Statement by Responsible Persons

07/04/2016

Telšiai

We, Robertas Pažemeckas, General Manager 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 2015 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.

General Manager	RPaž	Robertas Pažemeckas
Chief Accountant	DGem	Dalia Gecienė

LIETUVOS RESPUBLIKA Akcinė bendrovė ŽEMAITIJOS PIENAS TELŠIAI

Žemaitijos pienas, AB
Sedos g. 35, LT-87101 Telšiai
T. +370-444-22 201
F. +370-444-74 897
E. info@zpienas.lt

Įmonės kodas 180240752
PVM mokėtojo kodas LT802407515
A. s. LT764010042800060281
AB DNB bankas
Banko kodas 40100

www.zpienas.lt

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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 2015, 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 2015, 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 2015 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 2015.

Auditor, member of the Board Laimė Jablonskienė
Auditor's certificate No. 000091
18 March 2016
Klaipėda

Grant Thornton Baltic UAB
Audit company's certificate No. 001445

(All amounts in EUR thousands unless otherwise stated)

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 2015, its shares are held by the following shareholders

Shareholder	31 12 2015		31 12 2014	
	Number of shares	Ownership %	Number of shares	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%
Regina Jarulaitienė	1.140.620	2,36%	1.140.620	2,36%
Romusas Jarulaitis	1.105.510	2,29%	1.105.510	2,29%
Other shareholders	13.127.243	27,13%	13.127.243	27,13%
Total share capital, shares units	**48.375.000**	**100,00%**	**48.375.000**	**100,00%**

The authorized capital was divided into 48.375.000 units of ordinary registered shares of EUR 0,29 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 2015 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 2015	Cost of investment 2014	Net assets as of 31 December 2015	Main activities
Šilutės Rambynas ABF	Klaipėdos str. 3, Šilutė, Lithuania	87,82%	87,82%	3.150	3.150	8.125	Cheese production and selling
SIA Muižas piens"	Skaitkalnes g. 1, Riga, Latvija	32%	-	1	1	-	Retail sale, wholesale
				3.151	**3.151**		

The Company employed 1.197 staff members as on the 31th of December 2015 (1.192 staff members as on the 31th of December 2014). The Group employed 1.291 staff members as on the 31th of December 2015 (1.371 staff members as on the 31th of December 2014).

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 2015 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 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.
This amendment is not relevant to the Company.

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 amendment did not impact the Company's financial statements.

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 amendment did not impact the Company's financial statements.

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 amendment did not impact the Company's financial statements.

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 amendment did not impact the Company's financial statements.

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 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.

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 July 2014.
The amendment did not impact the Company's financial statements.

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.

Amendment to IFRS 8 Operating Segments
Requires entities to disclose the judgements made in identifying their reportable segments when operating segments have been aggregated, including a brief description of the operating segments that have aggregated and the economic indicators that determine the aggregation criteria. Clarifies that the entity is required to provide a reconciliation between the total reportable segments' assets and the entity's assets only if the segment assets are regularly reported to the chief operating decision maker.
Effective for annual periods beginning on or after 1 July 2014.
The amendment did not impact the Company's financial statements.

Amendment to IFRS 13 Fair Value Measurement.
Clarifies that the portfolio exception applies to all contracts accounted for within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* or IFRS 9 *Financial Instruments*, regardless of whether those contracts meet the definitions of financial assets or financial liabilities in accordance with IAS 32 *Financial Instruments: Presentation.*
Effective for annual periods beginning on or after 1 July 2014.
The amendment did not impact the Company's financial statements.

Amendment to IFRIC 21 Levies
Considers how an entity should account to pay levies imposed by governments, other than income taxes, in its financial statements. As levies and taxes are not based on taxable profits, they fall outside the scope of IAS 12 and are therefore accounted for under IAS 37. Addresses the accounting for a liability to pay a levy when an entity should recognize it and whose timing and amount is certain.
Effective for annual periods beginning on or after 1 July 2014.

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.
The Company considers the impact of these standards on its financial position and operating results for annual periods beginning on or after 1 January 2016.

Amendment to IAS 1 Financial Statement Presentation
The amendments to IAS 1 is made according to the amendments made to IAS 16 and IAS 41 in relation with the biological assets.
Effective for annual periods beginning on or after 1 January 2016.

Amendment to IAS 19 Employee Benefits
Requires that the currency and term of the corporate or government bonds used to determine the discount rate for post-employment benefit obligations must be consistent with the currency and estimated term of the obligations. The amendments clarify that the assessment of the depth of the corporate bond market shall be made at the currency level rather than the country level. This will be particularly relevant to Eurozone entities with defined benefit plans.
Effective for annual periods beginning on or after 1 January 2016.

Amendment to IAS 27 Equity Method in Separate Financial Statements
Introducing a third option which allows entities to account for investments in subsidiaries, joint ventures and associates under the equity method. As a result, entities will have an accounting policy choice in their separate financial statements between accounting: at cost, in accordance with IFRS 9 (or IAS 39) or under the equity method. Entities are required to apply the same accounting for each category of investments.
Effective for annual periods beginning on or after 1 January 2016.

Amendments to IAS 28 Investments in Associates
Clarify that when determining whether assets that are sold or contributed constitute a business, an entity shall consider whether the sale or contribution of those assets is part of multiple arrangements that should be accounted for as a single transaction. Amendments alter the current requirements for the partial gain or loss recognition for transactions between an investor and its associate or joint venture only apply to the gain or loss resulting from the sale or contribution of assets that do not constitute a business, as defined in IFRS 3; also the gain or loss from the sale or contribution of assets that constitute a business between an investor and its associate or joint venture is recognised in full.
Effective for annual periods beginning on or after 1 January 2016.

Amendments to IAS 34 Interim Financial Reporting
Clarify the meaning of disclosure of information 'elsewhere in the interim financial report' and require the inclusion of a cross-reference from the interim financial statements to the location of this information. The amendments specify that information incorporated by cross reference must be available to users of the interim financial statements on the same terms and at the same time as those statements.
Effective for annual periods beginning on or after 1 January 2016.

The Amendments to IAS 38 Intangible Assets
Present a rebuttable presumption that a revenue-based amortisation method for intangible assets is inappropriate for the same reasons set out above. This rebuttable presumption can be overcome, ie a revenue-based amortisation method might be appropriate, only in two limited circumstances: the intangible asset is expressed as a measure of revenue, for example when the predominant limiting factor inherent in an intangible asset is the achievement of a revenue threshold, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

Effective for annual periods beginning on or after 1 January 2016.

The Amendments to IFRS 5 Non-current Assets held for the sale and Discontinued Operations
Clarify that a direct reclassification of an asset (or disposal group) from being held for sale to being held for distribution (or vice-versa) is not treated as a cessation of held for sale classification. Accordingly the entity continues to measure the asset (or disposal group) at the lower of carrying amount and fair value less costs to sell. The amendments also state that when an entity determines that the asset (or disposal group) is no longer available for immediate distribution or that the distribution is no longer highly probable, it should cease held-for-distribution accounting.
Effective for annual periods beginning on or after 1 January 2016.

The Amendments to IFRS 7 Financial Instruments: Disclosures
Provide additional guidance to help entities identify the circumstances under which a contract to 'service' financial assets is considered to be 'continuing involvement' in those assets for the purposes of applying the disclosure requirements in paragraphs of IFRS 7. Such circumstances commonly arise when, for example, the servicing fee is dependent on the amount or timing of the cash flows collected from the transferred financial asset or when a fixed fee is not paid in full due to non-performance of that asset.
Effective for annual periods beginning on or after 1 January 2016.

The Amendments to IFRS 11 Joint Arrangements
Guidance on the accounting for the acquisition of an interest in a joint operation in which the activity of the joint operation constitutes a business. More specifically, the Amendments state that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a business, as defined in IFRS 3.
Effective for annual periods beginning on or after 1 January 2016.

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 EUR 145. Until 1 September 2012 the minimum acquisition cost was EUR 869.
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 Euro 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 Euro 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 31th of December 2015 the applicable rates used for principal currencies were as follows:

year 2015			year 2014		
1 USD	=	0,915248 EUR	1 USD	=	0,8221 EUR

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 2015.

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.

(All amounts in EUR thousands unless otherwise stated)

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 2015:

The Group	Licenses and patents	Computer software	Other intangible assets	Total
Acquisition cost				
As of 31 December 2013	**38**	**166**	**295**	**499**
- acquisition	1	77	117	195
- transfers between accounts	-	-	(12)	(12)
As of 31 December 2014	**39**	**243**	**400**	**682**
- acquisition		16	13	29
- sold or written-off assets	-	(22)	(19)	(41)
As of 31 December 2015	**39**	**237**	**394**	**670**
Accumulated depreciation				
As of 31 December 2013	**24**	**143**	**237**	**404**
- amortization	10	35	57	102
- amortization of transferred and written-off assets	-	(14)	(1)	(16)
As of 31 December 2014	**34**	**163**	**293**	**490**
- amortization	3	42	51	96
- amortization of transferred and written-off assets	-	(22)	(19)	(41)
As of 31 December 2015	**37**	**183**	**325**	**545**
Net book value:				
As of 31 December 2014	**5**	**79**	**107**	**191**
As of 31 December 2015	**2**	**53**	**69**	**124**

Changes in intangible assets of the Company as of 31 December 2015:

The Company	Licenses and patents	Computer software	Other intangible assets	Total
Acquisition cost				
As of 31 December 2013	**38**	**152**	**295**	**485**
-acquisition	1	76	117	195
-sold or written-off assets	-		(12)	(12)
-transfers between accounts	-	-	-	-
As of 31 December 2014	**39**	**229**	**400**	**667**
-acquisition	-	16	13	29
-sold or written-off assets	-	(20)	(19)	(39)
As of 31 December 2015	**39**	**224**	**394**	**657**
Accumulated depreciation				
As of 31 December 2013	**24**	**117**	**237**	**378**
-amortization	10	32	57	100

(All amounts in EUR thousands unless otherwise stated)

-amortization of transferred and written-off assets	-	-	(1)	(1)
As of 31 December 2014	**34**	**149**	**293**	**476**
-amortization	3	42	51	95
-amortization of transferred and written-off assets	-	(20)	(19)	(38)
As of 31 December 2015	**37**	**171**	**325**	**533**
Net book value:				
As of 31 December 2014	**5**	**79**	**107**	**191**
As of 31 December 2015	**2**	**53**	**69**	**124**

In 2015 amortization of non-current intangible assets of the Group and the Company amounts to EUR 96 thousand and EUR 95 thousand respectively (In 2014 – EUR 102 thousand and EUR 100 thousand).
Investments in the purchase of non-current intangible assets made by the Group and the Company in 2015 amount to EUR 29 thousand and EUR 29 thousand respectively (In 2014 - EUR 195 thousand and EUR 195 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 2015:

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 2013	**12.606**	**43.637**	**10.607**	**3.856**	**2.755**	**73.460**
-acquisition	1	663	893	344	4.688	6.589
-sold or written-off assets	(129)	(92)	(377)	(72)	-	(670)
-recalculation of the accounting policy change	-	-	-	-	-	-
-transfers to investing assets	90	-	-	-	-	90
-transfers between accounts	-		-		-	-
-adding value	-	37	-	24	-	61
-reclassification	1.001	3.090	-	10	(4.101)	-
As of 31 December 2014	**13.570**	**47.335**	**11.123**	**4.162**	**3.341**	**79.530**
-acquisition	126	1.955	204	374	8.282	10.941
-recalculation of the accounting policy change	-	-	-	-	-	-

-sold or written-off assets	-	(277)	(91)	(117)	(275)	(760)
-adding value	-	490	-	12	-	502
-reclassification	4	838	-	0	(842)	-
-transfers to investing assets	-	-	-	-	-	-
-transfers between accounts	-	-	-	-	-	-
As of 31 December 2015	**13.700**	**50.340**	**11.236**	**4.431**	**10.506**	**90.213**
Accumulated depreciation As of 31 December 2013	**6.224**	**37.371**	**8.241**	**3.323**	**-**	**55.160**
-depreciation	614	2.012	661	294	-	3.582
-depreciation of written-off and sold assets	(16)	(85)	(250)	(54)	-	(405)
-recalculation of the accounting policy change	135	1.569	1.148	-	-	2.852
-transfers to investing assets	1	-	-	-	-	1
As of 31 December 2014	**6.959**	**40.866**	**9.801**	**3.563**	**-**	**61.189**
-depreciation	693	2.550	661	321	-	4.225
-depreciation of written-off and sold assets	-	(274)	(60)	(113)	-	(447)
-recalculation of the accounting policy change	4	(376)	-	-	-	(373)
-reclassification	-	-	-	-	-	-
-transfers to investing assets	(27)	-	-	-	-	(27)
-transfers between accounts	-	-	-	-	-	-
As of 31 December 2015	**7.629**	**42.765**	**10.402**	**3.772**	**-**	**64.569**
Accumulated impairment losses As of 31 December 2013	**48**	**3**	**-**	**11**	**2**	**64**
-impairment losses	(1)	(2)	-	(7)	-	(10)
-reversal of impairment	(4)	-	-	-	-	(4)
As of 31 December 2014	**44**	**1**	**-**	**4**	**2**	**52**
-impairment losses	-	-	-	-	-	-
-reversal of impairment	(4)	-	-	(2)	-	(6)
As of 31 December 2015	**40**	**1**	**-**	**2**	**2**	**46**
Net book value:						
As of 31 December 2014	**6.567**	**6.468**	**1.323**	**594**	**3.339**	**18.292**
As of 31 December 2015	**6.031**	**7.574**	**834**	**658**	**10.504**	**25.601**

Changes in property, plant and equipment of the Company as of 31 December 2015:

