AKCINĖ
BENDROVĖ

STOCK
COMPANY

ŽEMAITIJOS PIENAS

Sedos g. 35, 87101, Telšiai
LIETUVOS RESPUBLIKA
Kodas 180240752
Tel.: (+370-444) 22 201, 22 202, 22 206
Faks. (+370-444) 74 897
El.p. info@zpienas.lt
www.zpienas.lt
a/s LT764010042800060281
AB bankas „DnB NORD" kodas 40100

STATEMENT BY THE RESPONSIBLE PERSONS

2012-03-30

Telšiai

In accordance with Article 21 of the Law on Securities of the Republic of Lithuania and the Rules on Preparation and Submission of Periodical and Additional Information adopted by the Securities Commission of the Republic of Lithuania, we, Robertas Pažemeckas, Deputy Director General of AB Žemaitijos Pienas, 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 2011 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.

Deputy Director General   Robertas Pažemeckas

Chief Accountant   Dalia Gecienė

LIETUVOS RESPUBLIKA
Akcinė bendrovė
ŽEMAITIJOS
PIENAS
TELŠIAI

E-signature:
/Document is electronically signed by
TARAŠKEVIČIENĖ, ANGELĖ,
45508260089
Date: 26/03/2012, 17:25:43
Place: Klaipėda
Contacts: 88750448/

AB Žemaitijos Pienas Audit Committee's

Report

For the period from 8 April, 2011 to 23 March, 2012

26 March, 2012
Klaipėda, Telšiai.

To the Board of Directors, and
General Meeting of
AB Žematijos pienas

INTRODUCTION
The Audit Committee (hereinafter referred to as the Committee) of AB Žemaitijos Pienas (hereinafter referred to as the Company) was elected for the 2011-2014 term of office on 8 April 2011 at the Ordinary General Meeting of the Shareholders of the Company.
During the reporting period, the Committee had three following members, one of them is independent:
1. Angelė Taraškevičienė (Chairman, and independent Member)
2. Asta Šliogerienė (Member)
3. Victorija Kungytė - Ragauskienė (Member)

Performing its activities, the Committee is following the Provisions on the Committee Formation and Performance (hereinafter referred to as the Provisions) approved by the decision of the Extraordinary General Meeting held on 18 December, 2009, and decision of the Ordinary General Meeting held on 8 April 2011, the Law on Audit of the Republic of Lithuania, and the Guidelines on Requirements for Audit Committees No.13K-12 of 28 November, 2008 approved by the decision of the Lithuanian Securities Commission of 28 November 2008 (Minutes of Commission Meeting No.6K-25).

The Committee monitors the Company's internal control, risk management, financial reporting, external audit processes, and as the external audit company complies with the independence and objectivity principles, reviews the internal control and risk management and internal systems at least once a year to ensure that the key risks (including a risk associated with compliance with the existing laws and regulations) are properly identified, managed and disclosed; performs other functions established by the Lithuanian legislation and Recommendations of the Management Code for the companies listed in Vilnius Stock Exchange.

ISSUES RELATED TO THE COMMITTEE OPERATIONS
The Committee meetings are called upon such a demand. During the reporting period, the Committee held two meetings (on 4 July, 2011 and on 26 March, 2012) where the questions of its competence were discussed.

REVIEW OF THE COMMITTEE MEMBERS' COMPLIANCE WITH THE PROVISIONS' REQUIREMENTS

In keeping with Paragraphs 8-10.7 of the Provisions, members of the Committee reviewed their compliance with the Provisions' requirements on 04 July 2011. During the review, assessment of independence of Angele Taraškevičienės, the independent member, was conducted, which determined that the independent member meets all the requirements. Angele Taraškevičienė countersigned her independence.
The independence of other members of the Committee was assessed after the Company's Extraordinary General Meeting held on 18 December 2009, during which Sigitas Ertmanas, Viktorija Kungytė, and Asta Šliogerienė were elected as the members of the Committee.
During the Ordinary General Meeting held on 8 April 2011, an independent member of the Audit Committee Sigitas Ertmanas was revoked, and a new member Angelė Taraškevičienė was elected. Viktorija Kungytė and Asta Šliogerienė were re-elected as members of the Audit Committee.
The main criteria for determining whether a member of the Audit Committee can be considered independent are as follows:

1. To the Audit Committee as a member may be appointed a person with higher education or professional experience to ensure personal knowledge about the general systems used for the Company's transactions, registration of

monetary events, grouping and summarizing; accounting principles, other capital, assets, liabilities accounting principles and international accounting standards.

2. As an independent audit committee member may be appointed a person with higher education and having at least 5 (five) years of experience in accounting or auditing, and meeting the following requirements of independence:

2.1 The person may not be the head of the Company or the related company, and must not have held such a position in the last five years;

2.2 The person may not be the employee of the Company or the related company, and must not have held such a position in the last three years;

2.3 The person must not receive nor have received significant additional remuneration from the Company or the related company, other than remuneration for being a member of the Audit Committee;

2.4 The person must not be a controlling shareholder nor represent such a shareholder;

2.5 The person must not have or have had any important business relations with the Company or the related company, neither directly nor as a partner of an entity having that relations, shareholder, manager or employee of the administration. An entity having business relations is an important supplier of goods or services (including financial, legal, advisory and consultancy services), an important client or organization that receives significant contributions from the Company or its group;

2.6 The person must not be nor ever have been a partner or employee of a current and former audit company of the Company or the related company in the last three years;

2.7 The person must not have held a position of the Company's Audit Committee member for more than 12 years;

2.8 The person must not be a close family member of the Company's Head or persons referred to in Paragraphs 2.1.-2.6. A close relative is considered a spouse (partner), children and parents.

A company related to the Company is considered a company which:

1. Directly or indirectly controls the Company or is under its control;
2. Can have a significant impact on the Company;
3. Generally controls the Company under a joint operating agreement;
4. Is controlled by the same legal or physical person (their group) as the Company;
5. Is an associate company;
6. Is a company controlled under a joint operating agreement;
7. Is a company that collects and at the end of the service pays pensions and other benefits.

During the review, it was also observed that qualifications and experience of all members of the Committee meet the Provisions' requirements (suitably qualified persons are considered to hold higher university education in economics, finances or law; persons with appropriate experience are considered persons with at least 5 years of experience in the field of finance, accounting or law. An independent audit committee member has at least 5 years experience in accounting or auditing).

GIVING RECOMMENDATIONS

RECOMMENDATION TO THE MANAGEMENT OF THE COMPANY REGARDING THE AGREEMENT WITH THE AUDIT COMPANY

In carrying out the obligation laid down in Paragraph 1.11 of the Provisions to make recommendations regarding the agreement with the audit company, the Committee on 4 July, 2011 recommended to the Board of the Company to sign the Agreement for Audit Services with UAB Nepriklausomas Auditas (Independent Audit).

Before submitting this recommendation, the Committee was introduced with the criteria of the selection of Company's audit companies and the evaluation of proposals, and submitted the following recommendations – before signing the agreement, to receive from the audit company the Independence Declaration and statements of whether the audit company and the auditors do not have existing penalties, which was not required during the preparation of auditing companies' offers.

Approval of the Audit Company's Independence was obtained on 18 November 2011, and on 12 July 2011 – the Lithuanian Chamber of Auditors' statement regarding the absence of the disciplinary actions No.12 07 2011 No. 1.9.2-S0445.

RECOMMENDATION TO THE BOARD OF THE COMPANY REGARDING SUBMITTING ANNUAL INFORMATION OF 2001 FOR SHAREHOLDER'S APPROVAL

On 26 March 2012, the Committee prepared a recommendation to the Board of the Company regarding the annual information for the year 2011. The Committee offered the Board to submit the audited annual information of 2011 for shareholders' approval.

Prior to submitting the recommendation to the Board, the Committee members were introduced with the letter of UAB Nepriklausomas Auditas to the management of Žemaitijos Pienas Group of 22 November, 2011, the Observation Report of 17 February 2012, the Independent Auditor's Report signed on 15 March 2012, and the Audit Report of AB Žemaitijos Pienas.

