos Pienas" by Introducing Innovative Production Processes" under the 2007-2013 Lithuanian Rural Development Programme measure "Processing of Agricultural Products and Increasing of Added Value".

AB "Žemaitijos Pienas" consistently seeks to improve the quality of its products, ensure compliance with environmental regulations, and remain one of the leaders in the dairy production and sales markets. Therefore, the company makes investments from its own funds and uses assistance of EU Structural Funds. In 2011, the Company completed the second stage of the project "Increasing the Competitiveness of AB "Žemaitijos Pienas" by Introducing Innovative Production Processes" under the 2007-2013 Lithuanian Rural Development Programme measure "Processing of Agricultural Products and Increasing the Value Added". The investments totalled about LTL 10.2 million and resulted in the replacement of equipment, improvement of product quality, and increase in energy efficiency. After the completion of this stage of the project, depreciated equipment was replaced by the modern one, the quality of the produced food products has increased, and energy resources have been used efficiently. In 2011, 20% of the compensated amount (LTL 547 thousands) was received for the first completed stage of this project. In 2012, 20% of the compensated amount (LTL 1.483 thousand) was transferred to the Company for the completed 2nd stage of this project.

In the year of 2013 AB „Žemaitijos pienas" signed a financing agreement with Lithuanian business support agency regarding the EU aid for the construction of 10 MW wood fuel steam boiler in Telsiai. The purpose of the steam boiler for the company is a possibly more effective and modern heating, using relatively cheaper fuel than fossilized, i.e. wood. For the implementation of the project, it is designated about LTL 11.6 million. The level of the support reaches 50 % of the designated funds. In 2013 the company received LTL 2.403 thousand of the compensated funds by the aid. In 2014 the Company completed for bio fuel boiler funding – focus even LTL 3.247 thousand of support . Also in 2014 the Company of Lithuanian Environmental Investment Fund got into the first part of the subsidy – LTL 139 thousand (20.5% subsid. part) for the execution of the project: "Acid whey processing line to line installation, reducing the amount of waste."

On 31 December 2014, the residual value of all of the Company's received grants constituted LTL 6.165 thousand (on 31 December 2013 it constituted LTL 3.632 thousand).

On 5 July 2005, ABF "Šilutės Rambynas" has signed a financing agreement with the Lithuanian Environmental Investment Fund on a support of LTL 300 thousand. The support was intended for ABF "Šilutės Rambynas" boiler house reconstruction, during which the fuel used in the boiler house was to be replaced from fuel oil to liquefied gas. The amount of the support cannot exceed 70% of the total value of the reconstruction project.

Boiler house reconstruction was completed in December 2005; therefore grant amount has started to being amortized since 1 January 2006 over the 8 year period. On 24 January, 2006 ABF "Šilutės Rambynas" has signed a financing agreement with the National Paying Agency under the Ministry of Agriculture on a support of LTL 3.395 thousand. The support was intended for ABF "Šilutės Rambynas" milk processing production modernization by acquiring new vehicles and equipment. ABF "Šilutės Rambynas" has acquired new equipment in June and July 2006, therefore grant amount has started to being amortized since the next month after the acquisition of the equipment over a 5 year period. The grant was paid to ABF "Šilutės Rambynas" on 31 January 2007.

In April 2012, ABF "Šilutės Rambynas" has signed support agreement for the first sphere of the activity "Processing and marketing of agricultural products" of the Rural Development Programme for Lithuania 2007-2013 instrument "Agricultural products processing and increasing the surplus value", according to which LTL 1.561 thousand support was received for the Company's milk processing efficiency advance and technical condition modernization project. Upon the completion of the 1st stage of the project, in September 2012, the Company has received LTL 934 thousand of the support amount. LTL 410 thousand of the support amount is for the 2nd stage (the due date of implementation is 31 March 2013), LTL 216 thousand of the support amount is for the 3nd stage (the due date of implementation is 31 March 2014).

On 28 May 2013 the company signed a maintenance contract with Lithuanian Environmental Investment Fund (LEIF) for LTL 690 thousand award acquisition device concentration of whey RO + ROP. In 2014 it was transferred to the company for 60 percent support – LTL 414 thousand. The rest will be paid before 30 April 2015.

On 31 December 2014, the total residue of ABF "Šilutės Rambynas" grants was LTL 1.201 thousand (on 31 December 2013 it was LTL 2.296 thousand).

14. BORROWINGS

Note No 14 – Borrowings (In the statement of financial position)

The Group's borrowing as of 31 December 2014:

The Group	Contract date	Maturity date	Currency	Balance (LTL thousand) 31 12 2014	31 12 2013
AB DnB NORD bankas	2004 05	2014 06	EUR	-	-
AB DnB NORD bankas	2006 06	2013 04	EUR	-	-
AB SEB bankas	2011 09	2013 09	EUR	-	-
AB SEB bankas	2011 11	2014 11	LTL	-	-
Algirdas Pažemeckas	2011 10	2014 12	LTL	-	1.568
Total:				-	**1568**
Less: short-term borrowings				-	-
Less: current portion of long-term borrowing				-	(1.568)
Total long-term borrowings				-	-

The Company's borrowing as of 31 December 2014:

The Company	Contract date	Maturity date	Currency	Balance (LTL thousand)	
				31 12 2014	31 12 2013
AB DnB NORD bankas	2004 05	2014 06	EUR	-	-
AB DnB NORD bankas	2006 06	2013 04	EUR	-	-
AB SEB bankas	2011 09	2013 09	EUR	-	-
AB SEB bankas	2011 11	2014 11	LTL		-
Algirdas Pažemeckas	2011 10	2014 12	LTL	-	1.568
Total:				-	**1.568**
Less: short-term borrowings				-	-
Less: current portion of long-term borrowing				-	(1.568)
Total long-term borrowings				-	-

Terms of repayment of borrowings to the Group and the Company (LTL thousand):

	The Group		The Company	
	31 12 2014	31 12 2013	31 12 2014	31 12 2013
Within one year	-	1.568	-	1.568
In the second year	-	-	-	-
In the third year	-	-	-	-
In the fourth and thereafter	-	-	-	-
Total:	-	**1.568**		**1.568**

Parts of borrowings of the Group and the Company in national and foreign currencies:

	The Group		The Company	
	31 12 2014	31 12 2013	31 12 2014	31 12 2013
EUR	-	-	-	-
LTL	-	1.568	-	1.568
Total:	-	**1.568**	-	**1.568**

15. OBLIGATIONS UNDER FINANCE LEASE

Note No 15 – Obligations under Finance lease (In the statement of financial position)

The Group's and the Company's obligations under finance lease (LTL thousand):

The Group	**31 12 2014**		**31 12 2013**	
	Minimum lease payments	**Present value of minimum lease payments**	**Minimum lease payments**	**Present value of minimum lease payments**
Within one year	263	260	433	426
In the second to fifth years inclusive	110	109	374	370
Minimum lease payments	**373**	**369**	**807**	**796**
Less: future interest	(4)		(11)	
Present value of minumum lease payments	**369**		**796**	

Company	**31 12 2014**		**31 12 2013**	
	Minimum lease payments	**Present value of minimum lease payments**	**Minimum lease payments**	**Present value of minimum lease payments**
Within one year	263	260	433	426
In the second to fifth years inclusive	110	109	374	370
Present value of minumum lease payments	**373**	**369**	**807**	**796**
Less: future interest	(4)		(11)	
Present value of minumum lease payments	**369**		**796**	

As of 31 December 2014 and 2013, the Group's and the Company's finance lease agreements were in EUR.

16. OPERATING LEASE

Note No 16 – Operating lease (In the statement of financial position)

Future operating lease payments according to the signed operating lease contracts are as follows (LTL thousand):

	The Group		**The Company**	
	31 12 2014	**31 12 2013**	**31 12 2014**	**31 12 2013**
Within one year	3.264	3.751	3.264	3.751
In the second to fifth years	3.303	3.792	3.303	3.792
After five years	-	-	-	-
Total:	**6.567**	**7.543**	**6.567**	**7.543**

The currency of the payment of operating lease is Litas (LTL).

17. PAYABLES

Note No 17 – Trade payables (In the statement of financial position) (LTL thousand)

	The Group		The Company	
	31 12 2014	31 12 2013	31 12 2014	31 12 2013
Payables to suppliers	37.446	29.444	36.237	28.186
Payables to related parties	1.737	1.789	5.995	1.211
Prepayments	697	329	697	329
Total:	**39.880**	**31.562**	**42.929**	**29.726**

Trade payables are non-interest bearing and are normally settled on 30-day terms.

18. OTHER LIABILITIES

Note No 18 – Other liabilities (In the statement of financial position)

Other liabilities as of 31 December 2014 (LTL thousand):

	The Group		The Company	
	31 12 2014	31 12 2013	31 12 2014	31 12 2013
Accrued expenses	1.902	484	1.902	484
Holiday reserve	8.116	7.986	7.405	7.386
Wages and salaries payable	-	2.230	-	1.951
Social security payable	(8)	1.544	(8)	1.372
Taxes payable, other than income tax	49	490	-	419
Provisions	-	1.077	-	27
Other current liabilities	1.371	1.431	1.370	1.431
Total:	**11.430**	**15.242**	**10.669**	**13.070**

Provisions are formed for court cases and compensation.
Other payables are non-interest bearing and have an average term of one month.

19. INFORMATION ON SEGMENTS

Note No 19 – Sales (In the statemet of comprehensive income)

For management purposes the Group's and the Company's business activity is organized as one main segment – dairy products production and trading (prime segment):

The Group	Turnover, LTL thousand		Variation in %
	Jan-Dec 2014	Jan-Dec 2013	As comparing 2014 with 2013
Fermented cheese	257.936	245.096	**5.24%**
Fresh dairy products	169.464	147.972	**14,52%**

Butter and spreadable fat mixes	32.498	42.798	**-24,07%**
Dry dairy products	35.423	37.078	**-4,46%**
Ice cream	2.260	72	**3.038,89%**
Other	58.885	56.169	**4,84%**
Total:	**556.466**	**529.185**	**5,16%**

The Company	**Turnover, LTL thousand**		
	Jan-Dec 2014	**Jan-Dec 2013**	**Variation in % As comparing 2014 with 2013**
Fermentted cheese	219.281	227.196	**-3.48%**
Fresh dairy products	169.464	147.972	**14.52%**
Butter and spreadable fat mixes	32.498	42.798	**-24.07%**
Dry dairy products	35.423	37.078	**-4.46%**
Ice cream	2.260	72	**3.038.89.%**
Other	83.349	67.667	**23.18%**
Total:	**542.275**	**522.783**	**3.73%**

In order to better planning, organise and control of sales, employees of the Marketing and Sales Division are assigned different geographic regions according to the location of final market of the products' sale (secondary segmentation).

Information on income received in different geographical markets (secondary segment) is provided below:

	The Group		**The Company**	
	Jan-Dec 2014	**Jan-Dec 2013**	**Jan-Dec 2014**	**Jan-Dec 2013**
Sales, LTL thousand:				
Lithuania	281.499	272.304	301.496	277.550
Other Baltic States and CIS members	113.346	141.132	105.453	134.476
Other Europe countries	137.572	110.919	113.124	107.804
Other	24.049	4.830	22.202	2.953
Total, LTL thousand:	**556.466**	**529.185**	**542.275**	**522.783**

During the year of 2014 sales income from each customer did not constitute more than 10% of the total income.

20. OPERATING EXPENSES

Note No 20 – Operating expenses (In the statement of comprehensive income)

As of 31 December operating expenses consisted of the following:

	The Group		**The Company**	
	Jan-Dec 2014	**Jan-Dec 2013**	**Jan-Dec 2014**	**Jan-Dec 2013**
Wages, salaries and social security*	31.407	30.115	30.661	29.529
Services	15.962	14.112	14.330	13.495

Marketing	9.832	9.407	9.576	9.407
Fuel and spare parts	5.554	5.674	5.442	5.552
Depreciation and amortisation	12.184	2.921	3.320	2.877
Change in write off of inventoriews to net realizable value	(3.782)	9.203	(3.884)	8.587
Materials	1.473	1.364	1.437	1.331
Taxes, other than income tax	727	749	647	668
Other expenses	7.749	1.266	7.096	977
Total sales and distribution expenses:	**81.106**	**74.811**	**68.625**	**72.423**

* A share of these expenditure is accounted as the production costs.

21. INCOME AND EXPENSES OF OTHER ACTIVITIES

Note No 21 – Other operating income and expenses (In the statemet of comprehensive income)

Income and expenses from other activities as of 31 December 2014 (LTL thousand):

	The Group		The Company	
	Jan-Dec 2014	**Jan-Dec 2013**	**Jan-Dec 2014**	**Jan-Dec 2013**
Other operating income				
Gain on sales of property, plant and equipment and goods for resale sales income	1.068	1.207	1.138	1.633
Rental income	288	593	1.333	1.341
Income of the canteen	1.551	1.188	1.551	1.188
Other	448	714	513	993
	3.355	**3.702**	**4.535**	**5.155**
Other operating expenses				
Cost of goods for resale sold	(612)	(1.162)	(559)	(1.095)
Rental income	(501)	(501)	(341)	(341)
Other	(1.097)	(986)	(1.097)	(986)
	(2.210)	**(2.649)**	**(1.997)**	**(2.422)**
Net income and expenses of other activities:	**1.145**	**1.053**	**2.538**	**2.733**

22. FINANCIAL INCOME AND EXPENSES

Note No 22 – Financial income and expenses (In the statemet of comprehensive income)
Income and expenses from financial activities as of 31 December 2014 (LTL thousand):

	The Group		The Company	
	Jan-Dec 2014	**Jan-Dec 2013**	**Jan-Dec 2014**	**Jan-Dec 2013**
Income from financial activity				
Interest income	419	51	420	51
Foreign currency exchange (profit)	133	160	132	160
Other financial incomes	519	467	13	506
	1.071	**678**	**565**	**717**

Expenses from financial activity				
Foreign currency exchange (loss)	(283)	(296)	(201)	(271)
Interest	(42)	(88)	(42)	(87)
Other financial expenses	(65)	(37)	-	-
	(390)	**(421)**	**(243)**	**(358)**
Net of financial income and expenses:	**681**	**257**	**322**	**359**

23. CORPORATE INCOME TAX EXPENSES (BENEFIT)

Note No 23 – Corporate income tax expenses (In the statemet of comprehensive income)

	The Group		The Company	
	Jan-Dec 2014	Jan-Dec 2013	Jan-Dec 2014	Jan-Dec 2013
Profit before tax	11.704	27.130	12.659	22.623
Income tax, applying valid tax rate	5.309	5.134	4.132	4.420
Change in deferred income tax asset	(1.507)	(1.356)	(1.490)	(1.268)
Change in deferred income tax liability	(1.203)	120	-	-
Income tax expenses (benefit) charged to the statement of comprehensive income, LTL thousand	**2.599**	**3.898**	**2.642**	**3.152**

	The Group		The Company	
	31 12 2014	31 12 2013	31 12 2014	31 12 2013
Deferred income tax asset				
Tax loss carry forward	-	-	-	-
Inventories	1.583	2.150	1.475	2.058
Accrued vacation reserve	1.135	1.130	1.111	1.108
Other accrued expenses	2.293	225	2.270	200
Total deferred income tax asset, LTL thousand	**5.011**	**3.505**	**4.856**	**3.366**
Deferred income tax liability				
Difference in property, plant and equipment depretiation rates	-	(1.203)	-	-
Total deferred income tax liability, LTL thousand	-	**(1.203)**	-	-
Deferred income tax asset, net LTL thousand	**5.011**	**2.302**	**4.856**	**3.366**

24. ACQUISITION AND WRITE-OFFS OF SUBSIDIARIES

During the compilation of the set of consolidated financial statements as of 31 December 2012, liquidation of the subsidiary company ŽUK "Tarpučių pienas", which took place on 31 January 2013, was taken into account and the results were represented in financial statements.

25. EARNINGS PER SHARE

Note No 25 - Basic and diluted earnings (loss) per share

Basic earnings (loss) per share are calculated by dividing the net profit attributable to shareholders by weighted average number of ordinary shares in issue during the year.

	The Group		The Company	
	Jan-Dec 2014	Jan-Dec 2013	Jan-Dec 2014	Jan-Dec 2013
Net profit (loss) attributable to the equity shareholders in LTL thousand	9.216	22.774	10.015	19.471
Weighted average number of shares (in thousand)	48.375	48.375	48.375	48.375
Basic earnings (loss) per share inLTL	**0,19**	**0,47**	**0,21**	**0,40**

The Company has not issued other securities potentially convertible into shares. Therefore, the diluted earnings (loss) per share are the same as the basic earnings (loss) per share.