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 2013	**8.051**	**38.174**	**7.445**	**3.468**	**2.751**	**59.889**
-acquisition	1	633	893	317	4.285	6.129
-recalculation of the accounting policy change	-	-		-	-	-
-sold or written-off assets	(23)	(40)	(250)	(54)	-	(367)
-adding value	-	37	-	24	-	61
-reclassification	695	2.993	-	10	(3.698)	-
-transfers to accounts investing assets	-	-	-	-	-	-
As of 31 December 2014	**8.724**	**41.797**	**8.088**	**3.765**	**3.338**	**65.712**
-acquisition	43	1.952	188	343	8.017	10.543
-recalculation of the accounting policy change	-	-	-	-	-	-
-sold or written-off assets	-	(245)	(91)	(111)	(275)	(722)
-adding value	-	490	-	12	-	502

(All amounts in EUR thousands unless otherwise stated)

-reclassification		576	-	-	(576)	-
-transfers to accounts investing assets	-	-	-	-	-	-
-transfers from investing assets	-	-	-	-	-	-
As of 31 December 2015	**8.767**	**44.570**	**8.185**	**4.010**	**10.504**	**76.036**
Accumulated depreciation						
As of 31 December 2013	**3.435**	**34.198**	**6.738**	**2.988**	-	**47.360**
-depreciation	466	1.669	398	275	-	2.808
-depreciation of written-off and sold assets	(6)	(33)	(123)	(36)	-	(198)
-recalculation of the accounting		-		-		-
-transfers to investing assets	-	-	-	-		-
-reclassification	-	-	-	-	-	-
As of 31 December 2014	**3.895**	**35.834**	**7.013**	**3.227**	-	**49.970**
-depreciation	504	2.218	419	298	-	3.439
-depreciation of written-off and sold assets	-	(242)	(60)	(107)	-	(409)
-recalculation of the accounting policy change	-	-	-	-	-	-
-reclassification	-	-	-	-	-	-
-transfers to investing assets	-	-	-	-	-	-
-transfers from investing assets	-	-	-	-	-	-
As of 31 December 2015	**4.399**	**37.810**	**7.372**	**3.418**	-	**52.999**
Accumulated depreciation						
As of 31 December 2013	**2**	**3**	-	**11**	-	**16**
- impairment losses	(1)	(2)	-	(7)	-	(10)
- reversal of impairment	-	-	-	-	-	-
As of 31 December 2014	**1**	**1**	-	**4**	-	**6**
- impairment losses	-	-	-	-	-	-
- reversal of impairment	-	-	-	(2)	-	(2)
As of 31 December 2015	**1**	**1**	-	**2**	-	**4**
Net book value						
As of 31 December 2014	4.828	5.962	1.075	534	3.338	15.737
As of 31 December 2015	4.367	6.759	813	590	10.504	23.033

For the year ending at 31 December 2015 the depreciation costs of the Group's and the Company's property, plant and equipment amounts to EUR 4.225 thousand and EUR 3.439 thousand respectively (31 December 2014 – EUR 3.582 thousand and EUR 2.808 thousand).

In order to unify the parent company AB "Žemaitijos pienas" and subsidary 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 2.852 thousand EUR on 31 December 2014.

On 31 December 2015, Company's and subsidiary ABF "Šilutės Rambynas" fixed tangible assets, whose residual value in total equalled EUR 1.185 thousand (on 31 December 2014 it equalled EUR 1.817 thousand.), were pledged to the banks for the Company's received loans.

A part of the Group's and the Company's fixed tangible assets, which acquisition value on 31 December 2015 equalled EUR 47.005 thousand and EUR 39.065 thousand respectively, was completely depreciated (31 December 2014 respectively – EUR 44.475 thousand and EUR 37.927 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 2015 amounted to EUR 11.201 thousand and EUR 10.803 thousand (in 2014 - EUR 6.857 thousand and EUR 6.396 thousand). 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 2015:

	The Group	The Company
Acquisition cost		
As of 31 December 2013	304	3.062
- acquisition	-	-
- transfers from long-term assets	(90)	(90)
As of 31 December 2014	214	2.972
- acquisition		
- written -off assets	-	-
- transfers from long-term assets	-	-
As of 31 December 2015	214	2.972
Accumulated depreciation		
As of 31 December 2013	38	1.684
- depreciation	28	84
- transfers from long-term assets	(26)	(25)
As of 31 December 2014	40	1.743
- depreciation	27	69
- written -off assets	-	-
- transfers from long-term assets	-	-
As of 31 December 2015	67	1.812
Net book value, Eur thousand:		
As of 31 December 2014	174	1.229
As of 31 December 2015	147	1.160

The fair value of investment assets approximates its book value.
The Company's depreciation of the investment assets for the year 2015 amounted to EUR 69 thousand (2014 – EUR 84 thousand).
The Company's investment assets in 2015 and 2014 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) (EUR thousand)

Loans granted as of 31 December 2015:

	The Group		The Company	
	31 12 2015	31 12 2014	31 12 2015	31 12 2014
Loans granted	1.528	5.405	1.528	5.405
Less: current portion of loans granted	(651)	(699)	(651)	(699)
Non- current loans granted	877	4.706	877	4.706

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

8. INVENTORIES

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

Inventories as of 31 December 2015:

	The Group		The Company	
	31 12 2015	31 12 2014	31 12 2015	31 12 2014
Raw materials	3.419	3.468	2.661	2.934
Finished goods and work in process	27.107	24.341	25.451	22.539
Goods for resale	241	191	241	191
	30.767	**28.000**	**28.353**	**25.665**
Less: write off to net realizable value	(4.676)	(3.056)	(4.366)	(2.848)
Total:	**26.091**	**24.944**	**23.987**	**22.817**

9. TRADE ACCOUNTS RECEIVABLE

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

Trade accounts receivable as of 31 December 2015 (EUR thousand):

	The Group		The Company	
	31 12 2015	31 12 2014	31 12 2015	31 12 2014
Trade accounts receivable	11.107	9.186	10.577	8.770
Accounts receivable from related parties	2.094	1.828	2.085	1.819
	13.201	**11.014**	**12.662**	**10.589**
Impairment allowance for bad debts	(386)	(130)	(386)	(130
Impairment allowance for bad debts of related parties	(187)	(541)	(187)	(541)
Net trade receivables:	**12.628**	**10.343**	**12.089**	**9.918**

Changes in impairment loss for bad debts for 2015 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 2015	31 12 2014	31 12 2015	31 12 2014
Balance at beginning of year	671	345	671	345
Impairment allowance for bad debts	(98)	326	(98)	326
Balance at end of year	573	671	573	671

Amount receivable impairment losses recognised after the delay of 60-120 days or more.

Analysis of trade receivables based on the terms of payment on the 31st December, 2015

The Group EUR thousand	Trade accounts receivables, which period has not passed	Trade accounts receivables which period has passed			Total
		Less than 60 days	60-120 days	More than 120 days	
Trade account receivables	11.494	1.134	465	108	**13.201**
Reduction of value	-	-	(465)	(108)	**(573)**

The Company EUR thousand	Trade accounts receivables, which period has not passed	Trade accounts receivables which period has passed			Total
		Less than 60 days	60-120 days	More than 120 days	
Trade account receivables	10.966	1.123	465	108	**12.662**
Reduction of value	-	-	(465)	(108)	**(573)**

10. OTHER ACCOUNTS RECEIVABLE

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

Other accounts receivables as of 31 December 2015 (EUR thousand):

	The Group		The Company	
	31 12 2015	31 12 2014	31 12 2015	31 12 2014
Grants receivable	-	142	-	-
Current portion of long-term loans granted	651	699	651	699
VAT receivable	426	346	376	346
Other receivables	34	28	33	26
Total:	**1.111**	**1.215**	**1.060**	**1.071**

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 2015 (EUR thousand):

	The Group		The Company	
	31 12 2015	31 12 2014	31 12 2015	31 12 2014
Cash at bank	10.181	6.907	4.785	6.113
Cash on hand	42	111	42	111
Total:	**10.223**	**7.018**	**4.827**	**6.224**

12. CAPITAL AND RESERVES

Share capital

The share capital is made of 48.375.000 ordinary shares with the nominal value of EUR 0,29 each, and the total share capital is EUR 14.028.750, fully paid.

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 2014, 2015 Company acquired it's own shares in 2.070.621 units or 4.28% of shares in total. On 31 December 2014, 2015 the Company had its own shares were purchased for EUR 1.323 thousand. 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 EUR 4.344 thousand 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 EUR 221 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 (EUR thousand):

	The Group	The Company
Grants received		
As of 31 December 2013 (balance)	**6.619**	**4.713**
- received	1.181	981
As of 31 December 2014 (balance)	**7.800**	**5.694**
- received	27	27
As of 31 December 2015 (balance)	**7.827**	**5.721**
Accumulated amortisation		
As of 31 December 2013 (balance)	**4.903**	**3.662**

- amortization	764	247
As of 31 December 2014 (balance)	**5.667**	**3.909**
- amortization	566	416
As of 31 December 2015 (balance)	**6.232**	**4.324**
Net book value		
As of 31 December 2014	**2.133**	**1.785**
As of 31 December 2015	**1.595**	**1.397**

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 EUR 198 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 EUR 2,95 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 (EUR 158 thousands) was received for the first completed stage of this project. In 2012, 20% of the compensated amount (EUR 430 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 EUR 3,36 million. The level of the support reaches 50 % of the designated funds. In 2013 the Company received EUR 696 thousand of the compensated funds by the aid. In 2014 the Company completed for bio fuel boiler funding – focus even EUR 940 thousand of support . Also in 2014 the Company of Lithuanian Environmental Investment Fund got into the first part of the subsidy – EUR 40 thousand (20.5% subsid. part) for the execution of the project: "Acid whey processing line to line installation, reducing the amount of waste". In 2015 the Company has received EUR 27 thousand of the compensated funds by the aid yet.

On 31 December 2015, the residual value of all of the Company's received grants constituted EUR 1.397 thousand (on 31 December 2014 it constituted EUR 1.786 thousand).

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 EUR 452 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 EUR 271 thousand of the support amount. EUR 119 thousand of the support amount is for the 2nd stage (the due date of implementation is 31 March 2013), EUR 63 thousand of the support amount is for the 3rd 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 EUR 200 thousand award acquisition device concentration of whey RO + ROP. In 2014 it was transferred to the company for 60 percent support – EUR 120 thousand. The rest will be paid before 30 April 2015.

On 31 December 2015, the total residue of ABF "Šilutės Rambynas" grants was EUR 198 thousand (on 31 December 2014 it was EUR 348 thousand).

14. BORROWINGS

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

The Group and the Company had no loans, borrowings as of 31 December 2014, 2015:

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 (EUR thousand):

	31 12 2015		31 12 2014	
The Group	**Minimum lease payments**	**Present value of minimum lease payments**	**Minimum lease payments**	**Present value of minimum lease payments**
Within one year	32	32	76	75
In the second to fifth years inclusive	-	-	32	32
Minimum lease payments	**32**	**32**	**108**	**107**
Less: future interest	(0)		(1)	
Present value of minumum lease payments	**32**		**107**	

	31 12 2015		31 12 2014	
The Company	**Minimum lease payments**	**Present value of minimum lease payments**	**Minimum lease payments**	**Present value of minimum lease payments**
Within one year	32	32	76	75
In the second to fifth years inclusive	-	-	32	32
Present value of minumum lease payments	**32**	**32**	**108**	**107**
Less: future interest	(0)		(1)	
Present value of minumum lease payments	**32**		**107**	

As of 31 December 2015 and 2014, 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 (EUR thousand):

	The Group		The Company	
	31 12 2015	31 12 2014	31 12 2015	31 12 2014
Within one year	994	945	994	945
In the second to fifth years	1.006	957	1.006	957
After five years	-	-	-	-
Total:	**2.000**	**1.902**	**2.000**	**1.902**

The currency of the payment of operating lease is EUR.