THE COMPANY ADMINISTRATION'S RESPONSE TO THE RECOMMENDATIONS AND COMMENTS, WHICH WERE SUBMITTED TO THE MANAGEMENT BY UAB NEPRIKLAUSOMAS AUDITAS IN THE LETTER TO THE MANAGEMENT OF ŽEMAITIJOS PIENAS OF 22 NOVEMBER, 2011 AND ITS OBSERVATIONS REPORT OF 17 FEBRUARY 2012

Upon conducting an interim audit of AB Žemaitijos Pienas, the external auditors provided the management with a written letter on 22 November 2011, and discussed the matter. Before submitting the Audit Report, on 17 February 2012 they provided the management with the Observations Report on significant observations with request to take them into account when preparing financial statements for the reporting year. Taking into account the observations, the Company's management, prepared the financial statements to the external auditors. Auditors' opinion on the set of individual and consolidated annual financial statements of the Company and its subsidiaries is unconditional.

EFFECTIVENESS OF INTERNAL CONTROL SYSTEM

Since the Company has no internal audit function, the Committee had no opportunities to assess the effectiveness of this system. The Committee received information from the external auditors, who have not determined significant risks and uncertainties that could affect the annual financial statements. They informed that they did not notice any internal control structure and its performance aspects, which could be seen as a significant internal control deficiency.

Chairman of the Committee:

Angelė Taraškevičienė

Committee Members:

Asta Šliogerienė

Viktorija Ragauskienė

STATEMENTS OF FINANCIAL POSITION
AS OF 31 DECEMBER 2011
(All amounts in LTL thousands unless otherwise stated)

ASSETS	Notes	The Group 2011	The Group 2010	The Company 2011	The Company 2010
Non-current assets					
Intangible assets		413	23	381	18
Property, plant and equipment	5	67,481	65,357	50,671	46,113
Investment assets	6	4,132	-	4,132	4,403
Investments into subsidiaries	1	4	4	10,942	10,942
Loans granted	7	5,059	3,760	7,527	3,760
Other financial assets		10	-	10	-
Deferred income tax asset	23	2,287	1,606	2,236	1,545
Total non-current assets		**79,386**	**70,749**	**75,898**	**66,781**
Current assets					
Inventories	8	90,486	62,081	80,186	53,426
Prepayments		588	641	504	618
Trade accounts receivable	9	36,430	36,265	40,075	41,374
Other accounts receivable	10	5,942	6,542	7,306	6,450
Deposits		-	5,000	-	5,000
Cash and cash equivalents	11	9,556	8,766	8,739	8,345
Total current assets		**143,002**	**119,294**	**136,810**	**115,214**
TOTAL ASSETS		**222,388**	**190,043**	**212,708**	**181,995**
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	12	48,375	48,375	48,375	48,375
Legal reserve		4,838	4,838	4,838	4,838
Other reserves		17,997	10,000	17,997	10,000
Retained earnings		56,193	56,842	54,982	56,454
Equity attributable to equity holders of the Company		**127,403**	**120,055**	**126,192**	**119,667**
Minority interest		1,944	1,840	-	-
Total Equity		**129,347**	**121,895**	**126,192**	**119,667**
Non-current liabilities					
Grants received	13	2,247	2,678	819	1,002
Borrowings	14	2,885	8,838	2,885	8,838
Obligations under finance lease	15	3,264	6,575	3,017	5,968
Deferred income tax liability		977	784	-	-
Other current liabilities	23	1,658	1,879	1,658	1,879
Total non-current liabilities		**11,031**	**20,754**	**8,379**	**17,687**
Current liabilities					
Borrowings	14	32,502	1,670	32,502	1,670
Obligations under finance lease	15	4,027	4,673	3,665	4,317
Trade accounts payable	17	30,578	25,652	29,458	24,619
Income tax payable		2	2,822	-	2,820
Other accounts payable	18	14,903	12,578	12,512	11,215
Total current liabilities		**82,011**	**47,394**	**78,137**	**44,641**
Total liabilities		**93,041**	**68,148**	**86,515**	**62,328**
TOTAL EQUITY AND LIABILITIES		**222,388**	**190,043**	**212,708**	**181,995**

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

The consolidated financial statements and financial statements were approved on 15 March 2012 and signed by:

Algirdas Pažemeckas
General Director

Dalia Geienė
Senior accountant

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2011

(All amounts in LTL thousands unless otherwise stated)

	Notes	The Group		The Company	
		2011	2010	2011	2010
Sales	19	494,426	433,692	487,218	427,735
Cost of sales		(400,122)	(344,136)	(401,049)	(342,681)
GROSS PROFIT		**94,304**	**89,555**	**86,170**	**85,054**
Operating expenses	20	(80,143)	(65,144)	(78,184)	(63,840)
Other operating income and expenses	21	(3,309)	(1,531)	1,613	649
(LOSS) PROFIT FROM OPERATIONS		**10,852**	**22,880**	**9,598**	**21,863**
Finance costs		(678)	(486)	(661)	(466)
Other financial income and expenses	22	391	700	497	716
(LOSS) PROFIT BEFORE TAX		**10,565**	**23,095**	**9,435**	**22,114**
Income tax (benefit) expense	23	(610)	(3,773)	(406)	(3,532)
NET (LOSS) PROFIT		**9,955**	**19,322**	**9,029**	**18,582**
ATTRIBUTABLE TO:					
Equity holders of the Company		9,851	19,225	9,029	18,582
Minority interest		108	97	-	-
		9,955	**19,322**	**9,029**	**18,582**
Basic and diluted earnings per share (LTL)	25	**0,20**	**0,41**	**0,19**	**0,38**

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

The consolidated financial statements and financial statements were approved on 15 March 2012 and signed by:

Algirdas Pažemeckas
General Director

Dalia Gecienė
Senior accountant

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2011

(All amounts in LTL thousands unless otherwise stated)

The Group

	Share capital	Legal reserve	Reserves for purchase own shares	Other reserves	Retained earnings	Equity attributable to equity holders of the parent	Minority interest	Total
Balance as of 31 December 2009	**48.375**	**4.838**	-	-	**50.465**	**103.678**	**2.626**	**106.304**
Bonuses, bonus shares,	-	-	-	-	(2.463)	(2.463)	-	(2.463)
Transfer to other reserves	-	-	10.000	-	(10.000)	-	-	-
Liquidation of the daughter enterprise company	-	-	-	-	(385)	(385)	(884)	(1.268)
Net profit	-	-	-	-	19.225	19.225	97	19.322
Balance as of 31 December 2010	**48.375**	**4.838**	**10.000**	-	**56.842**	**120.055**	**1.840**	**121.895**
Dividends	-	-		-	(2.500)	(2.500)	-	(2.500)
Transfer to other reserves	-	-	5.000	3.000	(8.000)	-	-	-
Reserves used	-	-	(3)	-	-	(3)	-	(3)
Net profit	-	-	-	-	9.851	9.851	104	9.955
Balance as of 31 December 2011	**48.375**	**4.838**	**14.997**	**3.000**	**56.193**	**127.403**	**1.944**	**129.347**

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

The Company	Share capital	Legal reserve	Reserves for own shares	Other reserves	Retained earnings	Total
Balance as of 31 December 2009	**48.375**	**4.838**	-	-	**50.335**	**103.548**
Bonuses, bonus shares	-	-	-	-	(2.462)	(2.462)
Transfer to reserves	-	-	10.000	-	(10.000)	-
Net profit	-	-	-	-	18.582	18.582
Balance as of 31 December 2010	**48.375**	**4.838**	**10.000**	-	**56.454**	**119.667**
Dividends	-	-		-	(2.500)	(2.500)
Transfer to reserves	-	-	5.000	3.000	(8.000)	-
Reserves used	-	-	(3)	-	-	(3)
Net profit	-	-		-	9.029	9.029
Balance as of 31 December 2011	**48.375**	**4.838**	**14.997**	**3.000**	**54.982**	**126.192**

The consolidated financial statements and financial statements were approved on 15 March 2012 and signed by:

Algirdas Pažemeckas
General Director

Dalia Gecienė
Senior accountant

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

CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
(All amounts in LTL thousands unless otherwise stated)