26. DIVIDENDS PER SHARE

	The Group		The Company	
	Jan-Dec 2014	Jan-Dec 2013	Jan-Dec 2014	Jan-Dec 2013
Dividends	-	2.315	-	2.315
Number of shares (thousand)	48.375	48.375	48.375	48.375
Dividends per share (in LTL)	**0,00**	**0,05**	**0,00**	**0,05**

27. COMMITMENTS AND CONTINGENCIES

As of 31 December 2014 the Group and the Company had no material purchase commitments for the acquisition of property, plant and equipment.
At of 31 December 2014 the Group and the Company was not involved in any legal proceedings, which in the opinion of management would have a material impact on the financial statements.

28. FINANCIAL RISK MANAGEMENT

In the course of using financial instruments, the Company and the Group face the following risks:

- ✓ Credit risk;
- ✓ Liquidity risk;
- ✓ Market risk.

The present note provides for information on each of the aforementioned risks the Company faces, the Company's risk evaluation goals, policy and risk valuation and management processes, as well as the Company's capital management. More detailed quantitative disclosures are presented in the present interim statement.

The Company's management is completely responsible for development and supervision of the Company's risk management structure. The Company's risk management policy is devoted to identification and analysis of the risks the Company faces, determination of respective risk limits and controls, and monitoring of the observance of risks and limits. Risk management policy and risk management system are regularly revised to match the changes of market conditions and the Company's activities. With the help of trainings, procedures of management standards, the Company aims to develop a disciplined and constructive management environment, where every employee knows his/her functions and duties.

Credit risk

Credit risk is the risk that the Company will suffer financial losses in case if a customer or another party fails to fulfil their respective obligations, and in most cases such risk is related with amounts receivable from the Company's customers.

The Company's and the Group's credit risk consisted of the following factors:

	The Group		The Company	
	31 12 2014	31 12 2013	31 12 2014	31 12 2013
Cash and cash equivalents	24.233	6.958	21.491	5.153
Loans granted	16.248	5.535	16.248	5.535
Trade accounts receivable	35.714	28.899	34.246	31.695
Other accounts receivable	4.197	5.290	3.697	6.323
Term deposits	-	-	-	-
Total financial assets	**80.392**	**46.682**	**75.682**	**48.706**

The Group and the Company has no significant concentration of trading counterparties, which is related with one partner or group of partners with similar characteristics. Customers' risk, or the risk, that the partners will not keep to their obligations, is managed by approving credit terms and procedures of control. The Group's procedures are in force to ensure on a permanent basis that sales are made to customers with an appropriate credit history and do not exceed an acceptable credit exposure limit.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, if any, in the statement of financial position. Consequently, the Group considers that its maximum exposure is reflected by the amount of receivables (Note 9), net of impairment losses recognized at the financial statements date.

With respect to trade receivables and other receivables that are neither impaired nor past due, there are no indications as of the reporting date that the debtors will not meet their payment obligations since the Company trades only with recognized, creditworthy third parties.

The credit risk on liquid funds is limited because the counterparties of the Group and the Company are banks with high credit ratings assigned by international credit-rating agencies.

Liquidity risk

Liquidity risk is the risk that, upon maturity, the Company will be unable to fulfil its financial liabilities. The Company's liquidity management objective is to maximally secure sufficient liquidity of the Company, which enables the Company to fulfil its obligations under both, normal and complicated circumstances, without suffering unacceptable losses and being exposed to the risk of losing its good reputation.

The Group's policy is to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of committed credit facilities, bank overdrafts and credit lines to meet its commitments at a given date in accordance with its strategic plans.

The tables below summarise the maturity profile of the Group's and the Company's financial liabilities based on contractual undiscounted payments.

The Group	On demand	Up to 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years	Total
Interest bearing loans and borrowings	-	-	1.568	-	-	1.568
Interest bearing finance lease liabilities	-	206	220	370	-	796
Trade payables and prepayments	-	30.119	145	-	-	30.264
Commitments to related parties	-	1.298	-	-	-	1.298
Balance as of 31 December 2013	**-**	**31.623**	**1.933**	**370**	**-**	**33.926**
Interest bearing loans and borrowings	-	-	-	-	-	-
Interest bearing finance lease liabilities	-	74	186	109	-	369
Trade payables and prepayments	-	38.143	-	-	-	38.143
Commitments to related parties	-	1.737	-	-	-	1.737
Balance as of 31 December 2014	**-**	**39.954**	**186**	**109**	**-**	**40.249**
Changes throught 2014	**-**	**8.331**	**(1.747)**	**(261)**	**-**	**6.323**

The Company	On demand	Up to 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years	Total
Interest bearing loans and borrowings	-	-	1.568	-	-	1.568
Interest bearing finance lease liabilities	-	206	220	370	-	796
Trade payables and prepayments	-	28.285	145	-	-	28.430
Commitments to related parties	-	1.296	-	-	-	1.296
Balance as of 31 December 2012	**-**	**29.787**	**1.933**	**370**	**-**	**32.090**
Interest bearing loans and borrowings	-	-	-	-	-	-
Interest bearing finance lease liabilities	-	74	186	109	-	369
Trade payables and prepayments	-	36.933	-			36.933
Commitments to related parties	-	5.995				5.995
Balance as of 31 December 2014	**-**	**43.002**	**186**	**109**	**-**	**43.297**
Changes throught 2014		**13.215**	**(1.747)**	**(261)**	**-**	**11.207**

Market risk

Market risk is the risk that market price changes, e.g. foreign exchange rates or interest rates, will affect the Company's income or the value of available financial instruments. The objective of market risk management is to manage and control the market risk, considering certain limits, through optimisation of the return.

Foreign exchange risk

Major currency risks of the Group and Company occur due to the fact that the Group and Company borrow foreign currency denominated funds as well as are involved in imports and exports. The Group's policy is to match cash flows arising from highly probable future sales and purchases in each foreign currency. The Group does not use any financial instruments to manage its exposure to foreign exchange risk other than aiming to borrow in EUR, to which LTL is pegged.

The monetary assets and liabilities stated in various currencies were as follows (LTL thousand):

	The Group		The Company	
	31 12 2014		31 12 2014	
	Assets	Liabilities	Assets	Liabilities
LTL	53.913	46.989	53.240	49.477
EUR	31.515	5.506	27.478	5.306
USD	40	-	40	-
LVL	-	-	-	-
Other	2.241	44	2.241	44
Total:	**87.709**	**52.539**	**82.999**	**54.827**

	The Group		The Company	
	31 12 2013		31 12 2013	
	Assets	Liabilities	Assets	Liabilities
LTL	39.689	47.706	44.163	42.691
EUR	8.417	5.402	5.798	5.206
USD	21	-	21	-
LVL	3.560	131	3.560	131
Other	13	38	13	38
Total:	**51.700**	**53.277**	**53.555**	**48.066**

All sales and purchases transactions as well as the financial debt portfolio of the Group and the Company are denominated in LTL and EUR. Therefore, the sensitivity analysis to the foreign currency fluctuations was not disclosed due to immateriality of the balances and transactions in currencies other than LTL and EUR.

Fair value of financial instruments

Fair value is defines as the amount at which the financial instrument could be exchanged in a current transaction between knowledgeable willing parties at market prices but not in forced or liquidation sale. Depending on circumstances, fair values are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate.

Fair value of assets and liabilities provided in the balance sheet as of the 31st December 2014 does not significantly differ from their carrying amount.

Financial assets and liabilities as of the 31th of December 2014

The Group	Carrying amount		Fair value	
	31 12 2014	31 12 2013	31 12 2014	31 12 2013
Financial assets				
Cash	24.233	6.958	24.233	6.958

Term deposits	-	-	-	-
Investments available for sale		-	-	-
Loans granted	16.248	5.535	16.248	5.535
Total:	**40.481**	**12.493**	**40.481**	**12.493**
Financial liabilities				
Interest bearing loans and borrowings:	-	-		-
Obligations under finance lease and hired purchase contrac	(369)	(796)	(373)	(807)
Floating interest rate borrowings	-	-	-	-
Fixed interest rate borrowings	-	(1.568)	-	(1.568)
Total:	**(369)**	**(2.364)**	**(373)**	**(2.375)**
Net total:	**40.112**	**10.129**	**40.108**	**10.118**

The Company	Carrying amount		Fair value	
	31 12 2014	**31 12 2013**	**31 12 2014**	**31 12 2013**
Financial assets				
Cash	21.491	5.153	21.491	5.153
Term deposits	-	-	-	-
Investments available for sale	-	-	-	-
Loans granted	16.248	5.535	16.248	5.535
Total:	**37.739**	**10.688**	**37.739**	**10.688**
Financial liabilities				
Interest bearing loans and borrowings: Obligations under finance lease and hired purchase contracts	(369)	(796)	(373)	(807)
Floating interest rate borrowings	-	-	-	-
Fixed interest rate borrowings	-	(1.568)	-	(1.568)
Total:	**(369)**	**(2.364)**	**(373)**	**(2.375)**
Net total:	**37.370**	**8.324**	**37.366**	**8.313**

Capital management

The objective of the Group's and the Company's management policy is to maintain a significant level of owner's equity compared to borrowed funds to avoid discrediting investors, creditors and market trust, as well as maintain development of activities in the future. The management observes the return on capital and presents offers on payment of dividends to owners of ordinary shares, considering the Company's financial results and strategic plans. The primary objectives of the capital management are to ensure that the Group and the Company complies with externally imposed capital requirements and that the Group and the Company maintains healthy capital ratios in order to support its business and to maximise shareholders' value.

No changes were made to the objectives, policies or processes of the Group's and Company's capital management during the year ending as of 31 December 2014.

The Group and the Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. The Group and the Company monitor capital using debt to equity ratio. There is no specific target for debt to equity ratio set out by the Group's and the Company's management, however the management strives for maintaining the balance between higher return, which could be achieved through a higher level of borrowed funds, and safety, which is provided by a higher level of owner's equity.

Current debt to equity ratios presented below:

	The Group		The Company	
	31 12 2014	31 12 2013	31 12 2014	31 12 2013
Non-current liabilities (including deferred taxes and grants)	7.493	7.539	6.292	4.039
Current liabilities	52.412	51.667	54.699	47.659
Total liabilities	**59.905**	**59.206**	**60.991**	**51.698**
Equity attributable to equity holders of the parent	**176.337**	**167.121**	**170.919**	**160.904**
Debt* to equity ratio	**34%**	**35%**	**36%**	**32%**

* Debt contains all non-current (including deferred income tax liability and grants (deferred revenues)) and current liabilities.

No breaches of required ratio occured during the year ending as of 31 December 2014.

29. RELATED PARTY TRANSACTIONS

Related parties of the Group and the Company are:

- the parties that control, are controlled by or are under common control with the Company;
- the parties that can have material impact on the activities of the Company;
- the parties that are management members of the Company or its parent company;
- close members of the family of the aforesaid persons;
- the companies that are under control or material impact of the aforesaid persons.

The main related parties of the Group and the Company are:

Company	Relationship
Žemaitijos Pieno Investicija AB	Common major shareholder
Šilutės Rambynas ABF	Subsidiary, common major shareholder
Baltijos Mineralinių Vandenų Kompanija UAB	Common major shareholder
Klaipėdos Pienas AB	Common major shareholder
Čia Market UAB	Common major shareholder
Muižas Piens SIA	Common major shareholder
Samogitija UAB	Common major shareholder
S.A.R.Dziugas France	Common major shareholder
Dziugas PL.Sp.z.o.o.	Common major shareholder
Dziugas UK Ltd	Common major shareholder

Sales to and purchases from related parties (LTL thousand):

	The Group		The Company	
	Jan-Dec 2014	Jan-Dec 2013	Jan-Dec 2014	Jan-Dec 2013
1)Sales				
Sales of goods				
To the Group				
Šilutės Rambynas ABF	-	-	73.882	82.722

	-	-	73.882	69.002
To Related parties				
Baltijos mineralinių vandenų kompanija UAB	44	35	44	35
Klaipėdos pienas AB	1.534	2.048	588	792
Žemaitijos pieno investicija AB	-	-	-	-
Čia Market UAB	18.561	21.370	18.561	21.366
Muizas piens SIA	3.633	6.111	3.633	4.779
	23.772	**29.564**	**22.826**	**26.971**
Sales of inventory and services				
To the Group				
Tarpučių pienas ŽŪK	-		-	-
Šilutės Rambynas ABF	-	-	1.347	1.327
	-	-	**1.347**	**1.327**
To Related parties				
Baltijos mineralinių vandenų kompanija UAB	649	516	649	516
Klaipėdos pienas AB	1.220	1.422	1.220	1.422
Žemaitijos pieno investicija AB	596	146	569	146
Samogitija UAB	2	2	2	2
Čia Market UAB	289	260	274	245
Muizas piens SIA	15	39	15	39
	2.771	*2.385*	*2.729*	*2.370*
Total Sales:	**26.543**	**31.949**	**100.784**	**113.390**

	The Group		The Company	
	Jan-Dec 2014	Jan-Dec 2013	Jan-Dec 2014	Jan-Dec 2013
2) Purchases				
From the Group				
Tarpučių pienas ŽŪK	-	-	-	-
Šilutės Rambynas ABF	-	-	74.927	88.532
	-	-	74.927	**88.532**
From Related parties				
Baltijos mineralinių vandenų kompanija UAB	5.695	6.271	5.692	6.271
UAB Samogitija	69	-	69	-
Čia Market UAB	553	730	530	713
Klaipėdos pienas AB	2.446	2.715	2.446	2.714
Žemaitijos pieno investicija AB	2.595	2.562	2.590	2.556
SIA "Muizas piens"	4.766	104	4.766	104
Dziugas PL Sp.z.o.o.	29	-	29	-
	16.153	*12.382*	*16.122*	*12.358*
Total Purchases:	**16.153**	**12.382**	**91.049**	**100.890**

Balances outstanding with related parties

	The Group		The Company	
	31 12 2014	31 12 2013	31 12 2014	31 12 2013
3) Accounts recievable and financial debts				
From Group				
Šilutės Rambynas ABF	-	-	-	6.311

	-	-	-	**6.311**
From Related parties				
Baltijos mineralinių vandenų kompanija UAB				
Samogitija UAB	71	70	71	70
Čia Market UAB	3.176	192	3.176	192
Klaipėdos pienas AB	10.034	70	10.001	-
Žemaitijos pieno investicija AB	3.486	2.579	3.486	2.579
Muizas piens SIA	222	734	222	734
	16.989	*3.645*	*16.956*	*3.575*
Total balances of recievables:	**16.989**	**3.645**	**16.956**	**9.886**

	The Group		The Company	
	31 12 2014	**31 12 2013**	**31 12 2014**	**31 12 2013**
4) Balances of payables				
To Group				
Tarpučių pienas ŽŪK	-	-	-	-
Šilutės Rambynas ABF	-	-	4.270	-
	-	-	**4.270**	-
To Related parties				
Pažemeckas Algirdas	-	1.568	-	1.568
Baltijos mineralinių vandenų kompanija UAB	802	897	802	897
Žemaitijos pieno investicija UAB	1	315	-	314
Klaipėdos pienas AB	264	-	264	-
Čia Market AB	11	1	-	-
Muizas piens SIA	641	85	641	85
Dziugas PL.Sp.z.o.o.	16	-	16	-
Dziugas UK Ltd	2	-	-	-
	1.737	*2.866*	*1.725*	*2.864*
Total balances of payables:	**1.737**	**2.866**	**5.995**	**2.864**

Payables to related parties are normally settled within 30 day terms.

Outstanding balances at the year-end are unsecured, interest free and settlement occurs in cash. In 2014, the Company have calculated LTL 1.869 thousand of decrease in distribution value for doubtful accounts, relating to the amounts that belong to the related parties (in 2013 – LTL 867 thousand). Evaluation of these doubtful accounts is being reviewed every financial year, by checking the financial state of the related party and the market, in which the related party is operating. The Group has many transactions with the related parties (the companies in AB "Žemaitijos pieno investicija" group), and Group's profit as well as sales are strongly influenced by the transactions with AB "Žemaitijos pieno investicija" group. It includes rent of fixed assets, raw material sales as well as full buy up of cheeses from ABF "Šilutės Rambynas", sale of distribution services to UAB "Baltijos mineralinių vandenų kompanija" and sales of finished goods to UAB "Čia Market".

EVENTS AFTER THE REPORTING PERIOD

There were no events occurred after the reporting period that would influence financial results of the Group and the Company.