17. PAYABLES

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

	The Group		The Company	
	31 12 2015	31 12 2014	31 12 2015	31 12 2014
Payables to suppliers	12.007	10.845	11.443	10.495
Payables to related parties	268	503	2.054	1.736
Prepayments	291	202	262	202
Total:	**12.566**	**11.550**	**13.759**	**12.433**

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 2015 (EUR thousand):

	The Group		The Company	
	31 12 2015	31 12 2014	31 12 2015	31 12 2014
Accrued expenses	3.122	551	1.204	551
Holiday reserve	2.222	2.352	1.944	2.145
Wages and salaries payable	813	-	708	-
Social security payable	850	(2)	773	(2)
Taxes payable, other than income tax	197	14	159	-
Provisions	-	-	-	-
Other current liabilities	485	396	484	396
Total:	**7.689**	**3.311**	**5.272**	**3.090**

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, EUR thousand		Variation in %
	Jan-Dec 2015	Jan-Dec 2014	As comparing 2015 with 2014
Fermented cheese	58.031	67.795	-14,40%
Fresh dairy products	60.904	55.988	8,78%
Butter and spreadable fat mixes	8.514	9.412	-9,54%
Dry dairy products	9.146	10.259	-10,85%
Ice cream	48	655	-92,67%
Other	12.471	17.055	-26,88%
Total:	149.114	161.164	-7,48%

The Company	Turnover, EUR thousand		Variation in %
	Jan-Dec 2015	Jan-Dec 2014	As comparing 2015 with 2014
Fermented cheese	54.799	63.508	-13,71%
Fresh dairy products	52.818	49.080	7,62%
Butter and spreadable fat mixes	8.514	9.412	-9,54%
Dry dairy products	9.146	10.259	-10,85%
Ice cream	48	655	-92,67%
Other	18.948	24.140	-21,51%
Total:	144.273	157.054	-8,14%

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 2015	Jan-Dec 2014	Jan-Dec 2015	Jan-Dec 2014
Sales, EUR thousand:				
Lithuania	75.668	81.528	82.317	87.319
Other Baltic States and CIS members	20.332	32.827	17.812	30.541

Other Europe countries	42.355	39.844	33.869	32.763
Other	10.759	6.965	10.275	6.431
Total, EUR thousand:	**149.114**	**161.164**	**144.273**	**157.054**

During the year of 2015 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 2015	Jan-Dec 2014	Jan-Dec 2015	Jan-Dec 2014
Wages, salaries and social security*	10.755	9.096	10.505	8.880
Services	5.492	4.623	4.779	4.150
Marketing	5.672	2.848	5.340	2.773
Fuel and spare parts	1.319	1.609	1.303	1.576
Depreciation and amortisation	604	3.529	969	962
Change in write off of inventoriews to net realizable value	1.620	(1.095)	1.518	(1.125)
Materials	371	427	359	416
Taxes, other than income tax	201	211	201	187
Other expenses	4.685	2.242	2.559	2.056
Total sales and distribution expenses:	**30.719**	**23.490**	**27.533**	**19.875**

* 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 2015 (EUR thousand):

	The Group		The Company	
	Jan-Dec 2015	Jan-Dec 2014	Jan-Dec 2015	Jan-Dec 2014
Other operating income				
Gain on sales of property, plant and equipment and goods for resale sales income	262	310	291	330
Rental income	89	83	405	386
Income of the canteen	242	449	242	449
Other	160	130	162	148
	753	**972**	**1.100**	**1.313**
Other operating expenses				
Cost of goods for resale sold	(182)	(177)	(216)	(162)
Rental income	(76)	(145)	(62)	(99)
Other	(189)	(318)	(188)	(317)

	(447)	(640)	(466)	(578)
Net income and expenses of other activities:	**306**	**332**	**634**	**735**

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 2015 (EUR thousand):

	The Group		The Company	
	Jan-Dec 2015	Jan-Dec 2014	Jan-Dec 2015	Jan-Dec 2014
Income from financial activity				
Interest income	136	121	136	122
Foreign currency exchange (profit)	277	39	277	38
Other financial incomes	65	150	12	4
	478	**310**	**425**	**164**
Expenses from financial activity				
Foreign currency exchange (loss)	(291)	(82)	(290)	(58)
Interest	(1)	(12)	(1)	(12)
Other financial expenses	(13)	(19)	-	-
	(305)	**(113)**	**(291)**	**(70)**
Net of financial income and expenses:	**173**	**197**	**134**	**94**

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 2015	Jan-Dec 2014	Jan-Dec 2015	Jan-Dec 2014
Profit before tax	6.516	3.390	3.366	3.667
Income tax, applying valid tax rate	2.126	1.538	1.419	1.196
Change in deferred income tax asset	(1.595)	(437)	(1.290)	(432)
Change in deferred income tax liability	-	(348)	-	-
Income tax expenses (benefit) charged to the statement of comprehensive income, EUR thousand	**531**	**753**	**129**	**766**

	The Group		The Company	
	31 12 2015	31 12 2014	31 12 2015	31 12 2014
Deferred income tax asset				
Accounts receivable	630	102	630	102
Inventories	702	458	655	427
Accrued vacation reserve	303	329	292	322
Other accrued expenses	1.412	562	1.119	555

Total deferred income tax asset, EUR thousand	**3.047**	**1.451**	**2.696**	**1.406**
Deferred income tax liability				
Difference in property, plant and equipment depretiation rates	-	-	-	-
Total deferred income tax liability, EUR thousand	-	-	-	-
Deferred income tax asset, net EUR thousand	**3.047**	**1.451**	**2.696**	**1.406**

24. ACQUISITION AND WRITE-OFFS OF SUBSIDIARIES

In 2014-15 a new company has not been purchased in the Group . Any company of the Group has not been liquidated.

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 2015	Jan-Dec 2014	Jan-Dec 2015	Jan-Dec 2014
Net profit (loss) attributable to the equity shareholders in EUR thousand	5.650	2.669	3.237	2.901
Weighted average number of shares (in thousand)	48.375	48.375	48.375	48.375
Basic earnings (loss) per share in EUR	**0,12**	**0,06**	**0,07**	**0,06**

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 2015	Jan-Dec 2014	Jan-Dec 2015	Jan-Dec 2014
Dividends	-	-	-	-
Number of shares (thousand)	48.375	48.375	48.375	48.375
Dividends per share (in EUR)	**0,00**	**0,00**	**0,00**	**0,00**

27. COMMITMENTS AND CONTINGENCIES

As of 31 December 2015 the Group and the Company had no material purchase commitments for the acquisition of property, plant and equipment.
At of 31 December 2015 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.

(All amounts in EUR thousands unless otherwise stated)

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 2015	31 12 2014	31 12 2015	31 12 2014
Cash and cash equivalents	10.223	7.018	4.827	6.224
Loans granted	877	4.706	877	4.706
Trade accounts receivable	12.628	10.344	12.089	9.918
Other accounts receivable	1.111	1.215	1.060	1.071
Finance leases	27	16	27	16
Total financial assets	**24.866**	**23.299**	**18.880**	**21.935**

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.

(All amounts in EUR thousands unless otherwise stated)

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	-	-	-	-	-	-
Interest bearing finance lease liabilities	-	21	54	32	-	107
Trade payables and prepayments	-	11.047	-	-	-	11.047
Commitments to related parties	-	503	-	-	-	503
Balance as of 31 December 2014	-	**11.571**	**54**	**32**	-	**11.657**
Interest bearing loans and borrowings	-	-	-	-	-	-
Interest bearing finance lease liabilities	-	11	21	-	-	32
Trade payables and prepayments	-	12.298	-	-	-	12.298
Commitments to related parties	-	268	-	-	-	268
Balance as of 31 December 2015	-	**12.577**	**21**	-	-	**12.598**
Changes throught 2015	-	**1.006**	**(33)**	**(32)**	-	**941**

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	-	-	-	-	-	-
Interest bearing finance lease liabilities	-	21	54	32	-	107
Trade payables and prepayments	-	10.697	-	-	-	10.697
Commitments to related parties	-	1.736	-	-	-	1.736
Balance as of 31 December 2014	-	**12.454**	**54**	**32**	-	**12.540**

Interest bearing loans and borrowings	-	-	-	-	-	-
Interest bearing finance lease liabilities	-	11	21	-	-	32
Trade payables and prepayments	-	11.705	-	-	-	11.705
Commitments to related parties	-	2.054	-	-	-	2.054
Balance as of 31 December 2015	**-**	**13.770**	**21**	**-**	**-**	**13.791**
Changes throught 2015		**1.316**	**(33)**	**(32)**	**-**	**1.251**

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.

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

	The Group		The Company	
	31 12 2015		31 12 2015	
	Assets	Liabilities	Assets	Liabilities
LTL	-	-	-	-
EUR	23.808	20.892	17.807	19.204
USD	855	2	855	2
LVL	-	-	-	-
Other	563	17	563	17
Total:	**25.226**	**20.911**	**19.225**	**19.223**

	The Group		The Company	
	31 12 2014		31 12 2014	
	Assets	Liabilities	Assets	Liabilities
LTL	14.233	13.609	14.013	14.329
EUR	9.127	1.595	7.958	1.537
USD	12	-	12	-
LVL	-	-	-	-
Other	649	13	649	13
Total:	**24.021**	**15.217**	**22.632**	**15.879**

All sales and purchases transactions as well as the financial debt portfolio of the Group and the Company are denominated in 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 EUR.

(All amounts in EUR thousands unless otherwise stated)

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 2015 does not significantly differ from their carrying amount.

Financial assets and liabilities as of the 31th of December 2015

The Group	Carrying amount		Fair value	
	31 12 2015	31 12 2014	31 12 2015	31 12 2014
Financial assets				
Cash	10.223	7.018	10.223	7.018
Finance leases	27	16	27	16
Investments available for sale		-	-	-
Loans granted	877	4.706	877	4.706
Total:	**11.127**	**11.740**	**11.127**	**11.740**
Financial liabilities				
Interest bearing loans and borrowings:	-	-		-
Obligations under finance lease and hired purcha contracts	(32)	(107)	(32)	(108)
Floating interest rate borrowings	-	-	-	-
Fixed interest rate borrowings	-	-	-	-
Total:	**(32)**	**(107)**	**(32)**	**(108)**
Net total:	**11.095**	**11.633**	**11.095**	**11.632**

The Company	Carrying amount		Fair value	
	31 12 2015	31 12 2014	31 12 2015	31 12 2014
Financial assets				
Cash	4.827	6.224	4.827	6.224
Finance leases	27	16	27	16
Investments available for sale	-	-	-	-
Loans granted	877	4.706	877	4.706
Total:	**5.731**	**10.946**	**5.731**	**10.946**
Financial liabilities				
Interest bearing loans and borrowings:				
Obligations under finance lease and hired purchase contracts	(32)	(107)	(32)	(108)
Floating interest rate borrowings	-	-	-	-
Fixed interest rate borrowings	-	-	-	-
Total:	**(32)**	**(107)**	**(32)**	**(108)**
Net total:	**5.699**	**10.839**	**5.699**	**10.838**

(All amounts in EUR thousands unless otherwise stated)

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 2015.

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 2015	31 12 2014	31 12 2015	31 12 2014
Non-current liabilities (including deferred taxes and grants)	1.597	2.170	1.399	1.822
Current liabilities	20.909	15.180	19.221	15.842
Total liabilities	**22.506**	**17.350**	**20.620**	**17.664**
Equity attributable to equity holders of the parent	**56.742**	**51.071**	**52.757**	**49.502**
Debt* to equity ratio	**40%**	**34%**	**39%**	**36%**

* 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 2015.

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
Dziugas USA LLC	Common major shareholder

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

	The Group		The Company	
	Jan-Dec 2015	**Jan-Dec 2014**	**Jan-Dec 2015**	**Jan-Dec 2014**
1)Sales				
Sales of goods				
To the Group				
Šilutės Rambynas ABF	-	-	19.891	21.398
	-	**-**	**19.891**	**21.398**
To Related parties				
Baltijos mineralinių vandenų kompanija UAB	8	13	8	13
Klaipėdos pienas AB	272	444	80	170
Žemaitijos pieno investicija AB	-	-	-	-
Čia Market UAB	6.168	5.376	6.168	5.376
Muizas piens SIA	437	1.052	436	1.052
	6.885	**6.885**	**6.692**	**6.611**
Sales of inventory and services				
To the Group				
Šilutės Rambynas ABF	-	-	400	390
	-	**-**	**400**	**390**
To Related parties				
Baltijos mineralinių vandenų kompanija UAB	165	188	165	188
Klaipėdos pienas AB	124	353	122	353
Žemaitijos pieno investicija AB	47	173	47	165
Samogitija UAB	1	1	1	1
Čia Market UAB	105	84	101	79
Muizas piens SIA	5	4	5	4
Dziugas PL Sp. Z.o.o.	1	-	1	-
	448	***803***	***442***	***790***
Total Sales:	**7.333**	**7.688**	**27.425**	**29.189**

	The Group		The Company	
	Jan-Dec 2015	**Jan-Dec 2014**	**Jan-Dec 2015**	**Jan-Dec 2014**
2) Purchases				
From the Group				
Šilutės Rambynas ABF	-	-	21.701	21.700
	-	**-**	**21.701**	**21.700**
From Related parties				
Baltijos mineralinių vandenų kompanija UAB	1.539	1.649	1.533	1.648
Samogitija UAB	-	20	-	20
Klaipėdos pienas AB	160	708	159	708
Žemaitijos pieno investicija AB	763	752	763	750
Čia Market UAB	2.152	160	2.147	153
Muizas piens SIA	1.023	1.380	1.022	1.380

(All amounts in EUR thousands unless otherwise stated)

Dziugas PL Sp. Z.o.o.	94	8	94	8
	5.731	4.677	5.718	4.667
Total Purchases:	**5.731**	**4.677**	**27.419**	**26.367**

Balances outstanding with related parties

	The Group		The Company	
	31 12 2015	**31 12 2014**	**31 12 2015**	**31 12 2014**
3) Accounts recievable and financial debts				
From Group				
Šilutės Rambynas ABF	-	-	-	-
	-	-	-	-
From Related parties				
	-	-	-	-
Baltijos mineralinių vandenų kompanija UAB	-		-	-
Samogitija UAB	20	21	20	21
Žemaitijos pieno investicija UAB	12	1.010	12	1.010
Klaipėdos pienas AB	41	2.926	33	2.916
Čia Market AB	1.670	920	1.669	920
Muizas piens SIA	217	64	217	64
Dziugas France S.A.R.	-	-	-	-
Dziugas USA LLC	20	-	20	-
	1.980	*4.941*	*1.971*	*4.931*
Total balances of payables:	**1.980**	**4.941**	**1.971**	**4.931**

	The Group		The Company	
	31 12 2015	**31 12 2014**	**31 12 2015**	**31 12 2014**
4) Balances of payables				
To Group				
Tarpučių pienas ŽŪK	-	-	-	-
Šilutės Rambynas ABF	-	-	1.786	1.237
	-	-	**1.786**	**1.237**
To Related parties				
Pažemeckas Algirdas	-	-	-	-
Baltijos mineralinių vandenų kompanija UAB	254	232	254	232
Žemaitijos pieno investicija UAB	-	-	-	-
Klaipėdos pienas AB	-	76	-	76
Čia Market AB	-	3	-	-
Muizas piens SIA	10	186	10	186
Dziugas PL.Sp.z.o.o.	4	5	4	5
Dziugas UK Ltd	-	1	-	1
	268	*503*	*268*	*500*
Total balances of payables:	**268**	**503**	**2.054**	**1.737**

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 2015, the Company have calculated EUR 3.799 thousand of decrease in distribution value for doubtful accounts, relating to the amounts that belong to the related parties (in 2014 – EUR 541 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 "Žemaitijos pieno investicija"AB 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 "Šilutės Rambynas" ABF , sales of distribution services to "Baltijos mineralinių vandenų kompanija" UAB and sales of finished goods to "Čia Market" UAB , sales of raw materials, production and various services to "Klaipedos pienas" AB .