	The Group		The Company	
	2011	2010	2011	2010
Cash flow from operating activities				
Net (loss) profit	9,955	19,322	9,029	18,582
Adjustments to net (loss) profit				
Depreciation and amortization	17,536	18,802	15,645	16,816
Amortization of grants received	(979)	(1,174)	(730)	(916)
Loss (gain) from disposal and write-offs of property, plant and equipment	(318)	(88)	(316)	(88)
Income tax expenses	(488)	3,688	(691)	3,448
Impairment of accounts receivable	(22)	103	(22)	103
Impairment of property, plant and equipment	(6)	14	12	40
Excess of the Group's interest in the fair value of net assets over the cost of the business combination	-	-	-	-
Interest (income)	(445)	(297)	(452)	(297)
Interest expenses	678	486	661	466
Write off inventories to net realizable value	6,970	1,572	6,970	1,572
Other financial (income) and expenses	(44)	(175)	(45)	(175)
Loss from liquidation of subsidiaries	-	(123)	-	103
	32.838	**42,130**	**30,060**	**39,447**
Changes in working capital:				
(Increase) decrease in inventories	(35,375)	(24,210)	(33,730)	(20,209)
(Increase) decrease in trade receivables	904	(6,906)	1,321	(10,618)
(Increase) decrease in prepayments	53	(187)	114	(212)
(Increase) decrease in other receivables	(832)	(3,512)	(855)	(3,495)
(Decrease) increase in trade payables	3,878	6,038	4,839	6,915
(Decrease) increase other accounts payable	2,104	3,021	1,076	3,174
Income tax paid	(2,820)	(3,331)	(2,820)	(3,331)
Interest paid	(678)	(486)	(661)	(466)
Net cash flows (to) from operating activities	**71**	**12,558**	**(656)**	**11,206**
Cash flows from (to) investing activities				
Acquisition) of intangible assets and property, plant and equipment	(24,754)	(6,963)	(20,696)	(6,113)
Proceeds on sale of property, plant and equipment	707	573	697	557
Acquisition of subsidiaries	-	(10)	-	(10)
Sale of investments available for sale	-	-	-	103
Repayment of loans granted	5,749	2,162	5,749	2,162
Loans granted	(5,616)	(3,629)	(9,516)	(3,629)
Interest received	445	297	452	297
Net cash flows (to) investing activities	**(23,289)**	**(7,571)**	**(23,313)**	**(6,634)**
Cash flows from (to) financing activities				
Dividends	(3)	-	(3)	-
Bonuses, bonus shares	(2,500)	(2,462)	(2,500)	(2,462)
Grants received	547	684	547	684
Loans received	38,774	15,538	38,744	15,538
Repayment of loans	(13,212)	(30,662)	(13,212)	(30,662)
Financial lease payments	(4,642)	(5,108)	(4,288)	(4,759)
Other financial (income) and expenses	45	-	45	-
Net cash flows from (to) financial activities	**(19,009)**	**(22,011)**	**19,363**	**(21,662)**
Net (decrease) in cash and cash equivalents	**(4,209)**	**(17,025)**	**(4,606)**	**(17,089)**
Cash and cash equivalents at the beginning of the year	**13,766**	**30,791**	**13,345**	**30,435**
Cash and cash equivalents at the end of the year	**9,556**	**13,766**	**8,739**	**13,346**

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

The consolidated financial statements and financial statements were approved on 15 March 2012 and signed by:

Algirdas Pažemeckas
General Director

Dalia Gecienė
Senior accountant

1. GENERAL INFORMATION

Žemaitijos Pienas AB (hereinafter the Company) is a joint stock company registered in the Republic of Lithuania. The address of its 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. The Company's shares are traded on the Current List of the Vilnius Stock Exchange.

As of 31 December 2011 the share capital of the Company was 48,375,000 LTL which consisted of 48,375,000 ordinary shares with a nominal value of LTL 1 each.

During the extraordinary shareholder's meeting on 8 February 2008, the decision was made to change the par value of the Company's shares from LTL 10 per share to LTL 1 per share and to replace each share held by shareholders by 10 shares accordingly.

As of 31 December 2007 the share capital of the Company was 48,375,000 LTL which consisted of 4,837,500 ordinary shares with a nominal value of LTL 10 each.

All the shares are issued, subscribed and fully paid.

As of 31 December 2010 the Company held no own shares. As of 31 December 2011 the Company holds 11 own shares, which accounts for less than 0.0001% of all shares.

The major shareholder of Žemaitijos Pienas AB is the general manager of the Company Mr. Algirdas Pažemeckas. As of 31 December 2011 Mr. Algirdas Pažemeckas owned 43.63% of the authorized share capital. As of 31 December 2011 Skandinavska Ensilda Banken (investment fund) clients had 8,18%, Klaipėdos Pienas AB had 7.45%, Mrs. Pažemeckienė Danutė – 6.25% of shares. There is no information available if there is any other single shareholder with the shareholding of 5% or more.

As of 31 December 2011 the Group consisted of Žemaitijos Pienas AB and the following subsidiaries (hereinafter the Group):

Subsidiary	Registration address	Ownership of the Group	Percentage in consoli-dation	Cost of investment 2011	Cost of investment 2010	Net assets as of 31 December 2011	Main activities
Šilutės Rambynas ABF	Klaipėdos str. 3, Šilutė, Lithuania	87,82%	87,82%	10,878	10,878	13,814	Cheese production and selling
Tarpučių Pienas ŽŪK	Klaipėdos str. 3, Šilutė, Lithuania	12,08%	100,00%	60	50	407	Milk collection services
SIA Muižas piens"	Skaitkalnes g. 1, Riga, Latvija	32%	-	4	4	-	Retail, Wholesale
				10,942	**10,942**		

According to IFRS a subsidiary is an entity that is controlled by another entity (known as the parent) and control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities, therefore since ŽŪK Tarpučių Pienas are performing nearly 100% of their sales to the Company they are considered subsidiaries fully controlled by the parent even if the Company's owning is less than 50%.

As of 31 December 2011 the number of employees of the Company was 1,293 (as of 31 December 2010 – 1,383). As of 31 December 2011 the number of employees of the Group was 1,491 (as of 31 December 2010 – 1,550).

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In 2011 the Group and the Company applied any and all new as well as revised International Financial Reporting Standards (IFRS) and Interpretations, approved by the International Accounting Standards Board (IASB) as well as the International Financial Reporting Interpretations Committee (IFRIC) of the International Accounting Standards Board, which are associated with the Company's activities and came into effect in 2011. The application of these new and revised Standards and Interpretations had no effect on amendments to the accounting policy of the Group and the Company.

Standards, amendments, and interpretations, which came into effect during the current period, but had no effect on the accounting policy of the Group and the Company:

Item No.	International Financial Reporting Standard	Description of amendments	Amendments applicable to financial year starting after
1.	Amendments to IAS 24 "Related Party Disclosures"	Simplification of requirements for information disclosure for companies related to authorities and explication of definition of related parties	1 January 2011 (adopted by the EU on 19 July 2010)
2.	Amendments to IAS 32 "Financial Instruments" Presentation"	Accounting of property rights	1 February 2010 (adopted by the EU on 23 December 2009)
3.	Amendments to IFRS 1 "First-Time Adoption of International Financial Reporting Standards"	Restriction to exception of disclosure of comparative information as per IFRS 7 for the ones adopting the standard for the first time	1 July 2010 (adopted by the EU on 30 June 2010)
4.	Amendments to various published standards and interpretations thereof "Improvements to IFRS (2009–2010)": IFRS 7 "Financial Instruments: Disclosures"	Explanation of disclosures	1 January 2011 (adopted by the EU on 18 February 2011)

5.	Amendments to various published standards and interpretations thereof "Improvements to IFRS (2010)", made with reference to annual draft improvements to IFRS, published on 6 May 2010 (IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 34, IFRIC 13)	Exclusion of discrepancies of standards and better explication of definitions	1 January 2011 or 1 July 2010 depending on the standard / interpretation (adopted by the EU on 18 February 2011)
6.	Amendments to IFRIC 14 "IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction"	Advance contributions of minimum funding requirement	1 January 2011 (adopted by the EU on 19 July 2010)
7.	IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments"	New IFRIC	1 July 2010 (adopted by the EU on 23 July 2010)

3. SIGNIFICANT ACCOUNTING POLICIES

Compliance of the Financial Statements

The Financial Statements and the Consolidated Financial Statements have been prepared in accordance with the International Financial Reporting Standards adopted by the European Union (EU).

Basis of the preparation of the financial statements

The Financial Statements have been prepared using the cost concept except for revaluation of certain instruments into fair value.

Financial year of the Company and other companies of the Group coincides with calendar year.
The Financial Statements are presented in the Litas (LTL), the official currency of the Republic of Lithuania.