Group's consolidated financial statements and the Company's Financial Statements signed and approved on 13 March 2015

Robertas Pažemeckas	Dalia Gecienė
Acting General Director	Senior accountant

I. GENERAL INFORMATION ABOUT THE ISSUER

1. Reporting period covered by the Report

This consolidated annual report is prepared and submitted for the 2014 financial year.

2. The Issuer and its contact details

Name	AB Žemaitijos Pienas
Legal – organizational form	Public Limited Liability Company
Incorporated	The Public Limited Liability Company registered on 23 June, 1993
Company code:	180240752
VAT payer's code:	LT802407515
Authorized capital	48 375 000 LTL
Legal address	Sedos Str. 35, LT-87101 Telšiai
Phone	8 (444) 22201
Fax:	8 (444) 74897
E-mail	info@zpienas.lt
Website	www.zpienas.lt

3. Information about the Company branches and representative offices

On 31 December 2014, the consolidated Žemaitijos Pienas Company Group consisted of the parent company Žemaitijos Pienas, its subsidiary and associated company. The subsidiary company controlled by the Company is as follows:

ABF Šilutės Rambynas, company code 277141670
The Company owns 87.82% of the authorized capital.
Legal address – Klaipėdos str. 3, Šilutė.
Nature of business activity is production of cheese and other dairy products.

Associated company SIA Muižas piens, company code 40003786632
The Company owns 32% of the authorized capital.
Legal address – Skaistkalnes 1, Riga, Latvija.
Nature of business activity is retail and wholesale trade.

AB Žemaitijos Pienas has 5 branches with warehouses and vehicle fleets in the following Lithuanian cities:

- Vilnius Branch, address: Algirdo str. 40/13, Vilnius
- Kaunas Branch, address: Kėdainių str. 8A, Kaunas
- Klaipėda Branch, address: Šilutės rd. 33, Klaipėda
- Panevėžys Branch, address: J. Janonio str. 9, Panevėžys
- Telšiai Branch, address: Sedos str. 35, Telšiai

4. Nature of the main business activity of the Issuer and its subsidiaries

The main activity of AB Žemaitijos Pienas is development, production and sale of dairy products (fermented cheeses and cheese products, pre-packaged cheeses and cheese products, processed cheeses and cheese products, cream, cream cheese, butter dairy spreads, mixed spreads, dairy fat, pasteurized cream, buttermilk, whey, dry milk products, fresh dairy products (milk, cream, cottage cheese, cottage cheese products, yoghurts, desserts, curd cheeses, glazed curd cheeses, fermented dairy products)) in Lithuanian and foreign markets.

The main activity of ABF Šilutės Rambynas is development, production and sale of fermented cheeses and cheese products, as well as production and sale of pasteurized cream, pasteurized whey, and concentrated whey.

5. Data on securities of the Issuer traded on regulated markets

Ordinary registered shares of AB Žemaitijos Pienas are included in the Vilnius NASDAQ Stock Exchange Baltic additional stock listing since 13 October 1997.

Type of shares – ordinary registered shares
Number of shares – 48 375 000
Total nominal value – 48 375 000 LTL
Securities ISIN code – LT0000121865
VSE symbol – ZMP1L

6. Information on agreements made with the agents of public circulation of securities

On 16 July 2004, the Company entered into an agreement with AB Šiaulių Bankas, address: Tilžės Str. 149, Šiauliai, that determines the transfer of handling of the Company's securities account to AB Šiaulių Bankas, from 23 July 2004.

7. Data on trading in shares of the Group's enterprises in the regulated markets

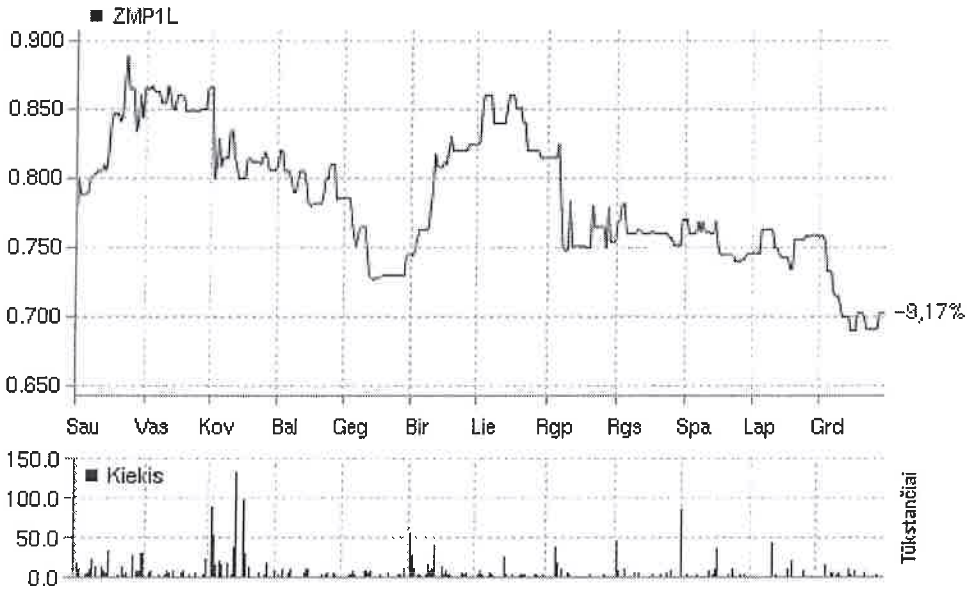
Only the securities of AB Žemaitijos Pienas are traded on the regulated market – 48,375,000 ordinary registered shares are included in the Vilnius NASDAQ Stock Exchange Baltic additional stock listing (VSE symbol – ZMP1L). A par value of 1 (one) share is 1 LTL. Total par value of shares amounts to 48 375 000 LTL.

There were no non-equity securities, the circulation of which is regulated by the Law on Securities of the Republic of Lithuania.

Trading in other stock exchanges or other organized markets is not and has not been carried out.

Hereunder is presented graphic information on the transactions (trade) in shares of AB Žemaitijos Pienas at Vilnius Stock Exchange during January – December 2014. The graphs are taken from the website of AB NASDAQ OMX Vilnius:

http://www.nasdaqomxbaltic.com/market/?instrument=LT0000121865&list=3&pg=details&tab=historical&lang=lt&currency=0&downloadcsv=0&date=&start_d=1&start_m=1&start_y=2014&end_d=31&end_m=1&end_y=2014



8. Historical data on securities

Below are also presented historical data on trading in securities of AB Žemaitijos Pienas at NASDAQ OMX Vilnius Stock Exchange 2010–2014:

Indicator	2011	2012	2013	2014	2015
The opening price	0.699	0.679	0.600	0.816	0.703
The highest price	0.770	0.735	0.833	0.888	0.729
The lowest price	0.555	0.536	0.596	0.690	0.691
The last price	0.679	0.600	0.774	0.703	0.697
Turnover (shares)	4 945 124	1 514 200	2 864 080	1 799 959	48 996
Turnover (million)	3.22 EUR	0.96 EUR	2.09 EUR	1.43 EUR	0.03 EUR
Capitalization (million)	32.85 EUR	29.03 EUR	37.44 EUR	34.01 EUR	33.72 EUR

9. Authorized capital of the Issuer

On 31 December 2013, authorized capital of AB Žemaitijos Pienas consisted of:

Type of shares	Number of shares (shares)	Par value (LTL)	Total par value (LTL)	Share of the authorized capital (%)
Ordinary registered shares	48 375 000	1	48 375 000	100

All shares are fully paid and there are no restrictions on the transfer of securities.

10. An objective review of the Company's financial position, performance, and development

AB Žemaitijos Pienas is a Lithuanian company with old dairy processing traditions, which cherishes classic dairy products recipes and techniques to promote reviving and consumption of products that reflect a long history of culture and culinary heritage.

AB Žemaitijos Pienas was founded in 1924. Telšiai Dairy, launched in that year, was of very high capacity at that time. At the end of 1984, a newly constructed Telšiai Dairy started operating, which continued until the largest in the Baltic countries Telšiai Cheese Factory was opened and privatized in 1993. AB Žemaitijos Pienas was registered on 23 June 1993 in Telšiai District Board and re-registered on 16 October 1998 in the Lithuanian Ministry of Economy.

Consulting with the best European and USA companies, focusing on introducing of the new technologies, using the world's most advanced membrane technology of milk purification *Bactocath* ensured increasing of the variety of products, and improvement of their quality. In 2006, the Order No. B1-800 of Director of the Lithuanian State Food and Veterinary Service of 13.12.2006 on veterinary approval of the animal food management entity annulled the Order No. 4-104 of 20.07.1995 on granting of the veterinary control numbers; and approved compliance of AB Žemaitijos Pienas with requirements of the new hygiene regulations, and production of AB Žemaitijos Pienas products with the provided number – 78-01 P.

Flawless work is the company's business card, which testifies the reliability and solidity of AB Žemaitijos Pienas entering the market of the country by its products and proclaiming the Samogitia region and Lithuania in the world. Currently the company employs over 1300 professional and creative employees. Their significant contribution, optimism, and intelligence allow the AB Žemaitijos Pienas to achieve ambitious goals and overcome new challenges in the national and international markets

Work experience gained during many years and unique recipes currently allow offering a wide range of high quality products with excellent taste to the users.

Today, the Company produces dairy products (over 200 different names both new and already favored by the consumers), e.g. a new group of organic dairy products *DOBILAS*. The products bearing *MAGIJA* trademark earned the trust of consumers from the moment they were introduced and became strikingly popular. The consumers favor the fermented and processed cheeses, as well as non-ripened peelable cheese sticks *PIK-NIK*, which are one-of-the-kind in Lithuania.

The consumers favor milk, kefir, yoghurt, sour cream, cream, cottage cheese and glazed curd cheeses, natural and seasoned butter, as well as many other products. The Company also promotes national culinary heritage. Homemade fresh curd cheese and *Žemaitiškas kastinys* (Samogitian sour cream butter) of ŽEMAITIJOS PIENAS are made only from traditional raw materials and additives according to traditional technology. Therefore, these products of exceptional taste were awarded the certificates of Lithuanian Culinary Heritage Foundation and bear the special mark.

Many years of experience and unique formulas allow offering to the consumers a wide selection of products of excellent taste and high quality.

Consulting with the best European and USA companies, focusing on introducing new technologies, using the world's most advanced membrane technology of milk purification *Bactocath* allowed increasing the variety of products and improving their quality. The company produces fresh dairy products, butter, fermented and processed cheese, dry milk products.

The products of the Company are favored by the Lithuanian and foreign consumers – dairy products of AB Žemaitijos Pienas are exported to the European Union and Baltic States, Russia, Belarus, Ukraine, Israel, Croatia, and other countries.

Most of the dairy products produced by AB Žemaitijos Pienas meet not only European, but also global standards and are awarded gold medals and diplomas at various international exhibitions.

In addition, in 2006, the Order No. B1-800 of Director of the Lithuanian State Food and Veterinary Service of 13.12.2006 on veterinary approval of the animal food management entity annulled the Order No. 4-104 of 20.07.1995 on granting of the veterinary control numbers; and approved compliance of AB Žemaitijos Pienas product production with requirements of the new EU hygiene regulations, and provided the veterinary approval number – 78-01 P.

Also in 2006 the Laboratory of AB Žemaitijos Pienas was audited by the German Accreditation Council DAP according to the DIN EN ISO/IEC 17025:2000 requirements and its compliance was approved with the accreditation certificate under DAP registration No. DAP-PL-3977.00

In 2007, the Company started manufacturing organic products. PE EKOAGROS confirmed that AB Žemaitijos Pienas meets the requirements of the EU Council Regulation EC No. 889/2008 and Rules for Organic Farming. The manufacturing of organic products (organic cheese, organic milk, organic yogurts, and other products) has been certified, as well. The organic product range is continuously expanding: organic hard cheese was certified in 2010; production of organic curd and organic curd cheeses started in 2011, and production of organic fresh cheese and organic sour milk started in 2012.

In May 2008, AB Žemaitijos Pienas under a purchase-sale transaction has acquired 87.82% (754 938 units) of ordinary registered shares of ABF Šilutės Rambynas previously owned by AB Žemaitijos Pienas. The transaction amounted to LTL 10.878 million, i.e. LTL 14.41 per share.

AB Žemaitijos Pienas and ABF Šilutės Rambynas pay great attention to product safety and quality, as well to customer satisfaction. Therefore, in 2008, they began to develop a common integrated Food safety and Quality Management System (in accordance with the requirements of ISO 22000:2005 and ISO 9001:2008).

In 2009, Žemaitijos Pienas group of companies has developed the Integrated Food Safety and Quality Management System (IFSQMS) in accordance with the international standards ISO 9001 and ISO 22000, which on 30 April 2009 was certified by the management system certification and technical assessment, company Bureau Veritas Lit.

Certification areas were development, production, and sale of diary products. The ISO 9001 Management System Certificate shows that the Company has implemented a quality management system to ensure the effective management of the Company based on the worldwide-recognized values and objectives. The ISO 22000 Food Safety Management System Certificate indicates that the Company ensures food safety throughout the entire production and supply chain up to its consumption. Companies with ISO 22000 certification must pay special attention to production process and implementation of the good production and environment practice, good hygiene practice, and good manufacturing practice in order to ensure a safe and high quality end product.

AB Žemaitijos Pienas decided to pursue an even higher assessment, i. e. an assessment in accordance with the requirements of BRC (British Retail Consortium) Global Food Standard Issue 5.

IFSQMS was supplemented with high requirements of BRC standard. In beginning of 2010, the auditors from the International Certification Institution Bureau Veritas Certification assessed the compliance of cheese-butter-packaged and processed cheese production with BRC standard and issued a certificate.

The BRC (British Retail Consortium) Global Standard for Food Safety is used worldwide as a business (retailers and processors) assessment system, ensuring the production of safe food products and the selection of reliable suppliers. The BRC Global Standard for Food Safety is one of the operational tools most frequently used for supplier approval. Shortly after certification of AB Žemaitijos Pienas, requirements for assessment under the BRC met AB Klaipėdos Pienas, and at the end of the year – ABF Šilutės Rambynas.

In 2010, the Laboratory of AB Žemaitijos Pienas was re-registered to UAB *Nepriklausoma tyrimų laboratorija* (Independent Testing laboratory), which was audited by the German accreditation body DAkks in accordance with DIN EN ISO / IEC 17025:2005 requirements and granted an accreditation certificate.

In the beginning of 2012 seeking to demonstrate its confidence in the quality and food safety systems, our Company chose the so-called non-notified audit under Issue 6 of the BRC Global Standard for Food Safety. This enables the certification body to carry out a non-notified independent assessment of Company's manufacturing conditions and procedures. Such so-called certificate with "+" sign does not have any Lithuanian food manufacturing company certified in accordance with the requirements of the BRC.

In April 2012, Bureau Veritas performed an audit and granted the first ISO 22000 certificate in Lithuania to the food producer – AB Žemaitijos Pienas.

FSSC scheme covers the international ISO 22000 Food Safety Standard, the necessary programs, and additional FSSC requirements provided for in ISO/TS 22002-1standard. FSSC scheme is fully recognized by Global Food Safety Initiative (GFSI).

In 2013, AB Žemaitijos Pienas became the first food product manufacturing company in the Baltic States that has been awarded BRC certification of A+ grade. This particularly high and globally recognized certification indicates that food safety and quality audits in this one of the largest and most advanced milk processing companies in Lithuania are conducted without prior notice. Currently, 29 Lithuanian food companies have the valid BRC certification, but all the certificates were issued in the usual manner, i. e. when audits were conducted with prior agreement. AB Žemaitijos Pienas became the first company not only in Lithuania, but also in the Baltic States that has been awarded an even higher level of BRC certification with "+ "sign. In March of this year, the "+" sign had only 48 food manufacturing companies (out of 15,718 certified companies recorded in the global BRC database).

On 10 January 2013, the European Commission recognized ***Žemaitiškas kastinis*** **(Samogitian sour cream butter)** as a **Traditional Specialty Guaranteed.** This is the fifth Lithuanian product which has acquired the name of a product protected in the European Union. Recognition at EU level allows labeling this product with a special EU mark with the indication "Traditional Specialty Guaranteed". This indicates that the name of this product is protected from any direct or indirect commercial use, imitation or evocation, as well as other activities that could mislead consumers.

Because of further globalization of the supply process and changes in the sales markets, there are additional requirements for assurance of the food safety level. One of these requirements is IFS certificate, which is necessary to export diary products produced by AB Žemaitijos Pienas to German trade networks.