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 15 March 2016

Robertas Pažemeckas General Director	Dalija Gecienė Senior accountant

I. GENERAL INFORMATION REGARDING THE ISSUER

1. Reference period for which the announcement is drafted

Consolidated annual report is drawn up and published for the financial year 2015.

2. Issuer and contact details

Name	Join Stock Company Žemaitijos pienas
Legal – organisational form	Joint Stock Company
Registered	Joint Stock Company registered on the 23 June, 1993
Company code	180240752
VAT code	LT802407515
Authorized capital	14 028 750 EUR
Address	Sedos str. 35, Telsiai, LT-87101
Telephone	8 (444) 22201
Fax	8 (444) 74897
E-mail	info@zpienas.lt
Website	www.zpienas.lt

3. Information on the branches and representative offices of the Company

On the 31 December, 2015, the consolidated Company Group Žemaitijos pienas, AB established the parent Company Žemaitijos pienas and its subsidiary and affiliate undertakings. Company owned subsidiary undertakings:

Šilutės Rambynas, AB-F, Company code 277141670
The Company owns 87.82 percent of the total shares of the undertaking.
Office address – Klaipedos str. 3, Silute.
Nature of the activity – production of cheese and other milk products.

Affiliated undertaking: Muižas piens, SIA, Company code 40003786632
The Company owns 32 percent of the total shares of the undertaking.
Office address – Skaitskalnes 1, Riga, Latvia.
Nature of the activity – wholesale and retail trade.

Žemaitijos pienas, AB owns 5 structural divisions including warehouses and means of transportation in the following cities

- Vilnius branch, address: Algirdo str. 40/13, Vilnius
- Kaunas branch, address: Kėdainių str. 8A, Kaunas
- Klaipeda branch, address: Šilutės pl. 33, Klaipeda
- Panevezys branch, address: J. Janonio str. 9, Panevezys
- Telsiai branch, address: Sedos str. 35, Telsiai

4. Main activities of the Issuer and the subsidiary undertakings

The main activities of Žematijos pienas, AB is the creation and production of milk products (fermented cheese and cheese products, pre-packaged cheese and cheese products, melted cheese and cheese products, creams and curd creams, butter milk spreads, mixed spreads, milk grease, pasteurised cream, buttermilk, whey, dried milk products, fresh milk products (milk, cream, curd, curd products, yoghurt, desert, curd snacks, glazed curd snacks, acidified milk products)), and disposal of above listed products in foreign and Lithuanian markets.

The main activities of Šilutės Rambynas, AB-F is the creation, production and disposal of fermented cheese and cheese products, production and disposal of pasteurised cream, pasteurised whey and concentrated whey.

5. Information on the trading of the securities of the Issuer in regulated markets

The ordinary registered shares of the Žemaitijos pienas, AB have been included in the additional list of securities for Baltic countries at Nasdaq Vilnius, AB stock exchange since the 13 October, 1997.

Class – ordinary registered shares;
Number of shares – 48 375 000;
Total nominal value of shares – 14 028 750 EUR;
VP ISIN code LT0000121865;
VVPB symbol – ZMP1L

6. Information on the contracts between the intermediaries for public turnover of securities

On the 16 July, 2004, the Company concluded a contract with Šiaulių bankas, AB, office address: Tilžės str. 149, Siauliai, under which, the Company transferred the management of the accounts of the released securities of the Company to Šiauliu bankas, AB from the 23 July, 2004.

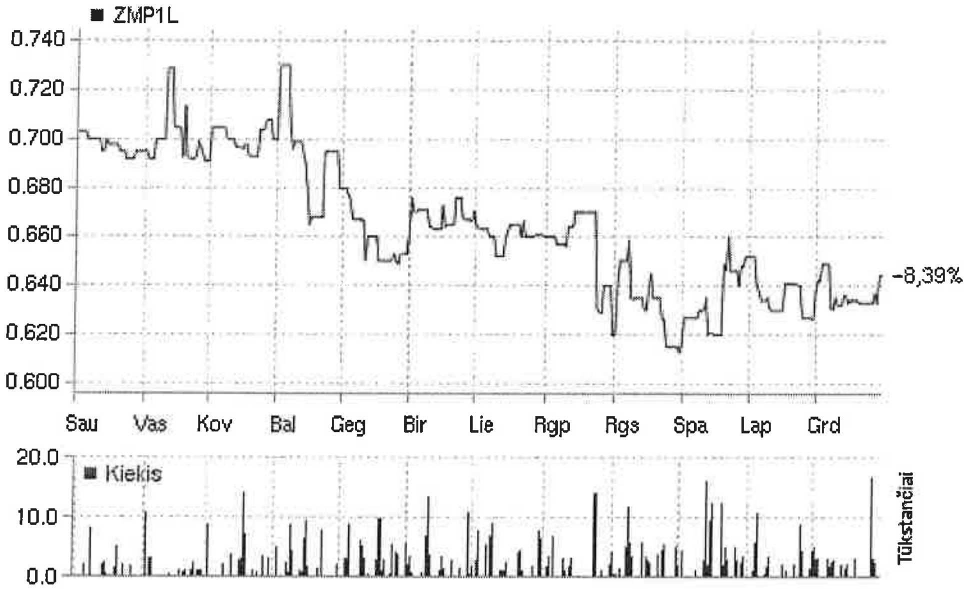
7. Details on the trading of shares in regulated markets of the companies comprising the Group

Only the securities of Žemaitijos pienas, AB are traded in the regulated market, currently, there are 48 375 000 registered ordinary shares included in the additional trading list for Baltic countries of NASDQ Vilnius. VVPB symbol – ZMP1L Each share having a par value of 0.29 EUR. Total nominal value of shares – 14 028 750 EUR;

Currently, there are no securities that are not included in the authorized capital with regulated turnover by the Law on securities of Republic of Lithuania present.

Trading in other stock exchanges or organizations is not and was never conducted.

The following graphical information represents the transactions (trading) for Žemaitijos pienas, AB shares in the Vilnius stock exchange for the time period starting on January 2015 and ending on December 2015. Source – NASDAQ OMX, AB, Vilnius, website:
http://www.nasdaqbaltic.com/market/?instrument=LT0000121865&list=3&pg=details&tab=historical&currency=0&downloadcsv=0&date=&start=2015.01.01&end=2015.12.31&lang=lt



8. Historical data of securities

In addition, the graphical information presents additional data on trading of Žemaitijos pienas, AB securities in the NASDQ OMX stock exchange for the years 2012–2016:

SCRT trading history

Indicator	2012	2013	2014	2015	2016
Starting price	0.679	0.600	0.816	0.703	0.640
Max. price	0.735	0.833	0.888	0.730	0.658
Min. price	0.536	0.596	0.690	0.610	0.617
Last recorded price	0.600	0.774	0.703	0.644	0.645
Turnover pcs.	1 514 200	2 864 080	1 799 959	639 686	86 660
Turnover mln.	0,96 EUR	2,09 EUR	1,43 EUR	0,42 EUR	0,06 EUR
Capitalisation mln.	29,03 EUR	37,44 EUR	34,01 EUR	31,15 EUR	31,20 EUR

9. Authorized capital of the Issuer

On the 31 December, 2015, the authorised capital of Žemaitijos pienas, AB was comprised of:

Class	Number of shares (pcs.)	Nominal value per share (EUR)	Total nominal value (EUR)	Share of authorized capital (%)
Ordinary registered shares	48 375 000	0.29	14 028 750	100

All shares are fully paid up and are not subject to any transfer restrictions.

10. Overview of the actual status, operational performance, development and investment of the Company

Žemaitijos pienas, AB, a milk processing Company based in Lithuania with long lasting traditions, fostering traditional recipes and technologies for the production of milk products and promoting the revitalisation and application of a centuries-old history that reflects the cultural heritage while at the same time seeking innovation offering new and unusual products for the consumers.

Žemaitijos pienas, AB was established in the year 1924. In the same year, the dairy in Telsiai started its operation. At the time, the capacity of the dairy was evaluated as really high. At the end of 1984, the Telsiai diary moved its operation to new premises which lasted till the year 1993, until the opening and privatisation of the largest cheese manufacturing plant in the Baltic countries. Žemaitijos pienas, AB, registered on 23 June, 1993, at the Telsiai district managing office was re-registered on 16 October, 1998 at the Ministry of Economy of the Republic of Lithuania.

By consulting with the best firms in Europe and USA, focusing on the implementation of new technologies and using the most advanced milk cleaning membrane technology Bactocath, the Company managed to increase the quality and the assortment of the produced products. In 2006, by the order of the Director of the State Food and Veterinary Service of the Republic of Lithuania on 13.12.2006, no. B1–800 on the certification of the subject management of animal foodstuffs, declared that the order on 20.07.1995, no. 4–104 on the provision of the veterinary care number is withdrawn and declared the Žemaitijos pienas, AB compliance with the requirements established in hygiene regulation and certified Žemaitijos pienas, AB for the production of milk products and issued the certification no, 78–01 P.

Faultless work is the calling card of the Company that indisputably bears witness to the reliability and solidarity of Žemaitijos pienas, AB, establishing the Company in the home market with its products and also promoting the Samogitian region in Lithuania and around the world. Currently there are around 1200 professional and creative employees employed at the Company whose important contribution, optimism and expertise allows the Company to strive for ambitious goals and conquer new challenges in the home and international markets.

The working experience acquired over many years and unique recipes allow the Company to provide an extensive assortment of products characterised with excellent taste and high quality for its customers. Currently, the Company produces over 200 named new and already beloved milk products – organic milk product group DOBILAS. Products branded with MAGIJA trademark have earned the trust of the consumer and were highly popular from the very beginning. The buyers came to love fermented and melted cheese products and the only tearable cheese sticks PIK-NIK from unripen cheese in Lithuania.

Consumers love the Company produced milk, kephir, yoghurt, cream, curd and glazed curd snacks, natural butter and butter with various seasoning, and many other products. The Company also fosters the culinary heritage of our country. ŽEMAITIJOS PIENAS home-made curd cheese and "Žemaitiškas kastinys" are produced only from traditional materials and seasoning in accordance to the traditional technologies, therefore, these products carrying the exceptional taste have been awarded with certificates and have been branded with a special label from the culinary heritage foundation of Lithuania.

The working experience acquired over many years and unique recipes allow the Company to provide an extensive assortment of products characterised with excellent taste and high quality for its customers.

By consulting with the best firms in Europe and USA, focusing on the implementation of new technologies and using the most advanced milk cleaning membrane technology Bactocath, the Company managed to increase the quality and the assortment of the produced products. The Company produces: fresh milk products, butter, fermented and melted cheese products, and dried milk products.

The products of the Company are welcomed by many consumers within Lithuania and abroad. Žemaitijos pienas, AB products are exported to European Union and other markets worldwide.

Many of the Žemaitijos pienas, AB produced products comply not only with European but also global standards and have received gold medals and diplomas in international exhibitions.

Also in 2006, by the order of the Director of the State Food and Veterinary Service of the Republic of Lithuania on 13.12.2006, no. B1–800 on the certification of the subject management of animal foodstuffs, declared that the order on 20.07.1995, no. 4–104 on the provision of the veterinary care number is withdrawn and declared the compliance of Zemaitijos pienas, AB with the requirements established in the new hygiene regulation from EU and certified Žemaitijos pienas, AB for the production of milk products and issued the certification no, 78–01 P.

In 2007, the Company started production of organic products. SE EKOAGROS certified the compliance of Žemaitijos pienas, AB to the EU council regulation EC no. 889/2008 and the requirements for the organic agriculture policy. Certified production of organic products: organic cheese, organic milk, organic yoghurt, etc. Recently, the Company has been expanding its offering of organic products: In 2010, the Company received a certificate for its organic hard cheese product, in 2011, the Company started production of organic curd and organic curd snacks, and in 2012, the production of organic curd cheese and curdled milk products.

In May, 2008, after the concluded sales transaction, Žemaitijos pienas, AB acquired 87.82 percent of Šilutės Rambynas, AB-F (754 938 pcs.) ordinary shares that Žemaitijos pieno investicija, AB managed by the right of ownership for LTL 10 878 thousand (EUR 3 150 thousand), i.e., paying 14.41 Litas (4,17 euro) for one share.

Žemaitijos pienas, AB and Šilutės Rambynas, AB-F focuses on product safety and quality, and the fulfilment of consumer needs. Therefore, in 2008, the companies started work on creating a joint and integrated food safety and quality management system (according to the requirements of ISO 22000:2005 and ISO 9001:2008).

In 2009, Žemaitijos pienas Company group prepared a joint and integrated management system for food safety and quality (IMSKVS) in accordance to the requirements of the international standards ISO 9001 and ISO 22000 which was certified by the management system certification and technical assessment Company Bureau Veritas Lit on the 30 April, 2009.

Certification field: creation, production and disposal of milk products. The ISO 9001 certificate for the management system shows that the implemented quality management system within the Company ensures an effective management of the Company in accordance to the recognised values and goals worldwide. The ISO 22000 certificate for the of the food safety management system shows that the Company has ensured the safety of its food products throughout the whole manufacturing and disposal chain up to the consumption. In order to ensure the safety and quality of the final product, companies having obtained the ISO 22000 certificate must provide exceptional attention for the production and environment, good hygiene and also to the implementation of good production practices.