The main accounting policies are detailed below:

Basis of consolidation and business combination

The consolidated financial statements incorporate the financial statements of the Company and enterprises controlled by the Company (its subsidiaries) made up to 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.

Goodwill arising on acquisition is recognized as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized. If the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognized immediately in the income statement.

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.

The result of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.
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.

All intercompany transactions, balances, income, expenses and unrealized profits (losses) between Group companies are eliminated on consolidation.

Business combinations involving entities under common control

Business combinations involving entities under common control are outside the scope of IFRS 3. However, the Group's accounting policy for such business combinations is as follows. For acquisitions that took place starting from April 2004 the Group companies account for business combinations involving entities under commen control using the purchase method. The management believes that the purchase method combined with external expert valuations of the fair values used in the deals ensure the best treatment of the situations faced by the Group to present the true and fair view.

Goodwill

Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of acquisition over the Group's interest in the fair value of the net assets of the subsidiary recognized at the date of acquisition. Goodwill is initially recognized as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or their groups) expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period.
On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Investments in subsidiaries

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.

Intangible assets

Intangible assets are measured initially at cost. Intangible assets are recognized if it is probable that future economic benefits that are attributable to the asset will flow to the Group and the Company and the cost of asset can be measured reliably. The Group and the Company do not have any intangible assets with indefinite useful life, therefore after initial recognition intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses. Intangible assets are amortized on a straight-line basis over the best estimate of their useful lives. Amortisation expenses of intangible assets are included into operating expenses.

Software

The costs of acquisition of new software are capitalized and treated as an intangible asset if these costs are not an integral part of the related hardware. Software and licenses are amortized over a period of 3 years.

Costs incurred in order to restore or maintain the expected future economic benefits expects from the originally assessed standard of performance of existing software systems are recognized as an expense when the restoration or maintenance work is carried out.

Property, plant and equipment

Property, plant and equipment are stated at historical cost, less accumulated depreciation and any accumulated impairment losses.

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.

Depreciation of property, plant and equipment, other than construction-in-progress, is charged so as to write off the cost of assets over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. Estimated useful lives of property, plant and equipment are as follows:

Buildings: 20 - 40 years
Machinery and equipment: 5 years
Vehicles and other equipment: 4 - 10 years

The Group capitalizes property, plant and equipment purchases with useful life over one year and an acquisition cost above LTL 3000.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets.

The gain or loss arising on the disposal of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the income statement.

Subsequent repair costs are included in the asset's carrying amount, only when it is probable that future economic benefits associated with the item will flow to the Group and the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are recognized in profit or loss in the period in which they are incurred.

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.

Impairment of property, plant and equipment and intangible assets

At each balance sheet date, the Group and the Company reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group and the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Inventories

Inventories are initially measured at cost and are subsequently measured at the lower of cost and net realizable value. The First–In, First-Out method is used as a basis for calculating the cost. The cost of work in progress and finished goods comprises of raw materials, direct labor cost, other direct costs and related production overheads. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Financial assets

Financial assets are recognized on the Company's and the Group's balance sheet when the Company and the Group becomes a party to the contractual provisions of the instrument.

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "Loans and receivables". Loans and receivables are measured at initial recognition at fair value, and are subsequently measured at amortized cost using the effective interest rate method less impairment loss recognized to reflect irrecoverable amounts.

Effective interest rate method

The effective interest rate method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are debited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash in banks, demand deposits and other short-term highly liquid investments with original maturities of three months or less those are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Financial liabilities

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another entity, a contractual obligation to exchange financial instruments with another

entity under conditions that are potentially unfavorable, or a derivative or non-derivative contract that will or may be settled in the Company's own equity instruments.

Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Fair value of financial instruments

Fair value represents the amount at which an asset could be exchanged or liability settled on an arm's length basis. Where, in the opinion of the management, the carrying amounts of financial assets and financial liabilities recorded at amortized cost differ materially from their carrying value, such fair values are separately disclosed in the notes to the financial statements.

Grants

Grants are accounted for on an accrual basis, i.e. grants are credited to income statement in the periods when related expenses, which they are intended to compensate, incurr.

Grants related to assets

Grants related to assets include asset acquisition financing and non-monetary grants. Initially such grants are recorded at the fair value of the corresponding assets and subsequently credited to the income statement over the useful lives of related non-current assets.

Grants related to income

Grants related to income are received as a reimbursement for expenses already incurred or as a compensation for unearned revenue, and also all other grants than those related to assets. Grants are recognized when they are received or there is a reasonable assurance that they will be received.

Lease

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Company and the Group as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

The Company and the Group as lessee

Assets held under finance leases are recognized as assets at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

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

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for VAT estimated customer returns, rebates and other similar allowances. Revenue is recognized on an accrual basis. Revenues are recognized in the financial statements irrespective of cash inflows, i.e. when they are earned.

Revenue from sales of goods

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

- the Company and the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Company and the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from rendering services

Revenue from rendering services are recognized on performance of the services.

Interest income is recognized on a time proportion basis, by reference to the principal outstanding and at the effective interest rate applicable. Received interest is recorded in the cash flow statement as cash flows from investing activities.

Dividend income is recognized when the right to shareholders to receive payment is established. Received dividends are recorded in the cash flow statement as cash flows from investing activities.

Expense recognition
Expenses are recognized on an accrual basis when incurred.

Foreign currency

Transactions denominated in foreign currency other than Litas (LTL) are translated into LTL at the official Bank of Lithuania exchange rate on the date of the transaction, which approximates the prevailing market rates. At each balance sheet date, monetary assets and liabilities denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date.

As of 31 December the applicable rates used for principal currencies were as follows:

year 2011	year 2010
1 EUR = 3.4528 LTL	1 EUR = 3.4528 LTL
1 LVL = 4.9421 LTL	1 LVL = 4.8643 LTL
1 USD = 2.6694 LTL	1 USD = 2.6099 LTL

All resulting gains and losses relating to transactions in foreign currencies are recorded in the income statement in the period in which they arise. Gains and losses on translation are credited or charged to the income statement using foreign exchange rates prevailing at the year-end.

Provisions
Provisions are recognized when the Company and the Group has a present obligation (legal or constructive) as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Taxation
Income tax charge consists of the current and deferred income tax.

Income tax
The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's and the Company's liability for current income tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax
Deferred income tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet method. 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. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits of the Group and the Company will be available to allow all or part of the asset to be recovered.

Deferred income tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or asset realized.

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.

Current and deferred income tax for the period

Current and deferred income tax is charged or credited to profit or loss, except when they relate to items charged or credited directly to equity, in which case the deferred income tax is also dealt with in equity.

Segments

In these 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.

Contingencies

Contingent liabilities are not recognized in the financial statements, except for contingent liabilities in business combinations. Contingent liabilities are disclosed 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 when an inflow or economic benefits is probable.

Subsequent events

Post balance sheet events that 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. Post balance sheet events that are not adjusting events are disclosed in the notes when material.

Related parties

Related parties are defined as shareholders, employees, members of the management board, their close relatives and companies that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the Company, provided the listed relationship empowers one of the parties to exercise the control or significant influence over the other party in making financial and operating decisions.

4. PRINCIPAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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.

Decisions

Acting pursuant to accounting policies of the Group and the Company, management has adopted the following decisions, except for those estimates which have the most significant effect upon the figures disclosed in the Financial Statements.

Operating Lease Commitments–Group and Company as Lessor

The Group and the Company have included lease of commercial property in the investment assets portfolio. Based on an evaluation of the terms and conditions of agreements, the Group and the Company have determined that it will assume all the significant risks and benefits arising from ownership of the property, therefore, such agreements are classified as operating lease.

Estimates and assumptions

As of the balance sheet date, the key assumptions and other significant sources of uncertainty of the estimates, which give rise to substantial risk and may require significant corrections of book values of assets or liabilities in next financial year, are discussed below:

Impairment of non-financial assets

The Group and the Company assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, 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.

Impairment of financial assets

The Group and the Company determine whether there are any indications, as of the date of the Financial Statements, of impairment of non-financial assets. Impairment of non-financial assets is tested when there are indications that book values cannot be restored. As part of determination of the value in use, management have to evaluate the probable future cash inflows from assets or a cash-generating unit and select an appropriate discount rate for the calculation of the present value of the cash flows.