On 7-15 April 2014, auditors of an independent international Det Norske Veritas certification body assessed compliance of AB Žemaitijos Pienas IFSQMS with IFS requirements and granted certificate of the highest level. IFS is an international food safety standard based on the unified evaluation system of the selected suppliers. It was created in 2003 by the associated members of the Federation of German retailers – Hauptverband des Deutschen Einzelhandels (HDE).

The main criteria of the standard are as follows:

•Identification of the number of managed Critical Control Points (CCP);

•Application of CCP monitoring system (with clear records and periodic checks);

•Ensuring of the management that employees are aware of their responsibilities and that work performance is measured;

•Product traceability;

•Implementation of corrective actions.

The standard applies to suppliers at all levels of the food processing with exception of the agricultural stage.

On 1 July 2014 whey powder and hard cheese *Džiugas* were certified by halal requirements. Halal product certification and labeling means an official statement to the consumer that such products can be used by religious Muslims. **Halal** certificate confirms that a food product complies with all the most important Islamic Dietary Laws.

11. Significant events since the end of the previous financial year

Awards received in 2014:

- At the International Cheese Awards Nantwich 2014 EST.1897 AB Žemaitijos Pienas was evaluated as an innovative, and awarded a silver medal for *Džiugas* cheese (31. 07.2014).
- At the exhibition "World Food 2014" AB Žemaitijos Pienas was awarded a silver medal for *Džiugas* cheese (Moscow, 2014).
- At the 6th Lithuanian Producers Exhibition "Choose the Lithuanian Product" *Dobilas* organic yoghurt sour cream 10 % fat was awarded a medal of "Choose the Lithuanian Product 2014" (Kaunas, 04.10.2014).
- At the exhibition/tasting contest "World Food" ("World Milk Ukraine 2014") 12-month-ripened hard cheese *DŽIUGAS Mild;* 24-month-ripened hard cheese *DŽIUGAS Delicte* of AB Žemaitijos Pienas was awarded Grand Prix (3 stars) (Kiev, 28-30.10.2014)
- At the International Food Exhibition "Sial Innovation 2014" 24-months organic cheese *DŽIUGAS* package of AB Žemaitijos Pienas was recognized as innovative (Paris, 20. 10.2014)
- *Dobilas* natural organic yoghurt with ginger and lemon produced by AB Žemaitijos Pienas. Lithuanian Confederation of Industrialists. Lithuanian Product of the Year contest 2014 (Gold Medal) (19.12.2014).
- *Magija* glazed curd cheese with condensed milk filling, produced by AB Žemaitijos Pienas. Lithuanian Confederation of Industrialists. Lithuanian Product of the Year contest 2014 (Gold Medal) (19.12.2014).
- Fresh cheese *Magija* vanilla, produced by AB Žemaitijos Pienas. Lithuanian Confederation of Industrialists. Lithuanian Product of the Year contest 2014 (Gold Medal) (19.12.2014).
- Žemaitijos Low Fat Cottage Cheese, produced by AB Žemaitijos Pienas. Lithuanian Confederation of Industrialists. Lithuanian Product of the Year contest 2014 (Gold Medal) (19.12.2014).

12. Description of principal risks and uncertainties that the Company faces

The company is engaged in the activity of milk processing. The main factors creating the risk for the Company business are potential changes in the market of raw material and product sales. In addition, some political, legal, social and technological changes directly or indirectly related to the activity of AB Žemaitijos Pienas are possible with a potentially negative impact on the Company's cash flows and activity results.

Since a large part of production is exported, but the Company on the level of Europe or other states is not a big market player, who would be able to dictate the market price of cheese, changes in commodity prices of dry milk and cheese products, intervention balances and other aspects of global trade could have a significant impact on performance. The political-legal and commercial aspects of trade in the Russian market have a significant impact on the Company's actual results for the year 2014.

The main raw material used by the Company is milk, the amount of which to be sold for processing to the producers of dairy products in European Union is restricted by national milk quotas. The restriction of raw material supply can result in the lack of raw material, and increase the price of raw material. These changes may adversely affect the Company's cash flows and results of activity.

The Company's business (especially milk procurement, transportation, and distribution of products) represents a labor-intensive activity. Increasing wages for employees could have negative effects on the Company's growth potential and activity results.

Fluctuating prices of fuel also could have materially negative effects on the Company performance results both in the process of collection of raw material and product distribution.

The Company specializes in the production of fresh dairy products and various kinds of cheese. A major part of income comes from the sale of these products. Due to this reason, company's revenue, profit and general financial state may be affected by negative changes in the market with regard to demand and prices of fresh dairy products and cheese. Segment of fresh dairy products is mainly affected by Lithuanian market and the cheese segment – by export markets.

A major impact on the efficiency of milk production and use of equipment has seasonality of raw milk, which is predominant in Lithuania. Given the seasonality of raw materials in terms of quantities retained trend of previous years, there were justified expectations, regarding seasonality trends of the raw material price.

13. Analysis of the financial and non-financial performance results, environmental and personnel-related issues

13.1. Analysis of financial performance

Key financial indicators reflecting Group's and the Company's activities in 2014-2013 (in thousand LTL):

Financial indicators	According to International Accounting Standards			
	2014		2013	
	Group	Company	Group	Company
Turnover	556.466	542.275	529.185	522.783
Gross profit	90.984	78.424	100.631	91. 954
Profit before taxes, interests, and depreciation	24.568	23.031	42.260	35.555
Profit before taxes	11.704	12.659	27.130	22.624
Amount of investments in the long-term assets	23.672	22.082	14.979	12.821

Comparison of raw milk procurement tonnage and price in 2014, 2013, and 2012:

Procured raw milk (recalculated into base fatness)	2014	2013	2012
Volume of milk procured, in thousands of tones	343	332	334
Price for the milk procured, LTL/t	843	937	769

In 2014, the Company procured 285,000 tons of natural milk, in 2013 – 276,000 tons, and in 2012 – 276,000 tons.

Below is presented a distribution of **AB Žemaitijos Pienas** products sold in Lithuanian and export markets during the year 2013 and the year 2014 (thousand LTL):

Name of the product group	Turnover, in thousand LTL		Change when compared 2014 to 2013 %
	2014	2013	
Fermented cheeses	219.281	227.196	-3%
Fresh dairy products	169.464	147.972	15%
Butter and spreadable fat mixes	32.498	42.798	-24%
Dry milk products	35.423	37.078	-4%
Ice cream	2.260	72	3.038%
Other	83.349	67.667	23%
In total	**542.275**	**522.783**	**4%**

Group's sales by geographical segment (secondary segment) during 2014 and 2013 (in thousand LTL):

Sales by geographic segments	2014	2013
Lithuania	281.499	272.304
Other Baltic States and CIS countries	113.346	141.132
Other European countries	137.572	110.919
Other	24.049	4. 830
Total	**556.466**	**529.185**

13.2. Environmental protection

As a company manufacturing and marketing dairy products, AB Žemaitijos Pienas, according to the specific criteria, is assigned to the Equipment group specified in Annex 1 to the environmental permit Integrated Pollution Prevention and Control (IPPC) rules. The activity of AB Žemaitijos Pienas is conducted in compliance with the unlimited permit of IPPC issued on 29 December 2006, which could be corrected according to any changes. The Company does not have any negative impact on environment that would have to be reduced with emergency measures, but it constantly tracks its performance indicators, plans and implements investments that would allow reducing production and activity expenses and energy expenditure to keep its status of company concerned with environmental protection. We are always ready to solve environmental problems together with society.

The Company constantly improves the integrated quality management and food safety management system that meets international standards BRC, ISO 9001, ISO 22000, FSSC (ISO 22000, ISO/TS 22002-1) and IFS requirements, plans to implement the ISO 14000 Environmental Management System.

The Company does not have a significant negative impact on the environment. Contaminated waste water is released for cleaning in the city treatment facilities, which in 2010 were completely reconstructed implementing the Venta–Lielupe River Basin Investment Program Project, amounting to LTL 44.43 million. After reconstruction of Telšiai City waste water treatment facilities, nitrogen and phosphorus now is also removed from waste waters. In order to comply with EU directives for waste water treatment, UAB *Telšių vandenys* is launching a project "Construction of Telšiai Sludge Treatment Plants", total value of which exceeds LTL 24.4 million.

In the first half of 2014 the Company completed implementation of the boiler modernization project "Construction of 10 MW Steam Boilers Using Fuel Wood in Telšiai" changing the type of fuel used from gas to renewable energy. After reconstruction of the boiler house, a new biofuel boiler was put into operation while natural gas will be used as a backup fuel. The Company is not included in the ETS trading system under the National Allocation Plan for 2013-2020.

Natural resources are used sparingly. Impact on the environment is controlled by coordinated monitoring programs. The Company constantly updates its vehicle fleet in order to reduce air pollution in the environment. In order to ensure reduction of emissions from stationary sources of pollution, the Company uses the best available techniques.

The company has developed a scenario of possible accidents, plans for their causes and liquidation, as well as hazard identification, risk analysis and assessment of safety of a cold ammoniac compressor and gas station storage from the point of view of hazardous object.

All waste and packages are handled in accordance with the environmental requirements. AB Žemaitijos milk carries out segregation of secondary raw materials out of the overall waste flow and systematically sends this waste-to-waste collectors and processors. In order to implement the packaging waste management, the Company signed a contract with the public entity for packaging management organization *Pakuočių tvarkymo organizacija*. In the territory of the Company hazardous and non-hazardous waste is stored and handled in a way that does not negatively affect the environment; the storage areas are marked accordingly. The waste is timely transported to waste disposing companies.

The Company continuously carries out investment projects that implement new modern technologies, which allow more efficient use of energy resources.

On 12 June 2012, AB Žemaitijos Pienas presents to the Lithuanian Environmental Investment Fund (LEIF) a project information form for an investment project "AB Žemaitijos Pienas Acid Whey Processing Line Installation, Reducing the Amount of Waste". In 2014, the I phase of the project was accomplished, and the first part of the subsidy was received from the LEIF, which was LTL 138.878,81.

13.3. The Human Resources Policy

The Company aims to create and develop long-term relationships with its employees. The employees are constantly encouraged to grow professionally. The employees of the Company have the opportunity to improve their knowledge and skills in seminars and courses. Various training programs are available for training and certification of professionals, production workers, production machinery operators, operators, locksmiths, foremen, and masters.

Vocational training during the reporting period

Item No.	Work / training title	Average number of trained employees
1.	New employees trained in accordance with an introduction training program	217
2.	Production workers, certified and trained in accordance with a continuing education program	74
3.	Production workers, trained (training continues) in accordance with a continuing education program	-
4.	Company's specialists who trained other employees during internal staff training sessions	29
5.	Employees trained in external training sessions at the Company's premises (purchased service)	408
6.	Certified new craftsmen and foremen	3
7.	Employees trained on health and safety issues	48
8.	Employees trained to work with new equipment	24
9.	Employees who participated in external training (courses, seminars, conferences)	370
10.	Developed training programs	8
	In total	1181

Also a lot of attention is paid to learning foreign languages. The employees attended courses organized by the Company, as well as use various other forms of training and development, including improving their skills of a foreign language abroad.

13.4. Employees

According to the data of 31 December 2014, the total number of employees in AB Žemaitijos Pienas was 1192, which insignificantly decreased compared with 31 December 2013; i. e. number of employees compared to the corresponding period of the previous year fell by 1.61 percent.

Average change in AB Žemaitijos Pienas employees during the last financial year:

	31 12 2014	31 12 2013
Average number of employees	1192	1205

Grouping of the personnel according to the educational background:

Employee number	31 12 2014	31 12 2013
Master degree	39	22

Higher education	216	196
Higher-vocational education	236	306
Vocational education	260	242
Secondary education	350	404
Uncompleted secondary education	91	35
In total:	1192	1205

Number of AB Žemaitijos Pienas employees and their average monthly salaries for respective groups are as follows:

Number of employees according to groups	31 12 2014		31 12 2013		31 12 2012	
	Number of employees	The average wage	Number of employees	Average monthly wage, LTL	Number of employees	Average monthly wage, LTL
Managers	21	8642	22	7100	54	6961
Specialists	239	3546	304	3310	256	3206
Workers	932	2045	879	2080	921	2016
In total:	1192		1205		1231	

Company employees' rights and obligations are provided in the staff regulations. Employment contracts do not provide for special rights or obligations.

According to the data of 31 December 2014, the total number of employees in Šilutės Rambynas, ABF was 179 employees, i. e. compared with 31 December 2013, and the number of employees during the reporting period increased by 1.7%.

Average change in ABF Šilutės Rambynas employees during the last financial year:

	31 12 2014	31 12 2013	30 06 2013
Average number of employees	179	176	189

Grouping of the personnel of Šilutės Rambynas, ABF according to the education background:

Number of employees according to their education	31 12 2014	31 12 2013
Master degree	8	7

Higher education	20	20
Higher-vocational education	23	25
Vocational education	73	71
Secondary education	36	35
Uncompleted secondary education	19	18
In total:	179	176

Average monthly salaries according to respective groups of employees of Šilutės Rambynas, ABF is as follows:

Number of employees according to groups	31 12 2014		31 12 2013		30 06 2013	
	Number of employees	Average wage, LTL	Number of employees	Average monthly wage, LTL	Number of employees	Average monthly wage, LTL
Managers	4	6606.76	4	6267.81	4	6165.66
Specialists	87	2857.93	71	3189.72	48	2651.50
Workers	88	2118.88	101	1963.49	137	1946.32
In total:	179		176		189	

Employment contracts do not provide for special rights or obligations. Neither AB Žemaitijos Pienas nor ABF Šilutės Rambynas have concluded or implemented any collective agreements.

14. References and additional notes on the data provided in the Annual Financial Statements

Data provided in the Annual Financial Statements and Explanatory Notes are adequate, complete, and informative, i.e. no additional explanation is needed.

15. Data on acquisition of the Issuer's own shares

During the financial year of 2011, AB Žemaitijos Pienas acquired 10 units of AB Žemaitijos Pienas ordinary registered shares of LTL 1 (one) per value for LTL 18.00; the shares have been acquired through the Stock Exchange NASDAQ OMX Vilnius – the official tender submarket.

In December 2012, the Company acquires by order 1 360 010 units of own shares for the amount of LTL 2,992,000 at NASDAQ OMX Vilnius Stock Exchange; at the moment the Company owns 2,070,621 units, i. e. 4.28% of ordinary registered shares. All the shares are fully paid by the Company.

During the year 2013, the Company bought 710. 611 own shares.

During the reporting period, the Company did not transfer any of its own shares.

It should be noted that none of the subsidiary companies have acquired the Company's shares.

16. Business plans and forecasts of the Company

In a long-term perspective AB Žemaitijos Pienas expects to become a technically and technologically modern, reliable and stable growth company. The Company seeks to build a profitable market for its production in European Union and the Baltic States with a focus on products with high added value, own brands and remaining marketing effect, to retain the highest level of product quality, to fully exploit existing production capacities, and to systematically accumulate intellectual capital.

The main current goals of the Company are as follows:

- to procure milk under market conditions, but not for higher prices than raw milk is purchased by other market players in Lithuania;
- to reduce production and product costs ensuring a stable and growing quality of the products at the same time; therefore, the main directions for production and products costs are negotiations with major suppliers and increasing production efficiency;
- to abandon cost-inefficient production as soon as possible;
- all products under production are to be kept in the warehouses meeting the highest technological standards;
- to increase sales at prices favorable for the Company; to focus on the main basket of the strongest products with own brands and maintain domestic market share amounting to at least 20%. To focus on sales of higher value-added products to the end consumer in the export markets;
- to strengthen marketing function and name of the Company by investing in brand- building, brand dissemination, and strengthening of customer loyalty;
- to reduce distribution costs, for example, by shortening the distribution channels, i. e. reduction in number of participants in distribution channels;
- to give incentives for employees only for the final results and achievement of plans set;
- to continuously improve and renew equipment used for technological processes and vehicle fleet, striving to the higher quality of work and products, cost reduction and efficiency.

17. Information about the Company's research and development activities

The Company constantly makes investments and looks for ways to ensure steady revenue growth and improved operating efficiency. The Company also pays great attention to development of new products, for this purpose the Company collaborates with scientists.

The Company focuses on high quality of its products and added value to consumers, hence, it continuously collaborates with various institutes, Lithuanian and foreign experts, carries out product laboratory researches, develops recipes, and enhances the exclusivity of the products. The research is continuous and mainly oriented to development of the existing product range.

To achieve the highest standards of performance, innovative operation and innovative methods of treatment in both the technology and the management of the business and the individual corporate governance and business processes, the Company's specialists constantly raise their qualifications attending various foreign internships, exhibitions, and collaborating with the largest suppliers, performing horizontal integration of good manufacturing practice methods not only in their own production and logistics processes, but starting the improvement initiatives from industrial processes and products of the suppliers.