Žemaitijos pienas, AB decided to strive for an even higher certification – BRC certification in accordance to the requirements of (Global Food Standard Issue 5 (British Retail Consortium).

The IMSKVS was amended in accordance to the requirements of the higher BRC standard. At the beginning of 2010, the auditors from the international certification agency Bureau Veritas Certification assessed the compliance of the Žemaitijos pienas, AB cheese–butter and melted–pre-packaged cheese production in accordance to the requirements of the BRC standard, and issued the compliance certificate.

The BRC (Great Britain retail consortium) global standard is used worldwide as an assessment system for various (trading and processing companies) that allows for the production of safe food products and selection of reliable suppliers. BRC global food safety standard is one of the most effective tools usually used for the evaluation of the reliability of the suppliers. Following the achievements of Žemaitijos pienas, AB, Klaipėdos pienas, AB immediately applied for the BRC certification and by the end of the year Šilutes Rambynas AB-F took the same initiative.

In order to showcase its confidence in the quality and food safety systems, the Company, at the beginning of 2012, applied for the 6th version of the so-called "unannounced" audit of BRC Global Standard for Food Safety Issue 6 (Global food safety standard (BRC-British Retail Consortium)). This enables the certification body to conduct an independent, unannounced assessment of the conditions and procedures of the production chain within the Company. No other food product Company in Lithuania is certified in accordance to the requirements of the BRC has obtained this, so-called, certificate with a "plus".

In April, 2012, the Bureau Veritas conducted the audit and issued the FSSC 22000 certificate to the first food product Company in Lithuania Žemaitijos pienas, AB.

FSSC scheme covers the international ISO 22000 food safety standard, essential programmes and additional FSSC requirements established in the ISO/TS 22002-1 standard. Global food safety initiative (GFSI) has fully endorsed the FSSC scheme.

On 10.01.2013, the European Commission has included the **"Samogitian beaten butter" in to the register of traditional specialities guaranteed.** This is the fifth Lithuanian product having obtained the name protected by the European Union. Recognition on the EU level grants the ability to label this product with a special EU label with a reference of the "Traditional specialities guaranteed". This indicates that the name of this product is protected from any direct or indirect commercial use, imitation or mimicking and any other activities that may mislead the consumer.

After the increase of the global supply processes and the changes in trade markets, the need for additional assurance of food safety requirement arises. One of the mentioned requirements is the IFS certificate, in order to export the Žemaitijos pienas, AB produced milk products to the shopping centres located in Germany, a Company must obtain the said certificate.

On the 7–15 April, 2014, auditors from the independent certification body Det Norske Veritas assessed the compliance of Žemaitijos pienas, AB IMSKVS to the requirements of IFS and issued the certificate of the highest assessment level to the Company. IFS is an international food safety standard that uses a unified assessment system of selected suppliers. This standard was created in 2003 by the associated members of German retail federation - Hauptverband des Deutschen Einzelhandels (HDE) and its equivalent members in France.

At the beginning of 2015, the auditors of Bureau Veritas Certification audited the IMSKV system in accordance to the requirements of the global standards ISO 22000, FSSC 22000, BRC and also IFS.

On 28-29 January, 2015, the auditor from Bureau Veritas Latvian division assessed our compliance in accordance to the requirements of the 6th version of **BRC** standard (British Retail Consortium). Our compliance received the highest possible mark – A+

On 24-27 March, 2015, the auditor from Bureau Veritas Lithuanian division assessed our compliance in accordance to the **ISO 22000** and **FSSC 22000** requirements. No failures of compliance were recorded during the audit.

On 13-17 April, 2015, the CZ auditor from Bureau Veritas Polish division assessed the compliance of IMSKVS in accordance to the requirements of **IFS** standard. The compliance was evaluated at 95.58 %, which is equal to the highest A level assessment.

In order to remain competitive both in the raw milk procurement and trading markets, the Company is constantly investing to update the equipment implemented within the Company by implementing the most advanced equipment. In 2014, the Company implemented a new processing line for curd snacks, in the same year, the Company designed a new manufacturing workshop for milk powder (valued at more than 6 mln. EUR) which should start its operation in 2016. The Company invests and intends to provide financing to other Company areas (for the intended amount of investments see chapter 13 of this report).

11. Important events during the end of the last fiscal year.

At the beginning of 2015, the auditors of Bureau Veritas Certification audited the IMSKV system in accordance to the requirements of the global standards ISO 22000, FSSC 22000, BRC and also IFS.

On 28-29 January, 2015, the auditor from Bureau Veritas Latvian division assessed our compliance in accordance to the requirements of the 6th version of BRC standard (British Retail Consortium). Our compliance received the highest possible mark – A+

On 24-27 March, 2015, the auditor from Bureau Veritas Lithuanian division assessed our compliance in accordance to the ISO 22000 and FSSC 22000 requirements. No failures of compliance were recorded during the audit.

On 13-17 April, 2015, the CZ auditor from Bureau Veritas Polish division assessed the compliance of IMSKVS in accordance to the requirements of IFS standard. The compliance was evaluated at 95.58%, which is equal to the highest A level assessment.

Awards received in 2015:

- At the International Cheese Awards Nantwich 2015 EST.1897 exhibit, Žemaitijos pienas, AB melted cheese with Provence herbs was awarded the gold medal (2015.07.28).

- At the International Cheese Awards Nantwich 2015 EST.1897 exhibit, Žemaitijos pienas, AB hard cheese „DŽIUGAS 24 mėnesių“ received a diploma (2015.07.28).

- Žemaitijos pienas, AB "Žemaitijos" kephir shake with cranberries and pears. Lithuanian Confederation of Companies. Was awarded the gold medal in the category: Lithuanian product of the year 2015 (2015.12.11).

12. Description of the main types of risk and uncertainty that the Company faces

The main factors forming the business risk for the Company are the changes in the raw milk and milk product markets, and also possible political, legal and technological changes that are directly or indirectly associated with the business activities of Žemaitijos pienas, AB which may negatively affect the money flow and operational results of the Company.

Because the Company exports the major part of its manufactured production range and with the addition of the global milk industry crisis that started in 2014 and continued throughout 2015, the Company faces significantly reduced milk product prices in the trading markets and, in addition, the difficulty to forecast the future negatively affects the Company and its financial results. Increasing negative public regulation of the dairy agricultural sector, restrictions on free arrangements for the buying price of raw milk, introduction of new restriction for the relations with milk manufacturers are negatively assessed factors.

The Company specialises in the production of fresh milk and cheese products, the major part of its return is comprised of the return from disposal of these products. Due to this cause, the negative changes in the demand for fresh milk and cheese product and price changes in the market have and may impact the income, profit and general financial states of the Company. The highest influence for fresh milk product segment is caused by the market within Lithuania and the highest influence for cheese product segment is caused by export markets.

13. Analysis of the financial and non-financial performance results and information relating to the environmental and personnel issues.

13.1. Analysis of the financial performance results

The main financial indicators reflecting the state of the Group and Company performance for the years 2015–2014, in thousands. Eur.:

financial indicators	According to the international accounting standards			
	2015		2014	
	Group	Company	Group	Company
Turnover	149.114	144.273	161.164	157.054
Gross margin	36.756	30.131	26.351	22.713
Gross before taxes, interest and amortization	10.446	6.970	7.115	6.670
Gross before taxes	6.516	3.366	3.390	3.667
Amount of the investment in fixed assets	11.201	10.803	6.857	6.396

2015, 2014, 2013 comparison of the amount of purchased raw milk and price

Purchasing of raw milk (recalculated to base richness)	2015	2014	2013
Purchased amount of milk, in thousand tons	361	343	332
Purchasing price, EUR/t	194	244	271

Žemaitijos pienas, AB production sold in Lithuania and export distribution according to the type of product during the years 2015 and 2014 was as follows, in thousands Eur.

Product group name	Turnover in thousand Euro		Comparison of changes for the years 2015 and 2014 %
	2015	2014	
Fermented cheese	54.799	63.508	-13,71%
Fresh milk products	52.818	49.080	7,62%
Butter and smeared mixture of fatty substances	8.514	9.412	-9,54%

Dried milk products	9.146	10.259	-10,85%
Ice cream	48	655	-92,67%
Miscellaneous	18.948	24.140	-21,51%
Total	144.273	157.054	-8,14%

Group sales according to the geographical segments (secondary segments) during the years 2015 and 2014, in thousands. Eur.

Sales according to the geographical segments	2015	2014
Lithuania	75.668	81.528
Other Baltic and CIS countries	20.332	32.827
Other European countries	42.355	39.844
Miscellaneous	10.759	6.965
Total:	149.114	161.164

13.2. Environment

Žemaitijos pienas, AB, Company producing and selling milk products, in accordance to the established criteria falls under the equipment group specified in the 1st annex of the TIPK environmental permit rules. On 29.12.2006, the Company obtained the permit for integrated pollution prevention and control which is not subject to time limit, however, new developments allow for the correction of said permit. The Company does not impact the environment negatively in such a way that would require immediate actions, however, the Company continuously monitors the performance indicators, plans and introduces new investments that would allow for reduction in the manufacturing, performance and energy expenditures, and would also enhance the environmental condition of the Company in every way possible. Together with the society, we are always ready to resolve any outstanding environmental issues.

The Company is constantly enhancing the implemented integrated quality management and food safety management systems complying with the requirements of the international BRC, ISO 9001, ISO 22000, FSSC (ISO 22000, ISO/TS 22002-1) and IFS standards, and also plans on installing the ISO 14000 environmental management system.

The Company does not negatively impact the environment in any major way. Žemaitijos pienas, AB transfers the polluted drainage for cleaning at the cleaning equipment implemented within the city that were fully reconstructed in 2010 by implementing the investment programme project valued at 12,87 Euro for the Ventos–Lielupės river basin. After the reconstruction of the Telsiai city drainage cleaning facility, the drainage system is also cleaned from nitrogen and phosphorus. In order to comply with the requirements of the EU directives for the cleaning of drainage, Telšių vandenys, UAB is starting the implementation of the project for the construction of sewage sludge treatment equipment that is valued at more than 7,07 mln. Euro.

The Company is not included in the ATL system according to the national allocation plan for emission allowances for the years 2013–2020.

Natural resources are used economically. The impact for the environment is controlled in accordance to the coordinated monitoring programmes. In order to decrease the air pollution for the environment, the Company is constantly renewing its car park. In order to ensure the reduction of pollution from stationary pollution sources, the Company is using the most efficient production methods possible.
The Company has submitted the annual reports for the year 2015 on the amounts of consumed amounts of water and released drainage, released air pollution, consumed chemical materials and preparations, information on F-gases and materials damaging the ozone layer, and reports on the performed environmental monitoring through the AIVIKS database.
The Company has a scenario in place for possible emergencies, their causes and plans for their liquidation, and also has identified the ammonia refrigeration compressor and fuel storage as hazardous objects, and has also conducted risk analysis and assessments in accordance to safety for the identification of hazards and risk.

Waste is treated in accordance to the established environmental requirements, annual reports on waste generation accounts are submitted through the environmental electronic data-filling system. The hazardous and non-hazardous waste present at the Company territory are stored and management in such a way that would remove the possibility of negatively impacting the environment: sorted, storage spaces are indicated accordingly. The Company ensures a timely delivery of collected waste for the waste disposal companies. Žemaitijos pienas, AB conducts secondary material separation from the waste flow and systematically transfers them to waste collectors and recyclers. In 2015, the specialists of the SE Pakuočių tvarkymo organizacijos organized two workshops for the employees of the Company and introduced them to the basics of proper waste sorting at the workplace and home. There are recycle bins dedicated for recycling at the Company premises. This way, the employees are taking a part in creating a nature that is cleaner and more beautiful.
Packaging is an important aspect of Žemaitijos pienas, AB production process. The products are packaged in glass, PET, plastic, paper, combined, wooden and other packages. For waste management, the Company has concluded a contract with the SE Pakuočių tvarkymo organizacija which is responsible for the collection and recycling of packages.

The Company is constantly implementing investment projects during which they are implementing new and modern technologies that allow for a more efficient consumption of energy resources, reduction of the amount of released pollution to the environment and application of the following environmental measures:
- On 12 June, 2012, Žemaitijos pienas, AB submitted information for an investment project for the implementation of the equipment of Žemaitijos pienas, AB acid whey recycling line for reducing the amount of produced waste to the Lithuanian environmental investment facility (LAAIF). - In 2014, the Company completed the Ist stage of the said project and received the first element of the grant, and in April, 2015, the Company completed the IInd stage (and the project as a whole) and received the second element of the grant.
- In 2014, the Company completed the boiler room modernisation project, and constructed 10 MW steam boilers operating on wood, this way, the Company managed to change the fuel source for the operation of the boiler from gas to a renewable energy source. After the reconstruction, the Company started the operation of the new biofuel boiler leaving the natural gas consumption as a reserve fuel.
- In March, 2015, Siauliai RAAD harmonised the conclusion of the assessment of the environmental impact for the construction of the drying rooms for milk powder. The practice of the most efficient production methods possible are applied during the drying process of the flour that allow to reach the limit values of 5-20 mg/Nm^3 of released air pollution for dry dust. Investment implementation period: 2015–2016.
- In July, 2015, the Company completed the project for the reconstruction of water purification filters that allow to ensure high quality of drinking water provided for the production.

- In 2015, the Company cleaned the traps for rain, mud and oil, and also the sewer trails.