Deferred Tax Assets

Deferred profit tax assets are recognised for all unused tax losses to the extent to which it is probable that taxable profit setting off the losses is received. Significant management judgment is necessary in order to determine the deferred profit tax assets amounts that can be recognised based on the probable period and amount of future taxable profit and the future tax planning strategies.

5. INTANGIBLE AND TANGIBLE NON-CURRENT ASSETS

Note No 5 – Intangible and tangible non-current assets (In the statement of financial position)
Changes in intangible assets of the Group as of 31 December 2011 are presented below:

The Group	Licenses and patents	Computer software	Other tangible assets	Total
Acquisition cost				
As of 31 December 2009	**2**	**386**	**487**	**875**
- acquisition	1	-	11	12
- transfers between accounts	-	-	-	-
As of 31 December 2010	**3**	**386**	**498**	**887**
- acquisition	107	41	333	480
- sold or written-off assets	-	(3)	(2)	(5)
As of 31 December 2011	**110**	**424**	**829**	**1.363**
Accumulated depreciation				
As of 31 December 2009	-	**380**	**440**	**820**
- amortization	1	4	40	44
- amortization of transferred and written-off assets	-	-	-	-
As of 31 December 2010	**1**	**383**	**480**	**864**
- amortization	11	9	70	90
- amortization of transferred and written-off assets	-	(3)	(2)	(4)
As of 31 December 2011	**12**	**390**	**548**	**950**
Net book value:				
As of 31 December 2010	**2**	**3**	**18**	**23**
As of 31 December 2011	**98**	**34**	**281**	**413**

Changes in intangible assets of the Company as of 31 December 2011 are presented below:

The Company	Licences and patents	Computer software	Other tangible assets	Total
Acquisition cost				
As of 31 December 2009	-	**329**	**487**	**816**
- acquisition	-	-	11	11
- transfers between accounts	-	-	-	-
As of 31 December 2010	-	**329**	**498**	**827**
- acquisition	107	3	333	443
sold or written-off assets	-	(3)	(2)	(5)
As of 31 December 2011	**107**	**329**	**829**	**1.265**
Accumulated depreciation				
As of 31 December 2009	-	**328**	**440**	**768**
- amortization	-	-	40	40
- amortization of transferred and written-off assets	-	-	-	-
As of 31 December 2010	-	**328**	**480**	**809**
- amortization	10	-	70	80
- amortization of transferred and written-off assets	-	(3)	(2)	(4)

As of 31 December 2011	**10**	**326**	**548**	**885**
Net book value:				
As of 31 December 2010	-	-	**18**	**18**
As of 31 December 2011	**97**	**3**	**281**	**381**

In 2011, amortization of non-current intangible assets of the Group and the Company amounts to LTL 90 thousands and LTL 80 thousands respectively (31 December 2010: 44 thousands LTL and 40 thousands LTL).

Investments in the purchase of non-current intangible assets made by the Group and the Company in 2011 amount to 480 thousands LTL and 443 thousands LTL respectively (2010: 12 thousands LTL and 11 thousands LTL). As all the assets of the Group and the Company are located in Lithuania, all the investments were made in the Lithuanian geographic segment.

As of 31 December property, plant and equipment of the Group consisted of the following:

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 2009	**39.761**	**129.865**	**32.384**	**12.351**	**431**	**214.792**
- acquisition	89	3.310	1.398	317	2.600	7.713
- sold or written-off assets	(25)	(918)	(486)	(512)	(1.106)	(3.047)
- transfers between accounts	-	1.084	-	-	(1.084)	-
As of 31 December 2010	**39.824**	**133.341**	**33.297**	**12.156**	**841**	**219.459**
- acquisition	1.200	10.309	5.054	666	7.015	24.244
- assets prepared for use	-	15	-	70	-	85
- sold or written-off assets	-	(3.343)	(809)	(647)	(505)	(5.304)
- reversal of impairment loss	-	149	118	6	-	273
- transfers between accounts	2.971	1.023	434	261	(4.689)	-
As of 31 December 2011	**43.995**	**141.494**	**38.093**	**12.512**	**2.663**	**238.756**
Accumulated depreciation						
As of 31 December 2009	**14.016**	**90.406**	**19.931**	**10.590**	-	**134.944**
- depreciation	1.963	11.751	3.932	1.111	-	18.758
- depreciation of written-off and sold assets	(10)	(613)	(336)	(496)	-	(1.455)
- transfers between accounts	-	-	-	-	-	-
As of 31 December 2010	**15.969**	**101.545**	**23.527**	**11.206**	-	**152.247**
- depreciation	1.746	11.834	3.283	583	-	17.445
- depreciation of written-off and sold assets	-	(3.289)	(474)	(635)	-	(4.398)
- transfers between accounts	(202)	-	-	202		-
- transfers between accounts	-	-	-	-	-	-
As of 31 December 2010	**17.514**	**110.090**	**26.336**	**11.355**	-	**165.294**
Accumulated impairment losses						
As of 31 December 2009	**1.825**	-	-	10	7	**1.842**
- impairment losses	5	7	-	27	-	40
- reversal of impairment	(25)	(1)	-	-	-	(26)
As of 31 December 2010	**1.805**	**6**	-	**37**	**7**	**1.855**
- impairment losses	1	2	-	9	-	12
- reversal of impairment	(18)	9	-	(9)	-	(18)
As of 31 December 2011	**1.788**	**17**	-	**37**	**7**	**1.849**

Net book value:						
As of 31 December 2010	22.050	31.790	9.770	913	835	65.357
As of 31 December 2011	24.694	31.387	11.757	1.119	2.656	71.613

As of 31 December property, plant and equipment of the Company consisted of the following:

The Company	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 2009	**22.614**	**115.400**	**24.929**	**10.042**	**245**	**173.229**
- acquisition	69	2.986	1.398	270	1.531	6.254
- sold or written-off assets	(22)	(855)	(406)	(287)	(1.106)	(2.676)
- reversal of impairment loss	-	-	-	-	-	-
- transfers between accounts	-	71	-	-	(71)	-
As of 31 December 2010	**22.661**	**117.602**	**25.921**	**10.025**	**599**	**176.807**
- acquisition	1.200	10.262	1.861	666	6.413	20.402
- assets prepared for use	-	15	-	70	-	85
- sold or written-off assets	-	(3.337)	(809)	(566)	(496)	(5.208)
- adding value	-	149	118	6	-	273
- transfers between accounts	2.856	989	-	18	(3.863)	-
- transfers from investing assets	43	-	-	-	-	43
As of 31 December 2011	**26.760**	**125.680**	**27.091**	**10.219**	**2.653**	**192.402**
Accumulated depreciation						
As of 31 December 2009	**6.599**	**83.629**	**16.654**	**8.539**	-	**115.421**
- depreciation	1.139	10.751	3.439	967	-	16.297
- depreciation of written-off and sold assets	(7)	(550)	(269)	(237)	-	(1.063)
- transfers between accounts	-	-	-	-	-	-
As of 31 December 2010	**7.732**	**93.830**	**19.823**	**9.269**	-	**130.655**
- depreciation	1.148	10.797	2.887	465	-	15.297
- depreciation of written-off and sold assets		(3.283)	(474)	(555)	-	(4.312)
- transfers from investing assets	39	-	-	-	-	39
As of 31 December 2011	**8.919**	**101.344**	**22.236**	**9.179**	-	**141.679**
Accumulated depreciation						
As of 31 December 2009	-	-	-	-	-	-
- impairment losses	5	7	-	27	-	40
- reversal of impairment	-	-	-	-	-	-
As of 31 December 2010	**5**	**7**	-	**27**	-	**40**
- impairment losses	1	2	-	9	-	12
- reversal of impairment	-	-	-	-	-	-
As of 31 December 2011	**6**	**9**	-	**36**	-	**52**
Net book value						
As of 31 December 2010	**14.924**	**23.764**	**6.098**	**728**	**599**	**46.112**
As of 31 December 2011	**17.835**	**24.326**	**4.855**	**1.003**	**2.653**	**50.671**

For the year ended 31 December 2011 the depreciation charge of the Group's and the Company's property, plant and equipment amounts to 17,445 thousands LTL and 15,297 thousands LTL (31 December 2010 – 18,758 thousands LTL and 16,297 thousands LTL).