18. Information about the Company's use of financial instruments

Financial instruments, reflected in AB Žemaitijos Pienas assets in accordance with IAS, are shares of the associated companies. The Company's management considers that in view of the performance results of the companies, their trends, and market perspectives, there is no risk of shares depreciation. AB Žemaitijos Pienas adheres to a conservative policy of use of financial instruments, hence, the credit risk, cash flow risk, and liquidity risk are not material or irrelevant. Hedges are not used, long-term financing instruments are used only to a limited extent, except for financial leasing, agreements of which are entered under exceptionally favorable conditions.

The main risk of the Company – liquidity of receivables – AB Žemaitijos Pienas manages through trade credit insurance or other forms of insurance almost for total export turnover.

An Audit Committee is formed and operates in AB Žemaitijos Pienas, which assesses the main risks, provides proposals to management and controls implementation, thereby increasing reliability of the Company's assets and liabilities.

Information about the Issuer's financial risks is laid down in the Explanatory Notes to the Annual Financial Statements.

II. OTHER INFORMATION ABOUT THE ISSUER, ITS SHAREHOLDERS, AND OTHER BODIES OF THE ISSUER

19. Structure of the Issuer 's authorized capital

The authorized capital registered in the Register of Legal Entities amounts to 48 375 000 LTL. It is divided into 48,375,000 ordinary registered shares; a par value per share is 1LTL.

On 31 December 2014 the authorized capital of AB Žemaitijos Pienas consisted of:

Type of shares	Number of shares (shares.)	Par value (LTL)	Total par value (LTL)	Share of the authorized capital (%)
Ordinary registered shares	48 375 000	1	48 375 000	100

All shares are fully paid up and there are no restrictions on the transfer of securities.

20. All restrictions on transfer of securities

The securities are not subject to any transfer (disposition) restrictions.

21. Shareholders

On 31 December 2014, the Company had 3,148 shareholders. All of the shares issued provide their owners with equal rights laid down in the Law on Companies of the Republic of Lithuania and in the Articles of Association of the Company.

Below is a list of the shareholders who own or control more than 5% of AB Žemaitijos Pienas share capital and voting rights:

No	Shareholder	2014		2013	
		Number of shares under ownership	**Percentage of the authorized capital %**	**Number of shares under ownership**	**Percentage of the authorized capital %**
1.	Algirdas Pažemeckas	21 589 380	44,63	21 589 380	44,63
2.	SEB SA OMNIBUS, Liuksenburgas	3 413 962	7,06	3 413 962	7,06
3.	Danutė Pažemeckienė	3 025 820	6.25	3 025 820	6,25
4.	AB „Klaipėdos pienas", į/k 240026930, Šilutės pl.33, Klaipėda	2 901 844	6,00	2 901 844	6,00
5.	Other shareholders	17 443 994	36,06	17 443 994	36,06
	Total	**48 375 000**	**100,00**	**48 375 000**	**100,00**

The securities are not subject to any transfer restrictions. The shareholders are entitled to property and non-property rights as well as to obligations defined in the Law on Companies of the Republic of Lithuania as well as the Company's Articles of Association.

Restrictions on voting rights. All the Company's shares giving the right to vote are of equal nominal value; one share gives one vote during the General Meeting.

22. Shareholders' rights

The shareholders have the property and non-property rights established by laws and other legal acts.

The shareholders of the Company shall have the following property rights:

to receive a share of Company's profit (dividend); to receive a share of the Company's assets in case of its liquidation; to receive free access in case the authorized capital of the Company is being increased by corporate means, except for the cases defined in the Law; in case where the shareholder is a natural person – to devise all or part of the shares to one or more persons; to sell or otherwise transfer all or part of the shares to other individuals, according to the procedures and terms provided in the Law, as well as other property rights, which are possible under the law.

The shareholders of the Company shall have the following non-property rights:

to participate in the Meetings of Shareholders; to vote in the Meetings of Shareholders, according to the voting rights determined by the number of shares in possession; to obtain non- confidential information on economic activity of the Company; to elect and be elected to the management and supervisory bodies of the Company; to take any position in the Company, if the Law on Companies or the

Articles of Association do not provide otherwise; to make concrete proposals with respect to the improvement of financial, economic, organizational and other activity of the Company; to appeal against the decisions or actions made in the General Meetings by the Supervisory Council, Management Board or the Manager of the Company, which are in violation of the Laws of the Republic of Lithuania, the Articles of Association or interest and non-interest rights of the shareholders. Shareholders, individually or collectively, have a right, without a special commission, to claim for the damages made to shareholders; and other non-property rights provided in the Law of the Republic of Lithuania.

To the knowledge of the Issuer's representatives, there are no agreements between the shareholders, which can lead to restrictions of securities transfer and/or voting rights, or acquired other special rights.

A person acquires all the rights and obligations granted by the acquired share of the Company's capital and/or voting rights: in case of capital increase – from the date of registration of the amendment of the Company's Articles of Association relating to increase of the share capital and/or the voting rights, in other cases – from occurrence of property rights to the Company's share capital and/or voting rights.

23. Shareholders with special control rights and description of these rights

There are no shareholders with special control rights in the Company.

24. All restrictions on voting rights

There are no shareholders in the Company subject to restriction of their right to vote and/or subject to other restrictions or systems, according to which the rights granted by the securities would be separated from holding of the securities.

25. All agreements between shareholders of which the Issuer is aware and which may limit the transfer of securities and/or voting rights

The Issuer is not aware of any agreements between shareholders which may limit the transfer of securities and/or voting rights.

26. Procedures of amendment of the Issuer's Articles of Association

In its activity, AB Žemaitijos Pienas follows the laws of the Republic of Lithuania, Decrees of the Government, other normative documents regulating activity of legal enities, Law on Securities Markets, and the Articles of Association of the Company.

The Articles of Association of AB Žemaitijos Pienas may be amended in strict compliance with the procedure defined in the legal acts of the Republic of Lithuania.

27. Issuer's management bodies

The Issuer's management bodies are the following: General Meeting of Shareholders, the Supervisory Board, the Management Board and the Chief Executive Officer (Director General); the Company also has an Audit Committee. The management bodies include the Company's Management Board and the Chief Executive Officer (Director General).

The Supervisory Board is a collegial supervisory body carrying out supervision of the activities of the company. The Supervisory Board is chaired by the Chairman. The Supervisory Board consisting of three members is elected by the General Meeting of Shareholders for four years. The Articles of Association provide that number of cadences of the Supervisory Board members is unlimited.

The Company's Board is a collegial body that represents the Company's shareholders for the period between meetings and makes decisions in the Company's most important economic activities. Working procedures of the Board are determined by the approved regulation of the Board. The Board consists of five members. Board members for the period up to four years are elected by the Board of Supervisors. Their cadences are unlimited. Activities of the Board are managed by the chairperson of the Board elected from its members. The Board members implement joint activities in the Company, and their responsibilities are not specialized.

Head of the Company is the Director General whose activities are determined by the Articles of Association of the Company, decisions of the General Meeting of shareholders, and the Management Board, and other local acts of the Company. The Director General does not acquire particular rights to act in the Company.

Head of the Company organizes daily activities of the Company and performs other actions necessary to carry out its functions, implement decisions of the Company's management bodies, and ensure the activities of the Company. The Director General is directly accountable and regularly reports to the Management Board.

General Meeting of Shareholders does not have any special rights unforeseen by legislation.

Management bodies of the Company in their activities are governed by the laws of the Republic of Lithuania and other legal acts, and requirements provided in the Company's Articles of Association. Under the provisions of the above-mentioned documents, the Company's management bodies are elected, appointed and dismissed from office.

Bodies of the issuer do not have any exclusive and/or special rights in the setting of regulations regarding issuance or purchasing of securities of the issuer, in this area they have the rights conferred by the Law.

General Meeting of Shareholders and its rights

The General Meeting of Shareholders is entitled to amend and supplement the Articles of Association of the Company; to elect and remove the audit company, and members of the Supervisory Board; to approve the set of annual financial statements and annual report submitted by the Board of the Company; to take a decision on increase of the authorized capital; determine the type, class and the minimum price of the shares issued by the Company; to take a decision on reduction of the authorized capital; to take a decision on issuance of convertible bonds; to take a decision to change one type or class of shares of the Company to another, to approve the procedures for share exchange; to take a decision for the Company to acquire its own shares; to take a decision to transform or liquidate the Company, or cancel the liquidation of the Company; to take a decision to reorganize the Company and approve the terms of reorganization (in cases prescribed by law, a decision on the reorganization of the Company by incorporation may be taken by the Board of the Company); to decide on the distribution of profits; to take a decision on the formation of reserves, except for revaluation reserve. Shareholders of the Company do not have any special rights and responsibilities in the Company.

28. Issuer's management and supervisory bodies

Issuer's management bodies are the Board (collegiate) and head of the company (sole – General Director). The company's supervisory body is the Supervisory Board performing supervisory functions of the Company, which also has an Audit Committee. Governing bodies of the Company include the Management Board and the General Director.

The Supervisory Board is a collegial supervisory body carrying out supervision of the activities of the Company. The Supervisory Board is chaired by the Chairman. Supervisory Board of the Company consists of three (3) members who are elected by the General Meeting of Shareholders for four years. The Articles of Association of the Company provide for unlimited number of cadencies of the Board members.

The Supervisory Board has the following powers and responsibilities:
to elect members of the Management Board and remove them from office. If the Company is operating at a loss, the Supervisory Board must consider the suitability of the Board members for the position. The Supervisory Board shall also supervise the activities of the Management Board and the head of the Company; submit its proposals and comments to the General Meeting of Shareholders on the Company's business strategy, annual financial statements, draft of the profit distribution and the report on the activities of the Company, as well as the activities of the Board and the head of the Company; set (approve) the monthly/quarterly limits of production to be supplied for the free tasting to the customers for the market research and/or development and approve them at the end of the quarter; submit its proposals to the Management Board and the head of the Company (Director General) and revoke their decisions, which contradict laws and other legal acts, the Articles of Association of the Company or the decisions of General Meeting of Shareholders; address other issues assigned within its power by the Articles of Association of the Company, as well as by the decisions of the General Meeting regarding supervision of the activities of the Company and its managing bodies, fix the salary of the Director General of the Company, if he is a member of the Board on the request of the Management Board and decide on the termination of the employment agreement of a member of the Supervisory Board employed by the Company.

The Management Board is a collegial management body that represents the Company's shareholders during the period between the meetings and makes decisions on the Company's most important economic activities. The procedure of work of the Management Board is established in the Regulation of the Work of the Management Board. The Management Board consists of five (5) members (according to the Articles of Association); currently the Management Board *de facto* consists of four (4) members. The Board shall be elected by the Supervisory Board for a term, which may not exceed 4 years; no special rules for the election or removal of members of the Board are provided. Their number of cadences is unlimited. The Board of Directors is headed by its Chairman, which is elected by the Management Board out of its members.

The Board shall consider and approve the following:

implementation of the strategy of the Company; the Company's management structure and staff positions; the positions, to which employees are recruited by the way of competition with the consent of the Supervisory Board; it establishes and approves the range and amounts of products for each month which shall be supplied to the customers free of charge for tasting in order to investigate and/or expand the market; the statutes of the Company's branches representative offices; job description and salary of the Director General and his deputies.

The Board shall elect and remove from office the Manager of the Company. The Board shall approve the deputies proposed by the Company's head and candidates to the positions to which employees are recruited by the way of competition.

The Board shall analyze and assess the material provided by the General Director regarding:
implementation of the Company's business strategy, organization of its activities, income and expenditure estimates, the stocktaking and other accounting data of changes in the assets; sources for accumulation of finances and methods of use; Company's transactions.

The Board shall analyze and assess a set of the Company's annual financial statements and a draft of profit appropriation submitted by the General Director and after approval of these projects shall submit them to the General Meeting of Shareholders. The Board shall determine the methods and standards used by the Company to calculate the depreciation of tangible assets and amortization of intangible assets.

The Board shall timely organize General Meetings of Shareholders, ensure drawing up the lists of owners of registered shares, create agendas for General Meeting of Shareholders, and submit to the shareholders of the Company annual financial statements, the project of profit distribution, the annual report of the Company and other relevant information on the items of the agenda.

The Board, without the approval of the General Meeting shall adopt decisions on the following:

decisions for the Company to become an incorporator or a member of other legal entities; decisions on the establishment of branches and representative offices of the Company; decisions on the investment, disposal or lease of the fixed assets the book value whereof exceeds 1/20 of the authorized capital of the company; decisions on the pledge or mortgage of the fixed assets the book value whereof exceeds 1/20 of the authorized capital of the Company; decisions on offering of surety or guarantee for the discharge of obligations of third parties the amount whereof exceeds 1/20 of the authorized capital of the Company; decisions and projects on restructuring and reorganizing of the Company in the cases laid down by the Law on Restructuring of Enterprises; accession of the Company to associations, concerns and/or consortia and resignation from them; allocation of funds for charity, health, culture, science, physical education and sports, as well as for natural disasters and emergency liquidation, determine the maximum amount of funds used by the head of the Company; other decisions of the General Meeting of Shareholders.

The head of the Company is the Director General. In his activity, the Director General follows the Articles of Association, decisions of the General Meeting, decisions made by the Management Board, and Administration Work Regulations.

The Director General organizes the daily activities of the Company and performs other actions necessary to carry out its functions, implementing the decisions made by the management bodies of the Company, and ensuring the activity of the Company. General Director of the Company is directly accountable to and regularly reports to the Management Board.

In their activity, the management bodies of the Company follow the laws of the Republic of Lithuania, legal acts and the Articles of Association regulating their activity. The provisions in the above-mentioned documents also regulate election, appointment and dismissal of the members of the management bodies.

The head of the Company and Administration:

the head of the Company is the Director General, who in his activity follows the Articles of Association, decisions of the General Meeting, decisions of the Managing Board, and Administration Work Regulations. The General Director shall be elected and removed from the office by the Board of the Company. A competition may be organized for the election of the Director General. The contract of the Company with the Director General shall be signed by the Chairman of the Board. In case the Director General of the Company is the Chairman of the Board, the employment contract with him shall be signed by the member of the Board authorized by the Board. The Director General of the Company shall participate in the Board meetings in an advisory capacity, if he is not a Board member.

The head of the Company (the Director General):

manages the Company administration; within his competence shall enter into transactions on behalf of the Company and represent the Company in dealings with third parties and in court or arbitration. The General Director becomes entitled to represent the Company from the date specified in the Employment Contract; he opens and closes the Company accounts with banking institutions, prepares and submits the Company's management structure, job descriptions, salary and promotion systems to the Board for approval, prepares a draft of a share subscription agreement, hires and dismisses employees, concludes and terminates employment contracts with them, assesses their performance results, imposes disciplinary sanctions and provides incentives to employees, including the material sanctions and incentives, establishes internal work rules, approves regulations of the sub-divisions of the Company and

Administration Working Regulations, issues authorizations to carry out the functions which are within his competence; in cases stipulated by Law on Companies convenes a General Meeting, organizes, prepares drafts of the necessary documents for the General Meeting of Shareholders, ensures protection of the Company's property and trade secrets, and performs other functions stipulated by laws, Articles of Association, manages the Company's assets, including monetary funds.

The Director General of the Company is directly accountable to and regularly reports to the Managing Board.

Structure of the Supervisory Board:

Full name	Position within the Issuer	Number of shares under ownership and percentage of the authorized capital %	Beginning of the cadence	End of the cadence	Start of service at Žemaitijos Pienas
Romusas Jarulaitis	Chairman of the Supervisory Board	1 105 510 2.29	25. 04.2014	25.04.2019	26. 01.1988
Robertas Pažemeckas	Member of the Supervisory Board, Acting General Director	-	25. 04.2014	25.04.2019	26. 08.2002
Gražina Norkevičienė	Member of the Supervisory Board	-	25. 04.2014	25.04.2019	20. 09.1978

Structure of the Management Board:

Full name	Position within the Issuer	Number of shares under ownership and percentage of the authorized capital %	Beginning of the cadence	End of the cadence	Start of service at Žemaitijos Pienas
Algirdas Pažemeckas	Chairman of the Board, consultant	21 589 380 44.63	07.02.2014	07. 02.2019	26.12.1986

Marius Dromantas	Member of the Board, Director of Logistics	-	07.02.2014	07. 02.2019	01. 12.2003
Dalia Gecienė	Member of the Board	475 160 0,98	07.02.2014	07. 02.2019	29. 07.1986

Administration:

Full name	Position	Number of shares in possession	Share of the authorized capital in possession %
Robertas Pažemeckas	Acting General Director	------	--------
Dalia Gecienė	Chief Financial Officer	475 160	0.98

During the reporting period, the Company's Director General and Chief Financial Officer were calculated and paid amount related to their labor relations, which is not significantly different from the average annual earnings of the managers, other amounts were not paid to these persons, they were not given guarantees or sureties, no assets or other property rights were transferred to them;

During the year 2014, no monetary amounts were calculated or paid to the members of management bodies for their activities in the Management Board and the Supervisory Board.