13.3. Aspects of the human resource policy

The Company aims to create and develop long-term relations with its employees, especially during the unfavourable period in the job market, i.e., lack of qualified personnel. Therefore, the employees are constantly encouraged to grow as professionals. The employees at the Company have the ability to improve their knowledge and skills during workshops and training courses. The Company has training programmes in place for training and evaluating specialists, production workers, machinists, operators, locksmiths, foreman, and shift foreman.

Professional training during the reference period

No.	Work/training name	Number of trained employees
1.	Number of trained employees according to the introductory training course	288
2.	Number of trained and attested employees according to the continuing training course	81
3.	Number of trained (continuing training) production workers according to the continuing training course	-
4.	Number of employees that were trained by specialists during internal training	593
5.	Trained employees during external training at the Company premises (purchased service)	424
6.	Number of newly attested production foreman and foreman	3
7.	Number of employees trained on the safety issues	50
8.	Number of employees trained for work with new equipment	77
9.	Number of employees attending external training (courses, workshops, conferences)	233
10.	Prepared training programmes	8
	Total:	1757

Major focus is devoted for foreign language training. The employees are trained during courses organized by the Company and other training and development forms, foreign language skills are enriched in foreign countries.

13.4. Employees

According to the Žemaitijos pienas, AB collected data on 31 December, 2015, the number of employees at the Company was 1197, in comparison to the data collected in 2014, the number of employees increased slightly, the number of employees in 2014 was 1192.

The average number of employees at Žemaitijos pienas, AB during the last fiscal year:

	2015.12.31	2014.12.31
Average number of employees	1197	1192

Grouping of employees according to their education

Number of employees	2015.12.31	2014.12.31
Master's degree	49	39
University education	180	216
Higher education	182	236
Professional education	280	260
Secondary education	424	350
Incomplete secondary education	82	91
Total:	1197	1192

The number of employees at the Žemaitijos pienas, AB according to their respective groups and their average salary according to their respective groups in Euro:

Number of employees according to groups	2015.12.31		2014.12.31		2013.12.31	
	Number of employees	Average salary	Number of employees	Average salary	Number of employees	Average salary
Management board	27	2755	21	2503	22	2056
Specialists	246	1184	239	1027	304	959
Workers	924	755	932	592	881	602
Total:	1197		1192		1205	

Rights and duties of the employees are specified in their staff regulations. There are no specification of special rights and duties in the job contracts for the employees.

According to the data collected on the 31 December, 2015, there were 195 employees at Šilutės Rambynas, AB-F, in comparison with the data collected on the 31 December, 2014, the number of employees increased (there were 179 employees).

Average variation of the Šilutės Rambynas AB-F employees during the last fiscal years:

	2015.12.31	2014.12.31	2013.12.31
Average number of employees	195	179	176

Grouping of Šilutės Rambynas AB-F employees according to their education

Number of employees according to their education	2015.12.31	2014.12.31	2013.12.31
Master's degree	9	8	7
University education	21	20	20
Higher education	27	23	25
Professional education	76	73	71
Secondary education	40	36	35
Incomplete secondary education	22	19	18
Total:	**195**	**179**	**176**

Average salary in Euro of the Šilutės Rambynas, AB-F employees according to the employee group:

Number of employees according to the employee groups	2015.12.31		2014.12.31		2013.12.31	
	Number of employees	Average sala ry, Euro	Number of employees	Average salary, Euro	Number of employees	Average salary, Euro
Managemen t board	6	2167	4	1913	4	1815
Specialists	43	1178	87	828	71	924
Workers	148	925	88	614	101	569
Total:	197		179		176	

There are no specification of special rights and duties in the job contracts. Neither of Žemaitijos pienas, AB nor Šilutės Rambynas, ABF have a collective agreement.

14. References and additional explanations for the data in the annual financial report

The data submitted in the annual financial reporting and the explanatory note is sufficiently detailed and informative, therefore, they are not subject to additional explanation.

15. Data on the acquiring of their own shares by the Issuer

During the 2011 fiscal year, Žemaitijos pienas, AB acquired 10 pcs. of Žemaitijos pienas, AB ordinary shares with the nominal value of 1 (one) litas (0,29 euro) per share for 18.00 Litas (5,21 euro) through official sub-market operated by the stock exchange NASDAQ OMX Vilnius.

In December, 2012, the Company acquired 1 360 010 pcs. of shares for 2 992 000 LTL (866 543 euro) through NASDAQ OMX Vilnius stock exchange on the basis of commission, all of the Company shares are paid in full. Currently, the Company owns 2 070 621 pcs. of their own shares which comprises 4.28 percent of total shares.

During the year of 2013, the Company acquired 710 610 pcs. of their own shares

The Company did not issue their shares during the reference period.

It should be also noted that the subsidiary undertakings has not acquired any of the Company shares.

16. Schemes of operations and forecasts

Žemaitijos pienas, AB long-term goals: to become a technically and technologically modern, competitive, reliable Company that ensures a stable growth, ensure a lucrative market for its products in the European Union and global markets by focusing its attention to the products with high added value, owned trademarks and lasting marketing impact; to sustain the highest level of quality for its products; to fully utilise the available production efficiency; to collect its intellectual capital systematically.

Current main goals of the Company:

- To purchase milk at the current market conditions but not a higher price than other participants in the Lithuanian market;
- To reduce the production expenses and the cost of the products by ensuring a stable and growing product quality, therefore, the main production expenses and product cost reduction areas are negotiations with the main suppliers and the increase of the production efficiency;
- To discontinue production that is not viable economically as soon as possible;
- All of the products must be stored at the warehouses complying with the highest technological standards;
- To increase sales at the suitable prices for the Company. To concentrate on the main basket of the strongest products with owned trademarks and to maintain a part of the internal market that is no less than 20 percent. To be focus on selling of products with higher added value to the end user in export markets;
- To strengthen the marketing function and the Company name by investing in the strengthening of trademarks, their dissemination, and strengthening of user loyalty;
- To reduce the distribution expenses, one of the reduction measures can be shortening of the distribution channels, i.e., reduction of the number of participants in the distribution channel;
- To only encourage workers for the final result and performance of undertaken plans;

- To continuously improve, and update the present technological process equipment and transport infrastructure by aiming at the highest possible efficiency and economy for the production and work quality.

17. Information on the research and development activities of the Company

The Company is constantly investing and seeking for methods to ensure a stable growth of income and a more efficient operation. The Company is also highly focused on the development of new projects. In order to achieve the said goal, the Company is collaborating with scientists.

The Company highlights the high quality of its products and the added value for the consumer, therefore, the Company is constantly collaborating with various institutions, foreign and Lithuanian experts, conducts laboratory testing for its products, improves their recipes and strengthens the exclusivity of its products. The tests are of continuous method, in large, aimed at the improvement of the current product basket.

In order to achieve the highest operating standards, application of the most advance operating methods and innovative attitude towards both the production technology and business management, and also to the separate Company management and operation processes, the specialists at the Company are constantly improving their knowledge and skills by attending foreign placements, exhibitions, communicate with major suppliers in horizontal integration of the good production practice methods not only in their own production and logistic processes but also by starting the integration of the mentioned innovations from the production processes and products of the supplier.

18. Information on the financial instruments of the Company

The assets of Žemaitijos pienas, AB comprises from financial measures reflected by TAS: shares of affiliate undertakings. The Management board of the Company assesses that by taking the operational results, their variation tendencies, and market possibilities in to the account, that there currently is no risk for the depreciation of the shares of these companies. Žemaitijos pienas, AB abides by a conservative policy of financial measures application, therefore, the risks of credits, money flow, liquidation is not present or it is materially negligible. Currently, there are no hedges in place, there is a limited application of long-term financial measures present, these measures comprise only of financing leases with an exceptionally favourable conditions.

The main risk of the Company is that the debtors control the liquidity of the Žemaitijos pienas, AB undertakings through trade credit or other insurance form almost for the whole turnover of the export.

An Audit committee is formed and operating at the Žemaitijos pienas, AB that assesses the main risks, provides the Management board with suggestions and controls their implementation, thus, increasing the active and passive reliability of the Company.

Information on the financial risk of the Issuer is provided in the explanatory note of the annual financial reporting.

II. OTHER INFORMATION ON THE ISSUER, ITS SHAREHOLDERS, AND OTHER MEMBERS OF THE ISSUER

19. Structure of the authorized capital of the Issuer

The registered capital at the legal persons register is 48 375 000. The capital is divided in to 48 375 000 pcs. of ordinary registered shares with a nominal value of 0.29 Euro per share.

On the 31 December, 2015, the authorised capital of Žemaitijos pienas, AB was comprised of:

Class	Number of shares (pcs.)	Nominal value per share (EUR)	Total nominal value (EUR)	Share of authorized capital (%)
Ordinary registered shares	48 375 000	0.29	14 028 750	100

All shares are fully paid up and are not subject to any transfer restrictions.

20. All of the restrictions for transferring of securities

Transferring (possession) of securities is not subject to any restrictions.

21. Shareholders

On 31 December 2015, there were 3 148 shareholders present at the Company. All of the issued shares grant the shareholders identical rights specified in the Law on Companies of the Republic of Lithuania and the articles of association.

Shareholders holding shares by the right of ownership or managing more that 5 percent of the Žemaitijos pienas, AB authorized capital and votes:

No.	Shareholder	2015		2014	
		Number of shares, pcs.	Part of ownership, percent	Number of shares, pcs.	Part of ownership, percent
1.	Algirdas Pažemeckas	21 589 380	44.63	21 589 380	44.63
2.	SEB SA OMNIBUS, Luxembourg	3 413 962	7.06	3 413 962	7.06
3.	Danutė Pažemeckienė	3 025 820	6.25	3 025 820	6.25
4.	Klaipėdos pienas, AB, Company code 240026930, Šilutės pl.33, Klaipeda	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**

Transfer of securities is not subject to any restrictions. The shareholders exercise their pecuniary and non-pecuniary rights and have their duties that are specified in the Law on Companies of the Republic of Lithuania and the articles of association.

Restrictions for voting rights. All of the shares of the Company granting the right to vote have an equal nominal value, each share grants one vote in the general meeting of shareholders.

22. Rights of the shareholders

The shareholders of the Company are entitled by law and other legislation to the following pecuniary and non-pecuniary rights:

Shareholders of the Company are entitled to the following pecuniary rights:

To receive a share of the income (dividend) of the Company; receive a share of the assets of the liquidated Company; to receive shares free of charge if the authorized capital is increased with Company funds, except for the cases established by law; in cases where the shareholder is a natural person, to leave all or part of the shares to a single or several successors; to sell or transfer by any other means all or part of the shares, and other pecuniary rights that are available according to the legislation for the ownership of other persons according to the terms and conditions described by law;

Shareholders of the Company are entitled to the following non-pecuniary rights:

To participate in meetings; to vote in said meetings according to the rights granted by owned shares; to receive non-confidential information on the economic performance of the Company; to elect and to be elected to the management and control bodies of the Company, to occupy any position within the Company, unless specified otherwise by the Law of Companies of the Republic of Lithuania and articles of association; to provide specific suggestions for the improvement of financial, economic, organizational, etc. operations of the Company, to appeal any actions or decisions of the shareholder meeting, monitoring council, Management board and the Head of the Company that are in violation of the laws of the Republic of Lithuania, articles of association, pecuniary and non-pecuniary rights of the shareholders to the court. One or more shareholders, without the need of separate power of attorney, have the right to request compensation for the caused damages and other non-pecuniary rights specified in the law.

To the knowledge of the Issuer, there are currently no separate agreements between the shareholders in place that would limit the transferring of securities and/or voting rights and any other obtained special rights.

The person is entitled to all of the rights and duties that are provided to them by the owned Company, part of the authorized capital and/or voting right: in case of the increase of the authorized capital: from the day of the registration of the changes to the related articles of association to the increase of the authorized capital and/or voting rights; in other cases: from the appearance of the ownership rights to the part of the authorized capital of the Company and/or voting rights.

23. Shareholders entitled to special supervision rights and the description of said rights

Currently, there are no shareholders entitled to special supervision rights present at the Company.

24. All of the voting right restrictions.

Currently, there are no shareholders with limited voting right and/or having other restrictions or systems according to which the pecuniary rights granted by securities are separate from the ownership of securities.

25. All of the agreements between the shareholders that could limit the transfer of securities and/or voting rights that are known to the Issuer

To the knowledge of the Issuer, there are currently no separate agreement between the shareholders in place that would limit the transferring of securities and/or voting rights.

26. Procedure for changing the articles of association of the Issuer

Žemaitijos pienas, AB operates in accordance to the laws of the Republic of Lithuania, Government orders and other regulatory enactments regulating Company operation, law on the stock exchange and the articles of association.

Articles of association of Žemaitijos pienas, AB are changed in accordance to the procedures established by the legislation.

27. Bodies of the Issuer

Bodies of the Issuer: general shareholder meeting, Supervising council, Management board and the Head of the Company (Director–General), Audit committee is also present at the Company. Managing bodies of the Company: Management board and the Head of the Company.

The Supervising council at the Company is a collegial supervising body supervising the operation of the Company. The Council is chaired by the President. The Council is comprised of 3 members that are elected for four years at the general shareholder meeting. Currently, there is no clause in the articles of association limiting the number of mandates for a single member of the council.

The Management board is a collegial management body representing the shareholders of the Company during the period between their meetings and adoption of the decisions relating to the key issues of the economic performance of the Company. The procedures of the Management board are defined by its adopted management regulations. The Management board is comprised of 5 members. The Management board elects the members for the Supervising council for no longer than four years. The number of their mandate is not subject to limitations. The Management board is chaired by the president whose elected from the members of the Management board by itself. The members of the Management board act jointly, their occupation is not specialised.

The Head of the Company is the Director–General which acts under the articles of association, decisions of the general shareholder meeting, decisions of the Management board and other local acts at the Company, the Director–General is not entitled to any specific performance rights at the Company.