Property, plant and equipment of the Company with a net book value of 13,270 thousands LTL as of 31 December 2011 (31 December 2010 – 15,060 thousands LTL) was pledged to banks as a collateral for the loans received by the Company. As of 31 December 2011 the subsidiary Šilutės

Rambynas ABF has also pledged the property, plant and equipment with the net book value of 3.602 thousands LTL for the loans received by the Company (31 December 2010 – 39 thousands LTL) (Note 14).

As of 31 December 2011 part of property, plant and equipment of the Group and the Company with the acquisition cost of 76,834 thousands LTL and 70,313 thousands LTL respectively (31 December 2010 –71,834 thousands LTL and 70,313 thousands LTL) was fully depreciated, but still in active use.

The investments made by the Group and the Company during the year 2011 for the acquisition of property, plant and equipment and intangible assets amounted to 24,244 thousands LTL and 20,402 thousands LTL (2010 –7,713 thousands LTL and 6,254 thousands LTL). As all assets of the Group and the Company are in Lithuania so all acquisitions are related with the geographical segment of Lithuania.

6. INVESTMENT ASSETS

Note No 6 – Investment assets (In the statement of financial position)
As of 31 December investment assets consisted of the following:

	The Group	The Company
Acquisition cost		
As of 31 December 2009		**9.435**
- acquisition		-
- transfers to long-term assets		-
As of 31 December 2010	-	**9.435**
- acquisition	-	-
- transfers to long-term assets	-	(43)
As of 31 December 2011	-	**9.392**
Accumulated depreciation		
As of 31 December 2009		**4553**
- depreciation		479
- transfers to long-term assets		-
As of 31 December 2010	-	**5.032**
- depreciation	-	267
- transfers to long-term assets	-	(39)
As of 31 December 2011	-	**5.260**
Net book value:		
As of 31 December 2010	-	**4.403**
As of 31 December 2011	-	**4.132**

The fair value of investment assets approximates its book value.

The Company's depreciation of the investment assets for the year 2011 amounted to 267 thousands LTL (2010 – 479 thousands LTL).

The Company's investment assets in 2011 and 2010 represents rented assets to Šilutės Rambynas ABF.

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)

As of 31 December loans granted consisted of the following:

	The Group		The Company	
	2011	**2010**	**2011**	**2010**
Loans granted	8,751	5,436	11,219	5,436
Less: current portion of loans granted	(3,692)	(1,677)	(3,692)	(1,677)
	5,059	**3,760**	**7,527**	**3,760**

All granted loans are in LTL. Loan's payback period is 1 – 9 years.

8. INVENTORIES

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

As of 31 December inventories consisted of the following:

	The Group		The Company	
	2011	**2010**	**2011**	**2010**
Raw materials	13.226	12.384	11.051	10.336
Finished goods and work in process	82.266	51.513	74.141	44.906
Goods for resale	1.964	886	1.964	886
	97.456	**64.783**	**87.156**	**56.129**
Less: write off to net realizable value	(6.970)	(2.703)	(6.970)	(2.703)
Total:	**90.486**	**62.081**	**80.186**	**53.426**

9. TRADE ACCOUNTS RECEIVABLE

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

As of 31 December 2011 trade accounts receivable consisted of the following:

	The Group		The Company	
	2011	**2010**	**2011**	**2010**
Trade accounts receivable	29.090	28.057	28.749	27.925
Receivable from related parties	7.423	8.313	11.409	13.554
	36.513	**36.370**	**40.158**	**41.479**

Less: impairment loss	(83)	(105)	(83)	(105)
Total:	**36.430**	**36.265**	**40.075**	**41.374**

Changes in impairment loss for doubtful trade accounts receivables for 2011 and 2010 are included into operating expenses in the income statement. The change in impairment loss for trade accounts receivable increased operating expenses of the year 2011.

Trade receivables are non-interest bearing and are generally on 30 – 90 days terms.

Movements in the allowance for impairment of trade accounts receivable were as follows:

	The Group		The Company	
	2011	**2010**	**2011**	**2010**
Balance at beginning of year	105	2	105	2
Impairment loss	(22)	103	(22)	103
At end of year	**83**	**105**	**83**	**105**

The ageing analysis of trade accounts receivable as of 31 December 2011 and 2010 is as follows:

		Trade receivables past due but not impaired					
The Group	**Trade accounts receivable neither past due nor impaired**	**Less than 3 months**	**3 – 6 months**	**6 – 9 months**	**9 – 12 months**	**More than 1 year**	**Total**
2010	27,336	612	-	4	-	-	**27,952**
2011	25,626	3,418	29	-	-	-	**29,073**

		Trade receivables past due but not impaired					
The Company	**Trade accounts receivable neither past due nor impaired**	**Less than 3 months**	**3 – 6 months**	**6 – 9 months**	**9 – 12 months**	**More than 1 year**	**Total**
2010	27,232	588	-	-	-	-	**27,820**
2011	25,298	3,405	29	-	-	-	**28,732**

10. OTHER ACCOUNTS RECEIVABLE

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

As of 31 December 2011 other accounts receivables consisted of the following:

	The Group		The Company	
	2011	**2010**	**2011**	**2010**
Income tax paid in advance	1.645	1.661	1.645	1.661
Current portion of long-term loans granted	3.692	1.677	3.692	1.677
Overpaid personal income Tax	25	501	25	501
VAT receivable	1.903	2.529	1.898	2.520

Other receivables	(1.323)	174	46	91
Total:	**5.942**	**6.542**	**7.306**	**6.450**

11. CASH AND CASH EQUIVALENTS

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

As of 31 December 2011 cash and cash equivalents consisted of the following:

	The Group		The Company	
	2011	**2010**	**2011**	**2010**
Cash at bank	9.426	8.603	8.613	8.186
Cash on hand	131	163	126	159
Total:	**9.556**	**8.766**	**8.739**	**8.345**
Short term deposits	-	5.000	-	5.000
Total:	**-**	**5.000**	**-**	**5.000**

12. SHAREHOLDERS' EQUITY

As of 31 December 2011 the share capital consisted of 48,375,000 ordinary shares with the par value of LTL 1 each. As of 31 December 2011all shares were fully paid.

Note No 12 – Shareholders' equity (In the statement of financial position)

As of 31 December 2009 the main shareholders of the Company were:

	2011		2010	
	Number of shares	**Ownership, %**	**Number of shares**	**Ownership, %**
Pažemeckas Algirdas	21.589.380	44,63%	21.355.870	44,15%
SKANDINAVISKA ENSKILDA BANKEN CLIENTS code 50203290810, SERGELS TORG 2 10640 STOCKHOLM, SWEDEN	3.954.903	8,18%	5.131.830	10,61%
AB „Klaipėdos pienas" Company's code 240026930, Šilutės pl. 33, 91107 Klaipėda	3.601.844	7,45%	3.601.844	7,45%
Pažemeckienė Danutė	3.025.820	6,25%	3.025.850	6,25%
Other small shareholders	16.203.053	33,49%	15.259.606	31,54%
Total:	**48.375.000**	**100,00%**	**48.375.000**	**100,00%**

Legal reserve

A legal reserve is a compulsory reserve under Lithuanian legislation. Annual transfers of not less than 5% of net profit are compulsory until the reserve reaches 10% of the share capital. Legal reserve of the Company was fully formed. The legal reserve cannot be distributed to the shareholders.

Other reserves

Other reserves are formed based on 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 planned to use should be restored to retained earnings and redistributed.

The reserve of LTL 15 million for the purchase of own shares was formed through the allocation of profits of year 2009 and 2010.

13. GRANTS RECEIVED

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

The movement of grants for the years ended 31 December the Group and the Company consisted of the following:

	The Group	**The Company**
Grants received		
As of 31 December 2009 (balance)	**16.176**	**11.158**
- received	684	684
- acquisition of subsidiary	-	-
As of 31 December 2010 (balance)	**16.862**	**11.842**
- received	547	547
- acquisition of subsidiary	-	-
As of 31 December 2011 (balance)	**17.409**	**12.389**
Accumulated amortisation		
As of 31 December 2009 (balance)	**13.009**	**9.923**
- amortization	1.174	916
- acquisition of subsidiary	-	-
As of 31 December 2010 (balance)	**14.183**	**10.839**
- amortization	979	730
- acquisition of subsidiary	-	-
As of 31 December 2011 (balance)	**15.162**	**11.569**
Net book value		
As of 31 December 2010	**2.679**	**1.002**
As of 31 December 2011	**2.247**	**819**

On 9 March 2006 the Company signed a subsidy agreement with the NPA in relation to the Company's Manufacturing Lines Modernisation Project (hereinafter in this and successive paragraphs the Project). The financing is provided from the European Commission Aid and National Budget in accordance with the financing programme Agriculture and Fishery Manufacturing and Marketing Modernisation. The Company has been provided with total financing of LTL'000 3,435 (or 44.72% of the total planed Project value). LTL'000 2,533 (or 73.74%) of the support will be provided by the EU Structural Funds and the remaining LTL'000 902 (or 26.26%) – by the National Budget for the implementation of the Project. As of 31 December 2008 the net book value of the grant was LTL'000 1,947 (31 December 2007 – LTL'000 2,658). December 2009 the net book value of the grant was LTL'000 1,235.