During the year 2014, neither the Company's management bodies (the Management Board, the Supervisory Board, the Director General) nor the Chief Financial Officer were granted by the Issuer any bonuses, dividends or other payments from the Issuer's operating profits. These persons do not have significant material obligations towards the Issuer, and the Issuer has no significant material obligations to the persons mentioned.

No guarantees and sureties and/or other obligation collateral means on the management or supervisory bodies regarding assurance of completion of these persons' obligations have been given on behalf of the Issuer during 2014; also, the Issuer did not give loans to these persons.

Company's Audit Committee

The Company's Audit Committee, consisting of three persons Angelė Taraškevičienė (the Chairwoman), Stanislava Vaičienė and Daiva Katarskienė (members), implement activities in AB Žemaitijos Pienas.

Full name	Workplaces, position authorization	Number of shares in possession within the Issuer	Beginning of cadence in Committee	End of cadence in Committee
Angelė Taraškevičienė	The head of UAB Vertybių Auditas	-------------	26. 04.2013	Until withdrawn from the position by the Company's management body that elected the member
Stanislava Vaičienė	AB Žemaitijos Pienas Accountant	---------------	26. 04.2013	Until withdrawn from the position by the Company's management body that elected the member
Daiva Katarskienė	AB Žemaitijos Pienas Accountant-bookkeeper	--------------------	26. 04.2013	Until withdrawn from the position by the Company's management body that elected the member

The main function of the Audit Committee is to be an advisory body to the Supervisory Board of the Company, and its main task is to increase the efficiency of the Supervisory Board's work in the field of the company's financial supervision, to help ensure that decisions are fair and based on due consideration. When performing its functions, the Audit Committee provides recommendations to the Management Board in relation to the selection of the external auditor, its appointment, reappointment and removal, monitors the external audit process and assesses how the external auditor and audit company follow the principles of independence and objectivity, monitors the financial reporting process of the Company, carries out other functions provided by other legislation of the Republic of Lithuania and recommendations specified in the Code of Management of the Companies listed at Vilnius Stock Exchange.

It should be noted that the Company has not formed any other committees.

III. OTHER INFORMATION RELATED TO THE ISSUER

29. All material agreements to which the Issuer is a party and which would take effect, change or terminate upon a change in control of the Issuer, as well as their effects, except in cases where due to the nature of the agreements their disclosure would cause great harm to the Issuer

The Issuer did not enter into any agreements, to which the Issuer is a party and which would take effect or terminate upon a change in control of the Issuer.

30. All agreements between the Issuer and members of its bodies and employees providing for the compensations for the members of the management bodies or the employees in case they are dismissed or fired without any justified reason, or their service is terminated due to the changes in control of the Issuer

The Issuer has not entered agreements providing for the compensation for the members of the management bodies or the employees in case they are dismissed, or fired without any valid reason or their service is terminated due to the change in control of the Issuer.

31. Transactions of the Issuer

No significant transactions or transactions atypical to the Issuer's normal course of business have been made on behalf of the Issuer with related parties or other entities during the year 2014.

The Issuer has not entered into transactions where significant changes related to the control of the Issuer would cause significant changes related to the Issuer and/or have negative consequences to the Issuer.

The Issuer has not come into special and/or important agreements providing for the compensation for the members of the Issuer bodies, committee or employees when their service is terminated due to any reasons.

Also to the best knowledge of the Issuer no agreements have been concluded, which could lead to a conflict of interest between the Company and its managers, between managers and shareholders or between the executives of the Issuer.

32. Information about the compliance with the Corporate Governance Code

AB Žemaitijos Pienas meets the requirements specified in the Corporate Governance Code of the Companies listed at the Vilnius Stock Exchange. Information regarding compliance with this document is provided in a separate Annex, which forms an integral part to this Consolidated Annual Report.

33. Data on publicly announced information

During the reporting period – the year 2014 – the Company announced a significant part of the material events related to the AB Žemaitijos Pienas.

Date	Market	Company	Notifications
28.11.2014 15:35	VLN	Žemaitijos Pienas	Preliminary Results of AB Žemaitijos Pienas for 9 months of 2014 Attachments:
06.10.2014 16:50	VLN	Žemaitijos Pienas	Regarding the resignation of a Board member from office
19.09.2014 15:28	VLN	Žemaitijos Pienas	Regarding the selection of audit company
29.08.2014 21:00	VLN	Žemaitijos Pienas	Results of AB Žemaitijos Pienas Group for the 1st half-year of 2014 Attachments:
22.08.2014 07:56	VLN	Žemaitijos Pienas	Regarding Convocation of the Extraordinary General Meeting of Shareholders, its agenda and proposed draft resolutions
18.08.2014 09:47	VLN	Žemaitijos Pienas	Regarding sales of dairy products in the Russian market
30.05.2014 14:41	VLN	Žemaitijos Pienas	Preliminary results of AB Žemaitijos Pienas for 3 months of 2014 Attachments:
12.05.2014	VLN	Žemaitijos Pienas	Regarding the possible threat to Telšiai Town and AB Žemaitijos

Date	Market	Company	Notifications
10:35			Pienas
30.04.2014 13:48	VLN	Žemaitijos Pienas	Financial data of 2013 Attachments:
5.04.2014 17:21	VLN	Žemaitijos Pienas	Resolutions of Ordinary General Meeting of AB Žemaitijos Pienas, held on 25 April 2014 Attachments:
04.04.2014 14:36	VLN	Žemaitijos Pienas	Draft Resolutions of the Ordinary General Meeting of AB On Shareholders of Žemaitijos Pienas Attachments:
2014.03.28 16:01	VLN	Žemaitijos Pienas	CORRECTION: Notification on the Ordinary General Meeting of Shareholders
2014.03.28 15:38	VLN	Žemaitijos Pienas	Notification on convocation of the Ordinary General Meeting of Shareholders
2014.02.28 15:55	VLN	Žemaitijos Pienas	Unaudited Preliminary Results of AB Žemaitijos Pienas Group for the year 2012 Attachments:
2014.02.10 13:23	VLN	Žemaitijos Pienas	On the Members of the Managing Board of the Company
2014.02.07 16:27	VLN	Žemaitijos Pienas	Draft Resolutions for the Extraordinary General Meeting of Shareholders of AB Žemaitijos Pienas
2014.01.24 11:19	VLN	Žemaitijos Pienas	Draft Resolutions for the Extraordinary General Meeting of the Shareholders of AB Žemaitijos pienas (AMENDED/UPDATED)
2014.01.17 13:34	VLN	Žemaitijos Pienas	Draft Resolutions for the Extraordinary General Meeting of the Shareholders of AB Žemaitijos Pienas
2014.01.09 10:44	VLN	Žemaitijos Pienas	On Convocation for the Extraordinary General Meeting of Shareholders (supplemented)
2014.01.08 10:31	VLN	Žemaitijos Pienas	On Convocation of the General Meeting of Shareholders

Sources - http://www.nasdaqomxbaltic.com/market/?issuer=ZMP&market=&legal%5B%5D=main&legal%5B%5D=firstnorth&start_d=1&start_m=1&start_y=2014&end_d=31&end_m=6&end_y=2014&keyword=&pg=news&lang=lt[1]

Announcements about material events after the reporting period (Unaudited preliminary AB Žemaitijos Pienas Group 2014 operating results):

2015.02.28 17:15	- VLN: ZMP: Neaudituoti preliminarūs AB "Žemaitijos pienas" grupės 2014 metų veiklos rezultatai

Following the procedure laid down in the Articles of Association of the Company and regulations of the Republic of Lithuania, AB Žemaitijos Pienas has informed Vilnius Stock Exchange (NASDAQ Vilnius) about all the material events. The notifications have been published on the Central regulated information database and the Company's website www.zpienas.lt.

1 At this address you can find more detailed information and content of the published reports;

IV. FURTHER INFORMATION

34. Significant events since the end of the financial year

Unaudited preliminary results of Žemaitijos Pienas Group for the year 2014 on 28 February 2014 were as follows:

In 2014 consolidated turnover (excluding audit) of AB Žemaitijos Pienas Group amounts to LTL 556,5 million (EUR 161,2 million) that, if to be compared with the year 2013, makes 5,16% increase of the turnover.

Net profit (as without audit) of AB Žemaitijos Pienas Group in the year 2014 makes 1,6% of the turnover.

35. Data on audit

AB Žemaitijos Pienas (Group) consolidated balance and related consolidated profit (loss), cash flow and changes in equity statements of then ended year audit of 31th of December, 2014 in accordance with agreement concluded on the 19th of September, 2014 is performed by UAB Grant Thorton Rimess. Audit price without VAT is 25 000 LTL.

There is no additional informaton which should be disclosed according to the laws regulating activities of the companies, other legal acts and the Articles of Association, and which would not be disclosed in this annual report and other annual financial statements.

2014 Consolidated annual report
Signed
13-03-2015

Robertas Pažemeckas
Acting General Director

V. INFORMATION ABOUT COMPLIANCE WITH CORPORATE GOVERNANCE CODE

Disclosure of ŽEMAITIJOS PIENAS, AB concerning the Compliance with the Corporate Governance Code for the Companies listed on the Vilnius Stock Exchange in 2014

Public Limited Liability Company ŽEMAITIJOS PIENAS (hereinafter – the Company), in accordance with Paragraph 3 of Article 21 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 the NASDAQ OMX Vilnius, and its specific provisions. In the event of non-compliance with the above-mentioned Code or with certain provisions thereof, it must be specified which provisions are not complied with and the reasons of non-compliance.

PRINCIPLES/RECOMMENDATIONS	YES /NO /NOT APPLICABLE	COMMENTARY
Principle I: Basic Provisions **The overriding objective of a company should be to operate in common interests of all the shareholders by optimizing over time shareholder value.**		
1.1. A company should adopt and make public 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	Main development directions and strategies of the Company are publicized in the Annual and Interim Reports.
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 follows its strategic plan, i.e. it aims to be profitable on the basis of the development and strengthening of technically sophisticated company with the goal of multiplying shareholders' equity.
1.3. A company's supervisory and management bodies should act in close co-operation in order to attain maximum benefit for the company and its shareholders.	Yes	The Company's Supervisory Board, Management Board and General Director are in close cooperation in order to maximize the benefit for the Company and its 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 supervisory and management bodies ensure that the rights and obligations of its shareholders, employees and suppliers of raw materials are respected. Employees are given the opportunity to improve their qualification attending the training courses and seminars in Lithuania and abroad; milk producers are given various incentives. A significant part of the 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 Meeting of Shareholders 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,	Yes	The Company's management bodies include the shareholders, the Management Board and the General Director; the Company's supervisory bodies include the Supervisory Board and the Audit Committee.

which, in its turn, facilitate a more efficient and transparent management process.		
2.2. A collegial management body is responsible for the strategic management of the company and performs other key functions of corporate governance. A collegial supervisory body is responsible for the effective supervision of the company's management bodies.	Yes	The functions set in the present recommendation are fulfilled by collegial supervisory and management bodies – the Supervisory Board and the Management Board.
2.3. Where a company chooses to form only one collegial body, it is recommended that it should be a supervisory body, i.e. the supervisory board. In such a case, the supervisory board is responsible for the effective monitoring of the functions performed by the company's chief executive officer.	Not applicable	Both the Supervisory Board and the Management Board are formed in the Company.
2.4. The collegial supervisory body to be elected by the General Meeting of Shareholders 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.[2]	Yes	There are two collegial bodies – the Company's Supervisory Board and the Management Board, who are subject to the provisions defined in Principles III and IV.
2.5. Company's management and supervisory bodies should comprise such number of management board (executive directors) and supervisory (nonexecutive directors) board members that no individual or small group of individuals can dominate decision-making on the part of these bodies.[3]	Yes	The Company's Supervisory Board includes 3 (three) members. The Management Board of the Company includes "*de jure*" 5 (five) members, and "*de facto*" 4 (three) members. The Company believes that such number of members is sufficient for effective operations of the Company.
2.6. Non-executive directors or members of the supervisory board should be appointed for specified terms subject to individual re-election, at maximum intervals provided for in the Lithuanian legislation with a view to ensuring necessary development of professional experience and sufficiently frequent reconfirmation of their status. A possibility to remove them should also be stipulated however this procedure should not be easier than the removal procedure for an executive director or a member of the management board.	Yes	In accordance with the Articles of Association of the Company, the Management Board and the Supervisory Board are elected for a two-year term, not limiting number of the terms. Dismissal or resignation from the members of the Management Board and the Supervisory Board are regulated by the laws of the Republic of Lithuania.
2.7. Chairman of the collegial body elected by the general meeting of shareholders 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	Yes	The Company's General Director and chairman of the Board are two separate persons. The Company's General Director is not the chairman of the Supervisory Board.

[2] Provisions of Principles III and IV are more applicable to those instances when the General Meeting of Shareholders elects the supervisory board, i.e. body that is essentially formed to ensure oversight of the company's board and the chief executive officer and to represent the company's shareholders. However, in case the company does not form the supervisory body but rather the management board, most of the recommendations set out in Principles III and IV become important and applicable to the board as well. Furthermore, it should be noted that certain recommendations, which are in their essence and nature applicable exclusively to the supervisory board (e.g. formation of the committees) should not be applied to the board, as the competence and functions of these bodies according to the Law on Companies of the Republic of Lithuania (*Official Gazette*, 2003, No. 123-5574) are different. For instance, item 3.1 of the Code concerning oversight of the management bodies applies to the extent it concerns the oversight of the chief executive officer of the company, but not of the board itself; item 4.1. of the Code concerning recommendation to the management bodies applies to the extent it relates to the provision of recommendations to the company's chief executive officer; item 4.6 of the Code concerning independence of the collegial body elected by the general meeting from the company's management bodies is applied to the extent it concerns independence from the chief executive officer.

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

Meeting of Shareholders. 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.		
Principle III: The order of the formation of a collegial body to be elected by a General Meeting of Shareholders. **The order of the formation a collegial body to be elected by a General Meeting of Shareholders 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.**[4]		
3.1. The mechanism of the formation of a collegial body to be elected by a General Meeting of Shareholders (hereinafter in this Principle referred to as the 'collegial body') should ensure objective and fair monitoring of the company's management bodies as well as representation of minority shareholders.	Yes	The Company's collegial supervisory body - the Supervisory Board is elected by a shareholders' meeting. The Company discloses information about the candidates to the collegial body. The minority shareholders are not restricted to represent their interests and to have their own representative in the collegial body.
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 Meeting of Shareholders so that the shareholders would have sufficient time to make an informed voting decision. All factors affecting the candidate's independence, the sample list of which is set out in Recommendation 3.7, should be also disclosed. The collegial body should also be informed on any subsequent changes in the provided information. The collegial body should, on yearly basis, collect data provided in this item on its members and disclose this in the company's annual report.	Yes	Information about members of the collegial supervisory body (their names and surnames, information about their education, qualification, professional background, participation in activities of other companies, and other relevant professional obligations) is provided in the 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	Prior to the next election of the members of the Supervisory Board, the information about the candidates is provided for together with the meeting materials.
3.4. In order to maintain a proper balance in terms of the current qualifications possessed by its members, the collegial body should determine its desired composition with regard to the company's structure and activities, and have this periodically evaluated. The collegial body should ensure that it is composed of members who, as a whole, have the required diversity of knowledge, judgment and experience to complete their tasks properly. The members of the audit committee, collectively, should have a recent knowledge and relevant experience in the fields of finance, accounting and/or audit for the stock exchange listed companies. At least one of the members of the remuneration committee should have knowledge of and experience in the field of	Yes	Members of the Company's collegial bodies have extensive experience in corporate governance, diversity of knowledge and experience to complete their tasks properly

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

remuneration policy.		
3.5. All new members of the collegial body should be offered a tailored program focused on introducing a member with his/her duties, corporate organization and activities. The collegial body should conduct an annual review to identify fields where its members need to update their skills and knowledge.	Yes	New members of the Board are informed about their duties, corporate organization and activities during the Board meetings and individually upon the need and request by the Board members.
3.6. In order to ensure that all material conflicts of interest related with a member of the collegial body are resolved properly, the collegial body should comprise a sufficient[5] number of independent [6] members.	Yes	In spite of the fact that the largest shareholder has a majority of votes at the Meeting of Shareholders and other shareholders have less than 10 per cent of votes, the Management Board of Žemaitijos Pienas, AB consists of members of the Board, who ensure, if possible, proper resolution of conflicts of interest.
3.7. A member of the collegial body should be considered to be independent only if he/she 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 a 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 Meeting of Shareholders 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 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	No	According to the recommendations, the current members of the Management Board of the Company are not completely independent.