The Head of the Company organizes everyday operation of the Company and performs actions necessary for the performance of their functions, implementation of the decisions by the bodies of the Company and ensuring of the Company operation. The Director–General answers and reports regularly to the Management board.

The general shareholder meeting is not entitled to any special rights that are not specified by the legislation.

The bodies of the Company operate in accordance to the laws of the Republic of Lithuania and other requirements established by the legislation and articles of association. The bodies of the Company are elected, appointed and removed in accordance to the regulations of the said documents.

The bodies of the Issuer have no exclusive and/or special rights for specifying the regulation, releasing and acquiring the securities of the Issuer, in such cases they are only entitled to the rights that are granted by the legislation.

General shareholder meeting and its rights

to change and amend the articles of association; to elect and dismiss the audit Company, members of the Supervising council; to approve the annual financial statement, the submitted Company operation report by the Management board; to adopt the decision to increase the authorised capital; to adopt the decision to decrease the authorised capital; to adopt the decision to release convertible bonds; to adopt the decision to change the class or type of the Company shares to a different one, to approve the procedure for changing the shares; to adopt the decision for the Company to obtain its own shares; to adopt the decision to convert, liquidate or cancel the liquidation of the Company; to adopt the decision to reorganize the Company and to approve the project for reorganization of the Company (conditions). In accordance to the cases established by the law, the decision on reorganisation and acquisition methods can only be adopted by the Management board; to adopt the decision for the distribution of the profits; to adopt the decision to create reserves, except for revaluation reserves. The shareholders of the Company are not subject to the entitlement of any special rights or duties at the Company.

28. Management and supervising bodies of the Issuer

Bodies of the Issuer: Management board (collegial) and the Head of the Company (a single person – Director–General) Supervising body: Supervising council, an Audit committee is also present at the Company. Managing bodies of the Company: Management board and the Head of the Company.

The Supervising council at the Company is a collegial supervising body supervising the operation of the Company. The Council is chaired by the President. The Council is comprised of 3 (three) members that are elected for four years at the general shareholder meeting. Currently, there is no clause in the articles of association limiting the number of mandates for a single member of the council.

Supervising council powers and liability:

To elect and dismiss the members of the Management board. In cases where the Company is operating at a loss, the Supervising council shall evaluate if the members of the Management board are qualified for their current position; supervise the operation of the Management board and the Head of the Company; submit suggestions and responses on the strategy of the operation, annual financial statement, project for the profit distribution, and operation reports of the Company including the operation of the Management board and the Head of the Company to the general shareholder meeting; defines (harmonises) the submitted monthly/quarterly limits by the Management board for the manufactured production designed for advertisement for the buyers at no additional costs and intended for the analysis and/or development of the specified market, and to approve them after the end of the said quarter; provide suggestions to the Management board and the Head of the Company to terminate their decisions that are in violation of the laws and other legislations, articles of association and the decisions of the general shareholder meeting; solve other supervision issues of the Company and its management bodies operation that are assigned to the competencies of the Supervising council by the articles of association, including decisions of the general shareholder meeting; defines the salary of the Head of the Company, in cases where the Head of the Company is a member of the Management board; on the request of the Management board resolves the issue on the termination of a job contract of a member of the Supervising council currently employed at the Company.

The Management board is a collegial management body representing the shareholders of the Company during the period between their meetings and adoption of the decisions relating to the key issues of the economic performance of the Company. The procedures of the Management board are defined by its adopted management regulations. The council is comprised of 5 (five) member (according to the articles of association), currently, there are actually only four members present at the Management board. The members of the Management board are elected for no longer than four years by the Supervising council, currently, there are no special conditions specified for the election and dismissal for the members of the Management board. The number of their mandate is not subject to limitations. The Management board is chaired by the president whose elected from the members of the Management board by itself.

The Management board weighs and approves:

Operation strategy of the Company; management structure and employee duties; positions that are appointed by a competition-based evaluation; provided that the Supervising council agrees, specifies and approves the assortment and the amount of the manufactured production intended for that month that will be advertised to the buyers at no additional cost in order to analyse and/or develop the specified market; regulation of the branches and representative offices of the Company; staff regulations and salaries of the Director–General and their assistants.

The Management board elects and dismisses the Head of the Company. The Management board approves the submitted suggestions by the Head of the Company for the position of their assistants and other occupations that are evaluated on a competition basis.

The Management board analyses and assesses the material submitted by the Head of the Company on:

The implementation of the operation strategy of the Company; organization of the operation of the Company; financial state of the Company; operation results, estimates of the income and expenditure, accounting information on the changes to the inventory and other assets; application and collection methods for the financial resources; Company transactions.

The Management board analyses and assesses the project for the annual financial statement and profit distribution submitted by the Head of the Company, and in cases where these projects are approved, submits them to the general shareholder meeting. The Management board specifies the applied calculation methods and guidelines for the depreciation of tangible assets and the amortization of intangible assets.

The Management board shall call timely general shareholder meetings, ensure the preparation of the list for the owners of ordinary registered shares, drawing up of the timetable for the general shareholder meeting, submitting of the annual financial statement, profit distribution project and operation report of the Company and any other information necessary for weighing in on the issues of the timetable.

The Management board, without the approval of the general shareholder meeting, shall adopt the decisions on the following issues:

Decisions for the Company on becoming a founder, participant of other legal persons; decisions to establish branches and representative offices of the Company; decisions on investments, transfers and lease of the fixed assets with the carrying value of more than 1/20 of the authorized capital of the Company; decisions on mortgaging of the fixed assets with the carrying value of more than 1/20 of the authorized capital of the Company; decisions on couching and underwriting for the obligations of other persons of the amount larger than 1/20 of the authorized capital of the Company; decision on obtaining fixed assets for the amount that is larger than 1/20 of the authorized capital of the Company; decision on the conditions and/or projects for the restructuration and reorganisation of the Company (companies); Accession of the Company in association, groups and/or consortium and withdrawal from them; to allocate funds for charity, healthcare, culture, education, body awareness and sports, and also for the liquidation of natural disasters and emergency situations; to specify the amount of the fund for the expenditures for the Head of the Company; other decisions assigned to the Management board by the articles of association and decisions of the general shareholder meeting.

The Head of the Company is the Director–General which acts under the articles of association, decisions of the general shareholder meeting, decisions of the Management board and staff regulations of the administration.

The Head of the Company organizes everyday operation of the Company and performs actions necessary for the performance of their functions, implementation of the decisions by the bodies of the Company and ensuring of the Company operation. The Director–General answers and reports regularly to the Management board.

The bodies of the Company operate in accordance to the laws of the Republic of Lithuania and other obligations specified to them by legislation and articles of association. The bodies of the Company are elected, appointed and dismissed in accordance to the regulations of the said documents.

Head of the Company and administration:

The Head of the Company is the Director–General which acts under the articles of association, decisions of the general shareholder meeting, decisions of the Management board and staff regulations of the administration. The Director–General is elected and removed by the Management board. The election of the Director–General can be made on a competition basis. The work contract for the Director–general is signed by the president of the Management board. The work contract for the Director–General which is also the president of the Management board is signed by the appointed member of the Management board. In cases where the Director–General is not a member of the Management board, the Director–General shall participate in meeting of the Management board in an advisory capacity.

Head of the Company (Director–General):

Manages the administration section of the Company; conducts transactions on behalf of the Company within the limits of their competency; represents the Company in relations with third persons, at court and arbitration. The director–General is entitled the right to represent the Company from the day that is specified in the work contract; opens and closes Company accounts in banking establishments; prepares and submits the Company management structure, occupation lists, salary and promotion for work systems to the Management board; prepares the project for the signing of the share contract; employs and terminates employment contracts with the employees, concludes and terminates work contracts with them, evaluates their results, assigns disciplinary penalties and promotions, including material type penalties and promotions; establishes the internal rules of procedure, approves the regulation for the Company divisions and the staff regulation for the administration; issues permits for the performance of said functions that are within the limits of their competency; calls the general shareholder meeting, organises it, prepares the projects for the necessary documents of the general shareholder meetings in accordance to the Law of Companies of the Republic of Lithuania; ensures the safety of the Company assets and commercial secretes; performs other functions established by the law and these articles of association; disposes of the Company assets, including monetary assets.

The Director–General answers and reports regularly to the Management board.

Composition of the Supervising council:

Name, Last name	Occupation at the Issuer	Number (pcs.) of owned shares and part (%) of the authorised capital	Start of the mandate	End of the mandate	Employed at Žemaitijos pienas, AB since
Romusas Jarulaitis	President of the Supervising council	1 105 510 2.29	08 04 2011	25 04 2018	26 01 1988
Robertas Pažemeckas	Member of the Supervising council Director–General	-	08 04 2011	25 04 2018	26 08 2002

Gražina Norkevičienė	Member of the Supervising council	-	25 04 2014	25 04 2018	20 09 1978

Structure of the Management board:

Name, Last name	Occupation at the Issuer	Number (pcs.) of owned shares and part (%) of the authorised capital	Start of the mandate	End of the mandate	Employed at Žemaitijos pienas, AB since
Algirdas Pažemeckas	President of the Management board Consultant	21 589 380 44.63	07 02 2014	07 02 2019	26 12 1986
Marius Dromantas	Member of the Management board, Director–Logistics	-	07 02 2014	07 02 2019	01 12 2003
Dalia Gecienė	Member of the Management board Senior accountant	475 160 0.98	07 02 2014	07 02 2019	29 07 1986

Administration:

Name, Last name	Job title	Number of shares (pcs.)	Share of authorized capital (%)
Robertas Pažemeckas	Director–General	------	--------
Dalia Gecienė	Senior accountant	475 160	0.98

Calculated and paid amounts related to the employment relationship for the Head of the Company and the senior accounting officer during the reference period. The specified persons were not subject to any commitments or guarantees, transfers of assets and any other property rights.

During the year 2015, no monetary funds were calculated and paid to the management bodies for their operation at the Management board or Supervising council.

During the year 2015, the Issuer did not award the bodies of the Company (Management board, Supervising council, Head of the Company) and also the senior accounting officer any bonuses nor dividends or any other payments from the operation profit of the Issuer. The said subject are not subject to any significant material obligations to the Issuer or vice versa.

No commitments or guarantees and/or any other obligation assurance measures for the members of the management and supervising bodies for the assurance of the performance of the obligations for these subjects were issued on behalf of the Issuer during 2015, in addition, the Issuer did not provide any loans to the mentioned subjects.

Audit committee at the Company

An Audit committee comprised from three persons: Angelė Taraškevičienė (president), Stanislava Vaičienė and Daiva Katarskienė (members) is present at the Žemaitijos pienas, AB.

Name, Last name	Place of employment Job title Authorization	Number of shares (pcs.) Of the Issuer	Start of the mandate at the committee	End of the mandate at the committee
Angelė Taraškevičienė	Head of the Vertybių auditas, UAB	------------	26-04-2013	Until removed by the elected body of the Company
Stanislava Vaičienė	Žemaitijos pienas, AB Accountant	------------	26-04-2013	Until removed by the elected body of the Company
Daiva Katarskienė	Accountant–accounting clerk at the Žemaitijos pienas, AB	-------------------	26-04-2013	Until removed by the elected body of the Company

The key function of the Audit committee is to be the advisory body for the Supervising council; The key task of the Audit committee is to increase the efficiency of the Supervising council at the finance area of the Company, to help in ensuring that the decisions are adopted only after a proper and impartial consideration. By performing the mentioned functions, the Audit committee provides recommendations relating to the selection of the external Company audit, appointment, repeated appointment and dismissal and also the conditions for the contract with the audit Company to the Management board of the Company, supervises the performance of the external audit process, assesses the compliance of the external auditor and audit Company with the impartial and objective principles, supervises the drafting process for the financial reports of the Company, performs other functions in accordance to the legislation of the Republic of Lithuania and recommendations of the management code of listed companies at the Vilnius stock exchange.

It should also be noted that there are no other committees established at the Company.

III. OTHER INFORMATION RELATED TO THE ISSUER

29. All of the significant agreements of which one of the parties is the Issuer and that would come in to effect, would change or disband due to the change in the

control of the Issuer, in addition, their impact, except in cases where due to the nature of the agreement, would cause major damage to the Issuer if disclosed

Currently, there are no agreements of which one of the parties is the Issuer and that would come in to effect, would change or disband due to the change in the control of the Issuer.

30. All of the agreements between the Issuer and the members of its bodies for compensation, in cases where they would resign or would be dismissed without a justified cause or if their occupation would be terminated due to the change in the control of the Issuer

Currently, the Issuer has not entered in to any agreements with the members of its bodies for compensation, in cases where they would resign or would be dismissed without a justified cause or if their occupation would be terminated due to the change in the control of the Issuer.

31. Transactions of the Issuer

During the year 2015, no significant transactions or transactions unusual to the ordinary performance on behalf of the Issuer with third parties or other subjects took place.

In addition, the Issuer has not concluded any transactions that would cause any significant changes relating to the Issuer and/or any negative altercations for the Issuer in case of changes in the control of the Issuer.

Currently, there are no unusual and/or significant concluded agreements to the bodies of the Issuer, members of the committee and employees for compensation due to the termination of the rights for the members of the body and occupation in the body due to specific reasons.

Moreover, to the knowledge of the Issuer there are no concluded transactions that would raise a conflict of interests between the Company and the Management board, between the Management board and the shareholders or between separate management members of the Issuer.

32. Information on the Compliance of the Company management code

Žemaitijos pienas, AB is acting in accordance to the requirements of the management code for listed companies at the Vilnius stock exchange, information on the compliance of this documents is provided in a separate annex that is an integral part of this consolidated annual report.