March 2010 – Assistance of LTL 684,000 was received for the implementation of a project "Increasing the Competitiveness of Žemaitijos Pienas AB by Introducing Innovative Production Processes" under the 2007-2013 Lithuanian Rural Development Programme measure "Processing of Agricultural Products and Increasing of Added Value". As of 31 December 2010, the book value of all grants received by the company was LTL 1,002,000.

Žemaitijos Pienas AB 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 Žemaitijos Pienas AB by Introducing Innovative Production Processes" under the 2007-2013 Lithuanian Rural Development Programme measure "Processing of Agricultural Products and Increasing the Value Added". The investments totalled about LTL 10.2 million and resulted in the replacement of equipment, improvement of product quality, and increase in energy efficiency. 20% or LTL 547,000 of reimbursement for the completion of the project's first stage was received in 2011.

As of 31 December 2011, the book value of all grants received by the company was LTL 819,000.

On 5 July 2005, Šilutės Rambynas ABF concluded a financing agreement for the assistance of LTL 300,000 with a public institution Lithuanian Environmental Investment Fund. The assistance was intended for the reconstruction of a boiler house of Šilutės Rambynas ABF, which involved the replacement of fuel oil burned by the boiler house with liquefied gas. The amount of the assistance could not exceed 70% of the total value of the reconstruction project. Reconstruction of the boiler house was completed in December 2005, therefore, depreciation of the grant amount was started from 1 January 2006; the boiler house depreciation costs carried in "Cost of Sales" will be reduced over an eight-year useful life period. On 24 January 2006, Šilutės Rambynas ABF concluded a financing agreement for a LTL 3,395,000 grant with the National Paying Agency under the Ministry of Agriculture. The assistance was meant for the modernisation of Šilutės Rambynas ABF's milk processing production line including the acquisition of new vehicles and equipment. Šilutės Rambynas ABF acquired new equipment in June and July of 2006, therefore, depreciation of the grant amount was started from next month following the acquisition month; the equipment depreciation costs carried in "Cost of Sales" will be reduced over a five-year useful life period. The grant was disbursed to Šilutės Rambynas ABF on 31 January 2007.

As of 31 December 2011, the book value of all grants received by Šilutės Rambynas ABF was LTL 1,428,000 (31 December 2010 - LTL 1,676,000).

Amortisation of the financing was offset against depreciation and included under "Depreciation and Amortisation" of "Cost of Sales" in the Statement of Comprehensive Income. The amortisation on the grants received is allocated in equal parts over the period of depreciation of the assets purchased from the assistance funds.

14. BORROWINGS

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

As of 31 December 2011 the Group's borrowing consisted of the following:

The Group	Contract date	Maturity date	Currency	Balance	
				2011 m.	2010 m.
AB DnB NORD bankas	2004 05	2012 06	EUR	20,717	6,750

AB DnB NORD bankas	2006 06	2013 04	EUR	2.087	3.758
AB SEB bankas	2011 09	2012 09	EUR	7.147	-
AB SEB bankas	2011 11	2014 11	LTL	3.848	-
Algirdas Pažemeckas	2011 10	2012 12	LTL	1.588	-
Total:				**35.387**	**10.508**
Less: short-term borrowings				(8.735)	-
Less: current portion of long-term borrowing				(23.767)	(1.670)
Total long-term borrowings				**2.885**	**8.838**

As of 31 December 2011 the Company's borrowings consisted of the following:

The Company	Contract date	Maturity date	Currency	Balance 2011 m.	Balance 2010 m.
AB DnB NORD bankas	2004 05	2012 06	EUR	20.717	6.750
AB DnB NORD bankas	2006 06	2013 04	EUR	2.087	3.758
AB SEB bankas	2011 09	2012 09	EUR	7.147	-
AB SEB bankas	2011 11	2014 11	LTL	3.848	
Algirdas Pažemeckas	2011 10	2012 12	LTL	1.588	-
Total:				**35.387**	**10.508**
Less: short-term borrowings				(8.735)	-
Less: current portion of long-term borrowing				(23.767)	(1.670)
Total long-term borrowings				**2.885**	**8.838**

Terms of repayment of non-current borrowings to the Group and the Company were as follows:

	The Group 2011	The Group 2010	The Company 2011	The Company 2010
Within one year	32.502	1.670	32.502	1.670
In the second year	1.048	8.420	1.048	8.420
In the third year	1.837	418	1.837	418
In the fourth and thereafter	-	-	-	-
Total:	**35.387**	**10.508**	**35.387**	**10.508**

Parts of loans of the Group and the Company at the end of the year in national and foreign currencies were as follows:

	The Group		The Company	
	2011	**2010**	**2011**	**2010**
EUR	29.951	10.508	29.951	10.508
LTL	5.436	-	5.436	-
Total:	**35.387**	**10.508**	**35.387**	**10.508**

15. OBLIGATIONS UNDER FINANCE LEASE

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

As of 31 December 2011 the Group's and the Company's obligations under finance lease consisted of the following:

The Group	**2011**		**2010**	
	Minimum lease payments	**Present value of minimum lease payments**	**Minimum lease payments**	**Present value of minimum lease payments**
Within one year	4.167	4.027	4.861	4.673
In the second to fifth years inclusive	3.339	3.262	6.710	6.575
Minimum lease payments	**7.505**	**7.290**	**11.571**	**11.248**
Less: future interest	(215)		(323)	
Present value of minimum lease payments	**7.290**		**11.248**	

The Company	**2011**		**2010**	
	Minimum lease payments	**Present value of minimum lease payments**	**Minimum lease payments**	**Present value of minimum lease payments**
Within one year	3.797	3.665	4.490	4.317
In the second to fifth years inclusive	3.087	3.017	6.093	5.968
Minimum lease payments	**6.884**	**6.682**	**10.583**	**10.285**
Less: future interest	(202)		(298)	
Present value of minimum lease payments	**6.682**		**10.285**	

As of 31 December 2011 and 2010 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:

	The Group		The Company	
	2011	2010	2011	2010
Within one year	2,986	1,818	2,986	1,818
In the second to fifth years	3,076	1,877	3,076	1,877
After five years	-	-	-	-
Total:	**6,062**	**3,695**	**6,062**	**3,695**

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

17. PAYABLES

Note No 17 – Amounts payables (In the statement of financial position)

Terms and conditions of financial liabilities:
- Trade payables are non-interest bearing and are normally settled on 30-day terms.
- Other payables are non-interest bearing and have an average term of one month.
- Interest payable is normally settled monthly throughout the financial year.
- For terms and conditions relating to related parties refer to Note 28.