[5] The Code does not provide for a concrete number of independent members to comprise a collegial body. Many codes in foreign countries fix a concrete number of independent members (e.g. at least 1/3 or ½ of the members of the collegial body) to comprise the collegial body. However, having regard to the novelty of the institution of independent members in Lithuania and potential problems in finding and electing a concrete number of independent members, the Code provides for a more flexible wording and allows the companies themselves to decide what number of independent members is sufficient. Of course, a large number of independent members in a collegial body is encouraged and will constitute an example of more suitable corporate governance.

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

related with later position) as per pension plans (inclusive of deferred compensations); 4) He/she is not a controlling shareholder or representative of such shareholder ("control" as defined in the Council Directive 83/349/EEC Article 1 Part); 5) He/she does not have and did not have any material business relations with the company or associated company within the past year directly or as a partner, shareholder, director or superior employee of the subject having such relationship. A subject is considered to have business relations when it is a major supplier, or service provider (inclusive of financial, legal, counselling and consulting services), major client or organization receiving significant payments from the company or its group; 6) He/she is not and has not been, during the last three years, partner or employee of the current or former external audit company of the company or associated company; 7) He/she is not an executive director or member of the board in some other company where executive director of the company or member of the board (if a collegial body elected by the General Meeting of Shareholders 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 Meeting of Shareholders 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 in general 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.		The Company has not established additional criteria for independence of the members of the collegial bodies.
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	No	Members of the Supervisory Board do not meet the full criteria of independence set out in the Code.

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.		
3.10. When one or more criteria of independence set out in this Code has not been met throughout the year, the company should disclose its reasons for considering a particular member of the collegial body to be independent. To ensure accuracy of the information disclosed in relation with the independence of the members of the collegial body, the company should require independent members to have their independence periodically re-confirmed.	No	The Company had been unable to implement the independence of the members of the Supervisory Board.
3.11. In order to remunerate members of a collegial body for their work and participation in the meetings of the collegial body, they may be remunerated from the company's funds[7]. The General Meeting of Shareholders should approve the amount of such remuneration.	No	Members of the Supervisory Board and the Management Board are not subject for remuneration for their work at the Supervisory Board and the Management Board (but the Company's Articles of Association provides for such possibility).
Principle IV: The duties and liabilities of a collegial body elected by the General Meeting of Shareholders **The corporate governance framework should ensure proper and effective functioning of the collegial body elected by the General Meeting of Shareholders, and the powers granted to the collegial body should ensure effective monitoring[8] 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 Meeting of Shareholders (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.[9]	Yes	The Company's Management Board approves and presents to the General Meeting of Shareholders the feedback and proposals regarding Annual Financial Statements of the Company, draft of profit distribution, the Company's Annual Report. Also, the Board considers the Company's performance during the year, and performs other functions within the competence of the board.
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.	Yes	Members of the Supervisory Board and the Board follow the interests of the Company and its shareholders in carrying out their duties; there were no cases where it would be reason to believe otherwise.

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

[8] ~~See Footnote 3.~~

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

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).		
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/her (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[10] of the meetings of the collegial body throughout the financial year of the company, shareholders of the company should be notified.	Yes	Members of the collegial bodies perform their functions properly: they actively participate in the meetings of the collegial bodies, and give sufficient time to perform their duties as members of the collegial body. There was quorum during all meetings of the collegial bodies, which led to making constructive decisions.
4.4. Where decisions of a collegial body may have a different effect on the company's shareholders, the collegial body should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed on the company's affairs, strategies, risk management and resolution of conflicts of interest. The company should have a clearly established role of members of the collegial body when communicating with and committing to shareholders.	Yes	No conflicts arose between shareholders and collegial bodies. Shareholders are informed about the affairs of the Company as stipulated by law, i.e. as stipulated in the Law on Companies and the Company's Articles of Association.
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 management bodies conclude transactions according to the legal acts and provisions of the Company's Articles of Association.
4.6. The collegial body should be independent in adopting 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.[11]. Members of the collegial body should act and adopt 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	No	Members of the Supervisory Board and the majority of the Board members are employees of the Company, thus they are not independent of the Company's management bodies. The Company's Supervisory Board and the Board represent the interests of shareholders when taking decisions.

[10] It is notable that companies can make this requirement more stringent and provide that shareholders should be informed about failure to participate at the meetings of the collegial body if, for instance, a member of the collegial body participated at less than 2/3 or ¾ of the meetings. Such measures, which ensure active participation in the meetings of the collegial body, are encouraged and will constitute an example of more suitable corporate governance.
[11] In the event the collegial body elected by the general shareholders' meeting is the board, the recommendation concerning its independence from the company's management bodies applies to the extent it relates to the independence from the company;s chief executive officer.

remuneration systems, the remuneration committee should ensure that the consultant concerned does not at the same time advice the human recourses department, executive officer or collegial management organs of the company concerned.		
4.7. Activities of the collegial body should be organized in a manner that independent members of the collegial body could have major influence in relevant areas where chances of occurrence of conflicts of interest are very high. Such areas to be considered as highly relevant are issues of nomination of company's directors, determination of directors' remuneration and control and assessment of company's audit. Therefore when the mentioned issues are attributable to the competence of the collegial body, it is recommended that the collegial body should establish nomination, remuneration, and audit committees. [12]. Companies should ensure that the functions attributable to the nomination, remuneration, and audit committees are carried out. However they may decide to merge these functions and set up less than three committees. In such case a company should explain in detail reasons behind the selection of alternative approach and how the selected approach complies with the objectives set forth for the three different committees. Should the collegial body of the company comprise small number of members, the functions assigned to the three committees may be performed by the collegial body itself, provided that it meets composition requirements advocated for the committees and that adequate information is provided in this respect. In such case provisions of this Code relating to the committees of the collegial body (in particular with respect to their role, operation, and transparency) should apply, where relevant, to the collegial body as a whole.	Yes/No	The Company has not established the Nomination and Remuneration committees set out in the recommendations 4.12 - 4.13, as the Company believes that the Management Board, when carrying out its functions, partially performs the functions of the Nomination Committee and the Remuneration Committee. Moreover, these functions are correctly implemented by the specialized departments operating in the Company, e.g. Personnel and Law, etc.
4.8. The key objective of the committees is to increase efficiency of the activities of the collegial body by ensuring that decisions are based on due consideration, and to help organize its work with a view to ensuring that the decisions it takes are free of material conflicts of interest. Committees should present the collegial body with recommendations concerning the decisions of the collegial body. Nevertheless the final decision shall be adopted by the collegial body. The recommendation on creation of committees is not intended, in principle, to constrict the competence of the collegial body or to remove the matters considered from the purview of the collegial body itself, which remains fully responsible for the decisions taken in its field of competence.	No	The Audit Committee follows the regulations of the Audit Committee, monitors the preparation of financial statements and the conduct of the audit. The collegial bodies remain fully responsible for the decisions taken within their competence, and make final decisions.
4.9. Committees established by the collegial body should normally be composed of at least three members. In companies with small number of members of the collegial body, they could exceptionally be composed of two members. Majority of the members of each committee should be constituted from independent members of the	Yes	The Audit Committee consists of three members, one of them being an independent member.

[12] The Law on Audit of the Republic of Lithuania (*Official Gazette*, 2008, No. 82-3233) determines that an Audit Committee shall be formed in each public interest entity (including but not limited to public companies whose securities are traded in the regulated market of the Republic of Lithuania and/or any pther mamber state).

collegial body. In cases when the company chooses not to set up a supervisory board, remuneration and audit committees should be entirely comprised of non-executive directors. Chairmanship and membership of the committees should be decided with due regard to the need to ensure that committee membership is refreshed and that undue reliance is not placed on particular individuals.		
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	Regulations of the Audit Committee were approved by the General Meeting of Shareholders. This Committee shall inform the General Meeting of Shareholders about its activities and results.
4.11. In order to ensure independence and impartiality of the committees, members of the collegial body that are not members of the committee should commonly have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or demand participation in the meeting of particular officers or experts. Chairman of each of the committees should have a possibility to maintain direct communication with the shareholders. Events when such are to be performed should be specified in the regulations for committee activities.	Yes	Employees of the Company who are responsible for the discussed area participate in the Audit committee meetings and provide all necessary information.
4.12. Nomination Committee. 4.12.1. Key functions of the nomination committee should as follows: 1) Identify and recommend, for the approval of the collegial body, candidates to fill board vacancies. The nomination committee should evaluate the balance of skills, knowledge and experience on the management body, prepare a description of the roles and capabilities required to assume a particular office, and assess the time commitment expected. Nomination committee can also consider candidates to members of the collegial body delegated by the shareholders of the company; 2) Assess on regular basis the structure, size, composition and performance of the supervisory and management bodies, and make recommendations to the collegial body regarding the means of achieving necessary changes; 3) Assess on regular basis the skills, knowledge and experience of individual directors and report on this to the collegial body; 4) Properly consider issues related to succession planning; 5) Review the policy of the management bodies for	No	Nomination Committee has not been formed in the Company (see explanation 4.7.).

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 Meeting of Shareholders 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.		
4.13. Remuneration Committee. 4.13.1. Key functions of the remuneration committee should be as follows: 1) Make proposals, for the approval of the collegial body, on the remuneration policy for members of management bodies and executive directors. Such policy should address all forms of compensation, including the fixed remuneration, performance-based remuneration schemes, pension arrangements, and termination payments. Proposals considering performance-based remuneration schemes should be accompanied with recommendations on the related objectives and evaluation criteria, with a view to properly aligning the pay of executive director and members of the management bodies with the long-term interests of the shareholders and the objectives set by the collegial body; 2) Make proposals to the collegial body on the individual remuneration for executive directors and member of management bodies in order their remunerations are consistent with company's remuneration policy and the evaluation of the performance of these persons concerned. In doing so, the committee should be properly informed on the total compensation obtained by executive directors and members of the management bodies from the affiliated companies; 3) Ensure that remuneration of individual executive directors or members of management body is proportionate to the remuneration of other executive directors or members of management body and other staff members of the company; 4) Periodically review the remuneration policy of executive directors or members of management body, including the policy regarding share-based remuneration, and its implementation; 5) Make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies; 6) Assist the collegial body in overseeing how the company complies with applicable provisions regarding the remuneration-related information disclosure (in particular the remuneration policy applied and individual remuneration of directors); 7) Make general recommendations to the executive directors and members of the management bodies on the level and structure of remuneration for senior management (as defined by the collegial body) with regard to the respective information provided by the executive directors and members of the management bodies. 4.13.2. With respect to share options and other share-	No	The Remuneration Committee has not been formed in the Company (see explanation 4.7.).

based incentives which may be granted to directors or other employees, the committee should: 1) Consider general policy regarding the granting of the above mentioned schemes, in particular share options, and make any related proposals to the collegial body; 2) Examine the related information that is given in the company's annual report and documents intended for the use during the shareholders meeting; 3) Make proposals to the collegial body regarding the choice between granting options to subscribe shares or granting options to purchase shares, specifying the reasons for its choice as well as the consequences that this choice has. 4.13.3. Upon resolution of the issues attributable to the competence of the remuneration committee, the committee should at least address the chairman of the collegial body and/or chief executive officer of the company for their opinion on the remuneration of other executive directors or members of the management bodies. 4.13.4. The remuneration committee should report on the exercise of its functions to the shareholders and present at the Annual General Meeting for this purpose.		
4.14. Audit Committee. 4.14.1. Key functions of the audit committee should as follows: 1) Observe the integrity of the financial information provided by the company, in particular by reviewing the relevance and consistency of the accounting methods used by the company and its group (including the criteria for the consolidation of the accounts of companies in the group); 2) At least once a year review the systems of internal control and risk management to ensure that the key risks (inclusive of the risks in relation with compliance with existing laws and regulations) are properly identified, managed and reflected in the information provided; 3) Ensure the efficiency of the internal audit function, among other things, by making recommendations on the selection, appointment, reappointment and removal of the head of the internal audit department and on the budget of the department, and by monitoring the responsiveness of the management to its findings and recommendations. Should there be no internal audit authority in the company, the need for one should be reviewed at least annually; 4) Make recommendations to the collegial body related with selection, appointment, reappointment and removal of the external auditor (to be done by the General Meeting of Shareholders) and with the terms and conditions of his engagement. The committee should investigate situations that lead to a resignation of the audit company or auditor and make recommendations on required actions in such situations; 5) Monitor independence and impartiality of the external auditor, in particular by reviewing the audit company's compliance with applicable guidance relating to the rotation of audit partners, the level of	Yes	The Company basically follows this recommendation. The main objective of the Audit Committee is to oversee audit of the Company's financial statements and procedures for submitting the accounting and financial reporting to stakeholders. The main function of the Audit Committee is to systematically and comprehensively assess and promote the effectiveness of the improvement of the organization's risk management, control and supervision processes, and to submit findings to the General Meeting of Shareholders, the Supervisory Board and the Board regarding the implementation of goals and objectives, risk management procedures and functioning of the internal control.

fees paid by the company, and similar issues. In order to prevent occurrence of material conflicts of interest, the committee, based on the auditor's disclosed inter alia data on all remunerations paid by the company to the auditor and network, should at all times monitor nature and extent of the non-audit services. Having regard to the principals and guidelines established in the 16 May 2002 Commission Recommendation 2002/590/EC, the committee should determine and apply a formal policy establishing types of non-audit services that are (a) excluded, (b) permissible only after review by the committee, and (c) permissible without referral to the committee; 6) Review efficiency of the external audit process and responsiveness of management to recommendations made in the external auditor's management letter. 4.14.2. All members of the committee should be provided 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 provided 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 provided with report disclosing all relationships between the independent auditor and the company and its group. The committee should be timely provided with 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-year 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	In the Company there was no practice of the performance evaluation of Supervisory Board and Management Board.
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 cooperation between the company's bodies.**		
5.1. The company's supervisory and management bodies (hereinafter in this Principle the concept 'collegial bodies' covers both the collegial bodies of supervision and the collegial bodies of management) should be chaired by chairpersons of these bodies. The chairperson of a collegial body is responsible for proper convocation of the collegial body meetings. The chairperson should ensure that information about the meeting being convened and its agenda are communicated to all members of the body. The chairperson of a collegial body should ensure appropriate conducting of the meetings of the collegial body. The chairperson should ensure order and working atmosphere during the meeting.	Yes	The Company's Supervisory Board meetings are chaired by the Chairman of the Supervisory Board or other authorized member of the Supervisory Board. The Company's Management Board meetings are chaired by the Chairman of the Board or other authorized member of the Board.
5.2. It is recommended that meetings of the company's collegial bodies should be carried out according to the schedule approved in advance at certain intervals of time. Each company is free to decide how often to convene meetings of the collegial bodies, but it is recommended that these meetings should be convened at such intervals, which would guarantee an interrupted resolution of the essential corporate governance issues. Meetings of the company's supervisory board should be convened at least once in a quarter, and the company's board should meet at least once a month.[13]	Yes	The meetings of the Management Board are convoked following the schedule (once a month), preliminary agreed and approved by the Board; extraordinary meetings are also convoked. The meetings of the supervisory board are convoked at least once every six months.
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	Yes	All materials related to the agenda are submitted to each member of the collegial bodies by email in advance. The meeting agenda may be supplemented during the meeting only in cases when all

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

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.		members are present at the meeting, when an important issue is discussed, and when all members of the body agree on immediate solution of the issue.
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 management 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.	Yes	The meetings of Supervisory Board are open and may be attended by the members of the Management Board.

Principle VI: The equitable treatment of shareholders and shareholder rights

The corporate governance framework should ensure the equitable treatment of all shareholders, including minority and foreign shareholders. The corporate governance framework should protect the rights of the shareholders.