33. Information on the public information

During the reference period of 2015, the Company published a large amount of significant events and events related to Žemaitijos pienas, AB.

Date	Market	Company	News	Language
30.11.2015 20:00	VLN	ŽEMAITIJO PIENAS, AB	Žemaitijos pienas, AB preliminary operation result for the month of September, 2015 Attachments:	en
31.08.2015 18:00	VLN	ŽEMAITIJO PIENAS, AB	Žemaitijos pienas, AB preliminary operation result for the month of June, 2015 Attachments:	en
31.05.2015	VLN	ŽEMAITIJO PIENAS,	Žemaitijos pienas, AB preliminary operation result for the first three	en

Date	Market	Company	News	Language
15:00		AB	months of 2015 Attachments:	
27.04.2015 09:38	VLN	ŽEMAITIJO PIENAS, AB	CORRECTION: Decisions of the 24.04.2015 Žemaitijos pienas, AB general shareholder meeting (amended profit/loss report) Attachments:	en
24.04.2015 20:00	VLN	ŽEMAITIJO PIENAS, AB	Decisions of the 24.04.2015 Žemaitijos pienas, AB general shareholder meeting Attachments:	en
24.04.2015 17:10	VLN	ŽEMAITIJO PIENAS, AB	Žemaitijos pienas, AB annual information Attachments:	en
24.04.2015 17:00	VLN	ŽEMAITIJO PIENAS, AB	Person's announcement on the entitlement of voting right Attachments:	en
24.03.2015 17:00	VLN	ŽEMAITIJO PIENAS, AB	On the calling, timetable and decision project for the general shareholder meeting Attachments:	en
28.02.2015 17:15	VLN	ŽEMAITIJO PIENAS, AB	Unaudited preliminary operation results of the Žemaitijos pienas, AB group for the year 2014. Attachments:	en

Source - 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]

Announcement on the essential events after the end of the reference period:

Date	Market	Company	News	Language
29.02.2016 18:00	VLN	ŽEMAITIJO PIENAS, AB	Unaudited preliminary operation results of the Žemaitijos pienas, AB group for the year 2015. Attachments:	en
07.01.2016 14:16	VLN	ŽEMAITIJO PIENAS, AB	On the interim financial reports	en

Žemaitijos pienas, AB informed the Vilnius stock exchange (NASDAQ Vilnius) on all of the essential events that took place in accordance to the regulatory enactments of the Republic of Lithuania. All of the announcements are published at the Central base of regulated information and the Company website at www.zpienas.lt.

IV. OTHER INFORMATION

34. Important events that occurred during the end of the fiscal year.

29-02-2015, Unaudited preliminary operation results of the Žemaitijos pienas, AB group for the year 2015.

Unaudited consolidated turnover of Žemaitijos pienas, AB for the year 2015: 149.1 mln. Euro, compared to the year of 2014 the turnover decreased by 7.5 percent.

The unaudited net profit of the Žemaitijos pienas, AB group for the year 2015 comprises 4.05 percent from the turnover.

35. Data on the audit

The audit of the 31st of December, 2015, on the consolidated balance and the related consolidated profit (loss) , money flow and the changes in the owned capital report for the financial year that ended for the Žemaitijos pienas, AB (group) is performed by the Grant Thorton Baltic, UAB in accordance to the contract signed on 19 September, 2014.

There is no additional information that should be disclosed in accordance to the law regulating Company operation, other legislation or articles of association that was not disclosed in this annual announcement and annual financial reports.

Annual report signed
15 March 2016

Robertas Pažemeckas
Director–General

Dalia Gecienė
Senior accountant

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

STATEMENTS OF FINANCIAL POSITION
AS OF 31 DECEMBER 2015
(All amounts in EUR thousands unless otherwise stated)

		The Group		The Company	
ASSETS	**Notes**	**31 12 2015**	**31 12 2014**	**31 12 2015**	**31 12 2014**
Non-current assets					
Intangible assets	5	124	192	124	191
Property, plant and equipment	5,6	25.601	18.292	23.033	15.739
Investment assets	5,6	147	174	1.160	1.229
Investments into subsidiaries	1	1	1	3.152	3.152
Loans granted	7	877	4.706	877	4.706
Other financial assets		27	16	27	16
Deferred income tax asset	23	3.047	1.451	2.696	1.406
Total non-current assets		**29.824**	**24.831**	**31.069**	**26.439**
Current assets					
Inventories	8	26.091	24.944	23.987	22.817
Prepayments		360	722	345	697
Trade accounts receivable	9	12.628	10.344	12.089	9.918
Other accounts receivable	10	1.111	1.215	1.060	1.071
Cash and cash equivalents	11	10.223	7.018	4.827	6.224
Total current assets		**50.414**	**44.244**	**42.308**	**40.727**
TOTAL ASSETS		**80.238**	**69.075**	**73.377**	**67.166**
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	12	14.029	14.010	14.029	14.010
Own shares (-)		(1.323)	(1.323)	(1.323)	(1.323)
Legal reserve		1.401	1.401	1.401	1.401
Other reserves		4.566	4.566	4.566	4.566
Retained earnings		38.070	32.417	34.085	30.848
Equity attributable to equity holders of the Company		**56.742**	**51.071**	**52.757**	**49.502**
Minority interest		990	654	-	-
Total Equity		**57.732**	**51.725**	**52.757**	**49.502**
Non-current liabilities					
Grants received	13	1.595	2.133	1.397	1.785
Borrowings	14	-	-	-	-
Obligations under finance lease	15	-	32	-	32
Deferred income tax liability		-	-	-	-
Other current liabilities	23	2	5	2	5
Total non-current liabilities		**1.597**	**2.170**	**1.399**	**1.822**
Current liabilities					
Borrowings	14	-	-	-	-
Obligations under finance lease	15	32	75	32	75
Trade accounts payable	17	12.566	11.550	13.759	12.433
Income tax payable		622	244	159	244
Other accounts payable	18	7.689	3.311	5.271	3.090
Total current liabilities		**20.909**	**15.180**	**19.221**	**15.842**
Total liabilities		**22.506**	**17.350**	**20.620**	**17.664**
TOTAL EQUITY AND LIABILITIES		**80.238**	**69.075**	**73.377**	**67.166**

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

The financial statements were approved on 15 March 2016 and signed by:

Robertas Pažemeckas
General Director

Dalia Gecienė
Senior accountant

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015
(All amounts in EUR thousands unless otherwise stated)

		The Group		The Company	
	Notes	Jan-Dec 2015	Jan-Dec 2014	Jan-Dec 2015	Jan-Dec 2014
Sales	19	**149.114**	**161.164**	**144.273**	**157.054**
Cost of sales		(112.358)	(134.813)	(114.142)	(134.341)
GROSS PROFIT		**36.756**	**26.351**	**30.131**	**22.713**
Operating expenses	20	(30.719)	(23.490)	(27.533)	(19.875)
Other operating income and expenses	21	306	332	634	735
(LOSS) PROFIT FROM OPERATIONS		**6.343**	**3.193**	**3.232**	**3.573**
Finance costs		(1)	(12)	(1)	(12)
Other financial income and expenses	22	174	209	135	106
(LOSS) PROFIT BEFORE TAX		**6.516**	**3.390**	**3.366**	**3.667**
Income tax (benefit) expense	23	(531)	(753)	(129)	(766)
NET (LOSS) PROFIT		**5.985**	**2.637**	**3.237**	**2.901**
ATTRIBUTABLE TO:					
Equity holders of the Company		5.650	2.669	3.237	2.901
Minority interest		335	(32)	-	-
		5.985	**2.637**	**3.237**	**2.901**
Basic and diluted earnings per share (EUR)	25	**0,12**	**0,06**	**0,07**	**0,06**

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

The financial statements were approved on 15 March 2016 and signed by:

Robertas Pažemeckas
General Director

Dalia Gecienė
Senior accountant

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015

(All amounts in EUR, in thousands, unless otherwise stated)

The Group	Share capita	Own shares (-)	Legal reserve	Reserves for own shares	Other reser ves	Retained earnings	Equity	Minorit y interest	Total
Balance as of 31 December 2013	**14.010**	**(1.323)**	**1.401**	**4.345**	**221**	**29.748**	**48.402**	**686**	**49.088**
Dividends	-	-	-	-	-	-	-	-	-
Transfer to other reserves	-	-	-	-	-	-	-	-	-
The use of reserves	-	-	-	-	-	-	-	-	-
Acquisitions of own shares	-	-					-	-	-
Subsidiary company liquidation result						-	-	-	-
Net profit	-	-	-	-	-	2.669	2.669	(32)	2.637
Balance as of 31 December 2014	**14.010**	**(1.323)**	**1.401**	**4.345**	**221**	**32.417**	**51.071**	**654**	**51.725**
Dividends	-	-	-	-					
Transfer to other reserves	-	-	-						
The use of reserves	-		-	-	-				
Acquisitions of own shares	-	-	-	-	-				
Subsidiary company liquidation result									
The share capital increase in coversion to the euro	19						19		19
The daughter share capital conversion to the euro						3	2	1	3
Net profit						5.650	5.650	335	5.985
Balance as of 31 December 2015	14.029	(1.323)	1.401	4.345	221	38.070	56.742	990	57.732

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

The financial statements were approved on 15 March 2016 and signed by:

Robertas Pažemeckas
General Director

Dalia Gecienė
Senior accountant

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015
(All amounts in EUR, 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 2013	**14.010**	**(1.323)**	**1.401**	**4.344**	**221**	**27.948**	**46.601**
Dividends	-	-	-	-	-	-	-
Transfer to reserves	-	-	-		-	-	-
Reserves used	-	-	-		-	-	-
Acquisition of own shares		-				-	-
Net profit	-	-	-	-	-	2.901	2.901
Balance as of 31 December 2014	**14.010**	**(1.323)**	**1.401**	**4.344**	**221**	**30.848**	**49.502**
Dividends	-	-	-		-	-	-
Transfer to reserves	-	-	-		-	-	-
Reserves used	-	-	-	-	-	-	-
Acquisition of own shares	-	-	-	-	-	-	
The share capital increase	19					-	19
The result of the conversion to the euro							
Net profit	-	-	-		-	3.237	3.237
Balance as of 31 December 2015	**14.029**	**(1.323)**	**1.401**	**4.344**	**221**	**34.085**	**52.757**

The accompanying explanatory notes are an integral part of these consolidated financial statements and financial statements:
The financial statements were approved on 15 March 2016 and signed by:

Robertas Pažemeckas
General Director

Dalia Gecienė
Senior accountant

CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015
(All amounts in EUR thousands unless otherwise stated)

	The Group		The Company	
	Jan-Dec 2015	Jan-Dec 2014	Jan-Dec 2015	Jan-Dec 2014
Cash flow from operating activities				
Profit (loss) for the period	5.985	2.637	3.237	2.901
Adjustments:				
Depreciation and amortization	3.949	6.568	3.604	2.992
Amortization of grants received	(565)	(764)	(416)	(248)
Gain (loss) on disposal of non-current assets	(32)	(85)	(26)	(80)
Corporate income tax expenses	(1.595)	(786)	(1.290)	(432)
Impairment of accounts receivable	3.612	83	3.612	83
Impairment of property, plant and equipment	-	-	-	-
Impairment of inventories to net realizable value	1.620	(1.095)	1.518	(1.125)
Net financial expenses (income)	(173)	(197)	(134)	(93)
Elimination of non-cash items	2.680	122	762	427
Loss from liquidation of subsidiaries	-	-	-	-
Net cash flows from ordinary activities before changes in working capital	**15.481**	**6.483**	**10.868**	**4.425**
Changes in working capital:				
(Increase) decrease in inventories	(2.767)	8.797	(2.689)	7.221
(Increase) decrease in trade receivables	(2.285)	(2.056)	(2.171)	(822)
(Increase) decrease in prepayments	362	(284)	352	(268)
(Increase) decrease in other receivables	103	66	10	(103)
(Decrease) increase in trade payables	1.016	2.409	1.326	3.824
(Decrease) increase other accounts payable	1.697	(1.232)	1.418	(1.128)
Corporate income tax paid	378	(587)	(85)	(587)
Net cash flows from operating activities	**13.985**	**13.595**	**9.029**	**12.562**
Cash flows from (to) investing activities				
Acquisition of intangible assets and property, plant and equipment.	(11.201)	(6.857)	(10.803)	(6.396)
Proceeds on sale of property, plant and equipment	76	318	71	307
Acquisition of subsidiaries	-		-	
Sale of investments available for sale	-	-	-	-
Repayment of loans granted	912	1.215	912	1.747
Loans granted	(691)	(3.984)	(691)	(3.984)
Interest received	136	121	136	121
Net cash flows (to) investing activities	**(10.767)**	**(9.187)**	**(10.376)**	**(8.205)**
Cash flows from (to) financing activities				
Acquisition of own shares	-	-	-	-
Dividends, bonus paid	-	-	-	-
Grants received	27	1.101	27	981
Loans received	-	2.653	-	2.652
Repayment of loans	-	(3.107)	-	(3.107)
Financial lease payments	(75)	(123)	(75)	(123)
Interest paid	(1)	(12)	(1)	(12)
Other financial (income) and expenses	37	83	(1)	(16)
Net cash flows from financial activities	**(13)**	**595**	**(50)**	**375**
Net increase (decrease) in cash and cash equivalents	**3.205**	**5.003**	**(1.397)**	**4.732**
Cash and cash equivalents at the beginning of the year	**7.018**	**2.015**	**6.224**	**1.492**
Cash and cash equivalents at the end of the year	**10.223**	**7.018**	**4.827**	**6.224**

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

The financial statements were approved on 15 March 2016 and signed by:

Robertas Pažemeckas
General Director

Dalia Gecienė
Senior accountant

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 2015

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.