6.1. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all their holders.	Yes	The Company's share capital consists of ordinary shares, giving their holders equal property and non-property rights.
6.2. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.	Yes	The company provides investors with information about the rights attached to the shares of the new issue or those issued earlier.
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 Meeting of Shareholders[14]. All shareholders should be provided with equal opportunity to familiarize themselves with and participate in the decision-making process when significant corporate issues, including approval of transactions referred to above, are discussed.	Yes	Approval of the General Meeting of Shareholders is obtained for especially important transactions, the criteria of which are determined by the Law on Companies of the Republic of Lithuania, other legal acts and the Articles of Association of the Company.
6.4. Procedures of convening and conducting a General Meeting of Shareholders should ensure equal opportunities for the shareholders to effectively participate at the meetings and should not prejudice the rights and interests of the shareholders. The venue, date, and time of the shareholders' meeting should not hinder wide attendance of the shareholders.	Yes	The General Meeting of Shareholders is convened in accordance with the requirements of the Law on Companies of the Republic of Lithuania, as well and regulations of the Articles of Association of the Company. Each shareholder is informed about the venue, date and time of the General Meeting of Shareholders. Prior to the Meeting, the shareholders have a right to get acquainted with meeting materials, as required by the Law on

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

		Companies of the Republic of Lithuania and the Articles of Association of the Company, no later than the time determined by the legal acts.
6.5. If it is possible, in order to ensure shareholders living abroad the right to access to the information, it is recommended that documents related to the General Meeting of Shareholders, including draft resolutions of the meeting, should be placed on the publicly accessible website of the company not only in Lithuanian language, but also in English and/or other foreign languages in advance. It is recommended that the minutes of the General Meeting of Shareholders after signing them and/or adopted resolutions should be also placed on the publicly accessible website of the company in Lithuanian and English language, 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	According to the procedure established by the Law on Companies of the Republic of Lithuania, no later than 21 days before the General Meeting of Shareholders, documents prepared to the General Meeting of Shareholders or their drafts are published in VSE website and on the company's website, which allows shareholders to access information publicly.
6.6. Shareholders should be provided with the opportunity to vote in the General Meeting of Shareholders 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 may exercise their right to vote in the General Meeting of Shareholders in person or by a proxy upon issuance of proper proxy or having concluded an agreement on transfer of voting right in the manner compliant with the legal regulations; also the shareholder is entitled to vote by completing a general voting ballot in the manner provided by the Law on 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 in voting processes by allowing the shareholders to vote in general meetings via terminal equipment of telecommunications. In such cases security of telecommunication equipment, text protection and a possibility to identify the signature of the voting person should be guaranteed. Moreover, companies could furnish its shareholders, especially foreigners, with the opportunity to watch shareholder meetings by means of modern technologies.	No	Implementation of the referred measures would entail disproportionate cost compared to the expected benefits; on the other hand, the Company allows the shareholders to express their opinion without direct participation in the meetings using certain technologies.
Principle VII: The avoidance of conflicts of interest and their disclosure **The corporate governance framework should encourage members of the corporate bodies to avoid conflicts of interest and assure transparent and effective mechanism of disclosure of conflicts of interest regarding members of the corporate bodies.**		
7.1. Any member of the company's supervisory and management body should avoid a situation, in which his/her personal interests are in conflict or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory and management body should, within reasonable time, inform other members of the same collegial body or the company's body that has elected him/her, or to the company's shareholders about a situation of a conflict of interest, indicate the nature of the conflict and value, where possible.	Yes	The Company follows these recommendations.

7.2. Any member of the company's supervisory and management body may not mix the company's assets, the use of which has not been mutually agreed upon, with his/her personal assets or use them or the information which he/she learns by virtue of his/her position as a member of a corporate body for his/her personal benefit or for the benefit of any third person without a prior agreement of the General Meeting of Shareholders or any other corporate body authorized by the meeting.	Yes	
7.3. Any member of the company's supervisory and management body may conclude a transaction with the company, a member of a corporate body of which he/she is. Such a transaction (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions) must be immediately reported in writing or orally, by recording this in the minutes of the meeting, to other members of the same corporate body or to the corporate body that has elected him/her or to the company's shareholders. Transactions specified in this recommendation are also subject to recommendation 4.5.	Yes	
7.4. Any member of the company's supervisory and management body should abstain from voting when decisions concerning transactions or other issues of personal or business interest are voted on.	Yes	The Company follows these recommendations. A member of the collegial management body abstains from voting when decisions concerning transactions or other issues of personal or business interests are voted on.
Principle VIII: Company's remuneration policy **Remuneration policy and procedure for approval, revision and disclosure of directors' remuneration established in the company should prevent potential conflicts of interest and abuse in determining remuneration of directors, in addition it should ensure publicity and transparency both of company's remuneration policy and remuneration of directors.**		
8.1. A company should make a public statement of the company's remuneration policy (hereinafter the remuneration statement). This statement should not be only a part of the company's annual accounts – the remuneration statement should also be published on the company's website.	No	The Company does not publicly announce its remuneration policy, as it is not required by the legal acts. However, information on remuneration by certain categories is announced in the half-year and annual financial statements.
8.2. Remuneration statement should mainly focus on directors' remuneration policy for the following year and, if appropriate, the subsequent years. The statement should contain a summary of the implementation of the remuneration policy in the previous financial year. Special attention should be given to any significant changes in company's remuneration policy as compared to the previous financial year.	No	The Company does not publicly announce its remuneration policy, as it is not required by the legal acts.
8.3. Remuneration statement should leastwise include the following information: 1) Explanation of the relative importance of the variable and non-variable components of directors' remuneration; 2) Sufficient information on performance criteria that entitles to share options, shares or variable components of remuneration; 3) An explanation how the choice of performance criteria contributes to the long-term interests of the	No	For the above-listed reasons, the remuneration policy, pursuant to which the remuneration statement would be prepared, is not approved in the Company.

company; 4) An explanation of the methods, applied in order to determine whether performance criteria have been fulfilled; 5) Sufficient information on determent periods with regard to variable components of remuneration; 6) Sufficient information on the linkage between the remuneration and performance; 7) The main parameters and rationale for any annual bonus scheme and any other non-cash benefits; 8) Sufficient information on the policy regarding termination payments; 9) Sufficient information with regard to vesting periods for share-based remuneration, as referred to in point 8.13 of this Code; 10) Sufficient information on the policy regarding retention of shares after vesting, as referred to in point 8.13 of this Code; 11) Sufficient information on the composition of peer groups of companies the remuneration policy of which has been examined in relation to the establishment of the remuneration policy of the company concerned; 12) A description of the main characteristics of supplementary pension or early retirement schemes for directors. 13) Remuneration statement should not include commercially sensitive information.		
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	General information about the benefits and loans provided to the members of the Company's Supervisory Board and the Board is publicly announced in the half-year and annual report.
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: 1) The total amount of remuneration paid or due to the director for services performed during the relevant financial year, inclusive of, where relevant, attendance fees fixed by the annual general shareholders meeting; 2) The remuneration and advantages received from any undertaking belonging to the same group; 3) The remuneration paid in the form of profit sharing and/or bonus payments and the reasons why such bonus payments and/or profit sharing were granted; 4) If permissible by the law, any significant additional	No	The Company does not publicly announce its remuneration policy, as it is not required by the legal acts. However, information on average remuneration of the Company's certain category employees are announced in the half-year and annual reports.

remuneration paid to directors for special services outside the scope of the usual functions of a director; 5) Compensation receivable or paid to each former executive director or member of the management body as a result of his resignation from the office during the previous financial year; 6) Total estimated value of non-cash benefits considered as remuneration, other than the items covered in the above points. 8.5.2. As regards shares and/or rights to acquire share options and/or other share-incentive schemes, the following information should be disclosed: 1) The number of share options offered or shares granted by the company during the relevant financial year and their conditions of application; 2) The number of share options exercised during the relevant financial year and, for each of them, the number of shares involved and the exercise price or the value of the interest in the share incentive scheme at the end of the financial year; 3) The number of share options unexercised at the end of the financial year; their exercise price, the exercise date and the main conditions for the exercise of the rights; 4) All changes in the terms and conditions of exercising share options occurring during the financial year. 8.5.3. The following supplementary pension schemes-related information should be disclosed: 1) When the pension scheme is a defined-benefit scheme, changes in the directors' accrued benefits under that scheme during the relevant financial year; 2) When the pension scheme is defined-contribution scheme, detailed information on contributions paid or payable by the company in respect of the directors during the relevant financial year. 8.5.4. The statement should also include 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 not pay variable components of remuneration when performance criteria are not met.	Yes	The Company's remuneration policy follows the principle of remuneration consisting of a fixed component and a variable component.
8.7. Award of variable components of remuneration should be subject to predetermined and measurable performance criteria.	Yes	The Company's variable remuneration component is calculated according to predetermined performance criteria.
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 determination should be determined in relation to the relative weight of the variable component compared to the non-variable component of remuneration.	Yes	The Company's variable remuneration component is calculated according to predetermined performance criteria.
8.9. Contractual arrangements with executive or managing directors should include provisions that	No	

permit the company to reclaim variable components of remuneration that were awarded on the basis of data which subsequently proved to be manifestly misstated.		
8.10. Termination payments should not exceed a fixed amount or fixed number of annual remuneration, which should, in general, not be higher than two years of the non-variable component of remuneration or the equivalent thereof.	No	
8.11. Termination payments should not be paid if the termination is due to inadequate performance.	Yes	In case the employment contract is terminated due to inadequate performance, termination payment is not paid, or is reduced by an appropriate proportion.
8.12. The information on preparatory and decision-making process, during which a policy of remuneration of directors is being established, should also be disclosed. The 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 Annual General Meeting of Shareholders.	No	
8.13. In case the remuneration is based on the allocation of shares, the shares should not vest for at least three years after their award.	Not relevant	The Company does not apply this practice.
8.14. Share options or any other right to acquire shares or to be remunerated on the basis of share price movements should not be exercisable for at least three years after their award. Vesting of shares and the right to exercise share options or any other right to acquire shares or to be remunerated on the basis of share price movements, should be subject to predetermined and measurable performance criteria.	Not relevant	The Company does not apply this practice.
8.15. After vesting, directors should retain a number of shares, until the end of their mandate, subject to the need to finance any costs related to acquisition of the shares. The number of shares to be retained should be fixed, for example, twice the value of total annual remuneration (the non-variable plus the variable components).	Not relevant	The Company does not apply this practice.
8.16. Remuneration of non-executive or supervisory directors should not include share options.	Yes	
8.17. Shareholders, in particular, the institutional shareholders, should be encouraged to attend general meetings where appropriate and make considered use of their votes regarding directors' remuneration.	No	
8.18. Without prejudice to the role of the relevant bodies responsible for setting directors' remunerations, the remuneration policy or any other significant change in the remuneration policy should be included into the agenda of the Annual General Meeting of Shareholders. Remuneration statement should be put for voting in the Annual General Meeting of Shareholders. The vote may be either mandatory or advisory.	No	The Company provides the information as required by the Law on Securities of the Republic of Lithuania and/or other legal acts.
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' at the Annual General Meeting by way of a resolution prior to their adoption. The approval of	Not relevant	The Company does not apply any schemes for directors' remuneration in shares, share options or any other rights to purchase shares or be remunerated on the basis of share price movements.

scheme should be related with the scheme itself and not to the granting 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 at the Annual General Meeting of Shareholders. In such case the shareholders should be notified on all terms of suggested changes and get an explanation on the impact of the suggested changes.		
8.20. The following issues should be subject to shareholders' approval at Annual General Meeting: 1) Granting of remuneration based on share-based schemes, including share options, to the directors; 2) Determination of maximum number of shares and main conditions of share granting; 3) The term within which the options can be exercised; 4) The conditions for any subsequent change in the exercise of the options, if permissible by law; 5) All other long-term incentive schemes for which directors are eligible and which are not available to other employees of the company under similar terms. The Annual General Meeting of Shareholders should also set the deadline, within which the body responsible for remuneration of directors may award compensations listed in this article to individual directors.		
8.21. 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.		
8.22. Points 8.19 and 8.20 should not be applicable to schemes allowing for participation under similar conditions to company's employees or employees of any subsidiary company whose employees are eligible to participate in the scheme and which has been approved in the Annual General Meeting of Shareholders.		
8.23. Prior to the Annual General Meeting of Shareholders that is intended to consider decision stipulated in the item 8.19, the shareholders must be provided with an opportunity to familiarize themselves 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. The 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. The shareholders must also be presented with information on how the company intends to provide for the shares required to meet its obligations under incentive schemes. It should be clearly stated whether the company intends		

to buy shares in the market, hold the shares in reserve or issue new ones. There should also be a summary on scheme-related expenses the company will suffer due to the anticipated application of the scheme. All information given in this article must be posted on the company's website.		
Principle IX: The role of stakeholders in corporate governance **The corporate governance framework should recognize the rights of stakeholders as established by law and encourage active co-operation between companies and stakeholders in creating the company value, jobs and financial sustainability. For the purposes of this Principle, the concept "stakeholders" includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interest in the company concerned.**		
9.1. The corporate governance framework should assure that the rights of stakeholders that are protected by law are respected.	Yes	The corporate governance framework ensures that the rights of stakeholders that are protected by laws are not breached. The majority of the shareholders consist of the Company's employees and the milk processors.
9.2. The corporate governance framework should create conditions for the stakeholders to participate in corporate governance in the manner prescribed by law. Examples of mechanisms of stakeholder participation in corporate governance include: employee participation in adoption of certain key decisions for the company; consulting the employees on corporate governance and other important issues; employee participation in the company's share capital; creditor involvement in governance in the context of the company's insolvency, etc.		
9.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.		
Principle X: Information disclosure **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: 1) The financial and operating results of the company; 2) Company objectives; 3) Persons who own or control of a block of shares in the company; 4) Members of the company's supervisory and management bodies, chief executive officer of the company and their remuneration; 5) Material foreseeable risk factors; 6) Transactions between the company and related persons, as well as transactions concluded outside the course of the company's regular operations; 7) Material issues regarding employees and other stakeholders; 8) Company's management structures and strategy. This list should be deemed as a minimum	Yes	Information about the Company, referred to in these Recommendations, is disclosed in annual and interim reports of the Company, notices of the Company and the Company's financial statements. This information is announced through the Stock Exchange information disclosure system. After the disclosure of material events, the information is published additionally on the media providing more comments.

recommendation, while the companies are encouraged not to limit themselves to disclosure of the information specified in this list. 10.2. It is recommended that consolidated results of the whole group to which the company is a parent company should be disclosed when information specified in item 1 of Recommendation 10.1 is under disclosure. 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 is under disclosure. It is also recommended that information about the amount of remuneration and other income received from the company should be disclosed with regard to members of the company's supervisory and management bodies and chief executive officer as per Principle VIII. 10.4. It is recommended that information about the relationships 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.		
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 submits information through the Vilnius Stock Exchange information disclosure system both in Lithuanian and English languages simultaneously, as far as possible. The Stock Exchange publishes the received information on its webpage and the trading system, thus ensuring dissemination of the information simultaneously to everyone. In addition, the Company aims to publish the information before or after the Vilnius Stock Exchange trading session and to submit simultaneously to all markets that sell the Company's securities. The Company follows the principle of not disclosing information that might have an effect on the price of issued securities in comments, interviews or in any other manner until such information is announced through the stock exchange information system.
10.6. Channels for disseminating information should provide for fair, timely and cost-efficient (or in cases set by law – free) access to information relevant to users. It is recommended that information technologies should be employed for wider dissemination of information, for instance, by placing the information on the company's website. It is recommended that information should be published and placed on the company's website not only in Lithuanian, but also in English, and, whenever possible and necessary, in other languages as well.	Yes	The Company's annual and interim reports are publicly available on the Company's webpage, thus ensuring fair and cost-efficient access to relevant information. Website: www.zpienas.lt

10.7. It is recommended that the company's annual report, set of financial statements, and other periodical reports prepared by the company should be published on the company's website. It is recommended that the company should announce information about material events and changes in the price of the company's shares on the Stock Exchange on the company's website too.	Yes	The Company's website contains the Company's annual and interim reports, key performance indicators, audited financial statements, reports on material events and information about changes in the price of the Company's shares on the Stock Exchange in both Lithuanian and English.
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 audit of company's set of annual financial statements, interim financial statements, and report should be conducted by an independent firm of auditors in order to provide an external and objective opinion.	Yes	An independent firm of auditors conducts an audit of the Company's financial statements and the annual report.
11.2. It is recommended that the company's supervisory board and, where it is not set up, the company's board should propose a candidate firm of auditors to the General Meeting of Shareholders.	Yes	The General Meeting of Shareholders entrusts the Management Board to select an audit firm.
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 (if any). 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 Meeting of Shareholders.	Not applicable	The audit firm has not received from the Company any income for non-audit services.