	The Group		The Company	
	2011	2010	2011	2010
Payables to suppliers	28.670	24.771	27.610	23.567
Payables to related parties	1.088	-	1.258	171
Prepayments	819	881	590	881
Total:	**30.578**	**25.652**	**29.458**	**24.619**

18. OTHER LIABILITIES

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

As of 31 December 2011 other liabilities consisted of the following:

	The Group		The Company	
	2011	2010	2011	2010
Accrued expenses	9.064	6.708	7.814	6.358
Wages and salaries payable	2.765	2.919	1.943	2.172
Social security payable	1.278	1.340	1.142	1.220
Taxes payable, other than income tax	844	157	664	156
Prepayments received	-	-	-	-
Other current liabilities	950	1.454	949	1.309
Total:	**14.903**	**12.578**	**12.512**	**11.215**

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). Sales by prime segment (secondary segments) are presented below:

The Group	Turnover, thousand of litas		Variation in % As comparing 2011 with 2010
	2011 m.	2010 m.	
Fermented cheese	214.521	199.051	7,77%
Fresh dairy products	154.752	134.086	15,41%
Butter and spreadable fat mixes	62.435	48.320	29,21%
Dry dairy products	24.438	18.289	33,62%
Ice cream	88	115	-23,48%
Other	38.192	33.482	14,07%
Export subsidies	0	349	-100,00%
Total:	**494.426**	**433.692**	**14,00%**

The Company	Turnover, thousand of litas		Variation in % As comparing 2011 with 2010
	2011 m.	2010 m.	
Fermentted cheese	208.509	193.869	7,55%
Fresh dairy products	154.752	134.086	15,41%
Butter and spreadable fat mixes	62.435	48.320	29,21%
Dry dairy products	24.438	18.289	33,62%
Ice cream	88	115	-23,48%
Other	36.996	32.707	13,11%
Export subsidies	0	349	-100,00%
Total:	**487.218**	**427.735**	**13,91%**

In order to better plan, organise and control 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	
	2011	2010	2011	2010
Sales:				
Lithuania	276.594	248.931	272.842	247.008
Other Baltic States and CIS members	127.063	112.876	125.304	110.771
Other Europe countries	83.640	61.737	83.640	61.737
USA	321	126	321	126
Other	6.808	10.022	5.111	8.093
Total:	**494.426**	**433.692**	**487.218**	**427.735**

MAXIMA LT UAB (Lithuania) is one of the largest customers of the Group and the Company. Product sales to this customer accounted for 11.5% of total turnover in 2011.

Information about investments in non-current assets by secondary (geographical) segments is provided in Note 5 (Intangible and Tangible Non-Current Assets) of the Explanatory Notes.

20. OPERATING EXPENSES

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

As of 31 December operating expenses consisted of the following:

	The Group		The Company	
	2011	**2010**	**2011**	**2010**
Wages, salaries and social security*	29.253	27.193	28.844	26.813
Services	12.379	8.719	12.114	8.368
Marketing	16.457	16.580	16.462	16.583
Fuel and spare parts	5.576	4.584	5.466	4.523
Depreciation and amortisation	2.586	2.739	2.551	2.712
Change in write off of inventoriews to net realizable value	4.267	(1.572)	4.267	(1.572)
Materials	1.980	1.538	1.928	1.510
Taxes, other than income tax	470	755	411	692
Other expenses	7.175	4.608	6.141	4.211
Total:	**80.143**	**65.144**	**78.184**	**63.840**

For the year ended 31 December 2011 the Group's and the Company's wages, salaries and social operting expenses amounted to 29,253 thousands LTL and 28,844 thousands LTL respectively. A share of this expenditure is accounted as the production cost and other operating costs.

21. OTHER OPERATING INCOME AND EXPENSES

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

For the year ended 2011 and 2010 on 31 December other operating income and expenses consisted of the following:

	The Group		The Company	
	2011	**2010**	**2011**	**2010**
Other operating income				
Gain on sales of property, plant and equipment and goods for resale sales income	1.866	3.382	4.279	3.337
Rental income	1.473	186	1.192	1.080
Income of the canteen	716	675	716	675
Other	(1.826)	415	568	373
	2.228	**4.658**	**6.755**	**5.465**
Other operating income				
Cost of goods for resale sold	(3.734)	(4.338)	(3.691)	(3.120)
Rental income	(1.017)	(1.140)	(658)	(986)
Wages, salaries and social security	-	-	-	-
Other	(787)	(710)	(793)	(710)

	(5.537)	(6.189)	(5.142)	(4.816)
Total:	**(3.309)**	**(1.531)**	**1.613**	**649**

22. FINANCIAL INCOME AND EXPENSES

Note No 22 – Financial income and expenses (In the statemet of comprehensive income)

For the year ended 2011 and 2010 on 31 December other operating income and expenses consisted of the following:

	The Group		The Company	
	2011	**2010**	**2011**	**2010**
Income from financial activity				
Interest income	446	606	453	606
Foreign currency exchange (profit)	610	246	610	245
Other financial incomes	42	123	27	117
	1.098	**975**	**1.090**	**968**
Expenses from financial activity				
Foreign currency exchange (loss)	(601)	(273)	(593)	(252)
Interest	(678)	(486)	(661)	(466)
Other financial expenses	(108)	(2)	-	-
	(1.387)	**(761)**	**(1.254)**	**(718)**
Total:	**287**	**215**	**(164)**	**250**

23. INCOME TAX EXPENSE (BENEFIT)

Note No 23 – Income tax expencse (In the statemet of comprehensive income)

For the years ended 31 December 2011 and 31 December 2010 income tax consisted of the following:

	The Group		The Company	
	2011	**2010**	**2011**	**2010**
(Loss) profit before tax	10.565	23.095	9.435	22.114
Tax at the statutory income taxes rate	1.097	3.448	1.097	3.448
Tax effect of non-taxible differences	(691)	84	(691)	84
Change in deferred tax asset valuation allowance	204	241	-	-
Income tax expenses (benefit) charged to the income statement	**610**	**3.773**	**406**	**3.532**
Current period income tax	(1.097)	(3.448)	(1.097)	(3.448)
Change in deferred income tax	488	(325)	691	(84)
Income tax expenses (benefit) charged to the income statement	**610**	**3.773**	**406**	**3.532**

The Group		The Company	
2011	**2010**	**2011**	**2010**

Deferred income tax asset				
Tax loss carry forward	-	-	-	-
Inventories	1.045	414	1.405	405
Accrued vacation reserve	1.161	1.121	1.141	1.102
Other accrued expenses	81	72	50	38
Total deferred income tax asset	**2.287**	**1.606**	**2.236**	**1.545**
Less: valuation allowance				
Deferred income tax liabilities				
Difference in property, plant and equipment depretiation rates	(977)	(784)	-	-
Total deferred income tax liabilities	**(977)**	**(784)**	-	-
Deferred income tax asset, net	**1.310**	**822**	**2.236**	**1.545**

24. ACQUISITION AND WRITE-OFFS OF SUBSIDIARIES

No acquisitions or disposals of subsidiaries took place in 2011.

25. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit attributable to the shareholders by the weighted average number of ordinary shares issued and paid during the year.

	The Group		The Company	
	2011	**2010**	**2011**	**2010**
Net (loss) profit attributable to the shareholders	9.851	19.225	9.029	18.582
Weighted average number of shares (in thousands)	48.375	48.375	48.375	48.375
Basic earnings (loss) per share (LTL)	**0,20**	**0,4**	**0,19**	**0,38**

Diluted earnings per share equal to basic earnings per share as there were no potential shares issued as of 31 December 2011 and 2010.

26. DIVIDENDS PER SHARE

	The Group		The Company	
	2011	**2010**	**2011**	**2010**
Dividends paid	2 500	-	2 500	-
Number of shares (thousands)	48,375	48,375	48,375	48,375
Dividends per share (LTL)	**0,05**	**0,00**	**0,05**	**0,00**

27. COMMITMENTS AND CONTINGENCIES

As of 31 December 2011 the Group and the Company had no material purchase commitments for the acquisition of property, plant and equipment.

At 31 December 2011 the Group and the Company was not involved in any legal proceedings, which in the opinion of management would have a material impact on the financial statements.

28. FINANCIAL RISK MANAGEMENT

Credit risk

As of 31 December the maximum exposures of the Company and the Group to credit risk consisted of the following:

	The Group		The Company	
	2011	2010	2011	2010
Cash and cash equivalents	9.556	8.766	8.739	8.345
Loans granted	5.059	3.760	7.527	3.760
Trade accounts receivable	36.430	36.265	40.075	41.374
Other accounts receivable	5.942	6.542	7.306	6.450
Term deposits	-	5.000	-	5.000
Total financial assets	**56.987**	**60.332**	**63.646**	**64.929**

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 balance sheet. Consequently, the Group considers that its maximum exposure is reflected by the amount of receivables (Note 9), net of impairment losses recognized at the balance sheet date.

With respect to trade receivables and other receivables that are neither impaired nor past due, there are no indications as of the reporting date that the debtors will not meet their payment obligations since the Company trades only with recognized, creditworthy third parties. The counterparties are splitted into group, other related parties and non related parties and starting from the end of 2007 newly concluded trading agreements include paragraph about credit limits assigned according to the volume and amount of sales. Some customers are also required to make prepayments.

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

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 as of 31 December 2011 and 2010 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	-	418	1.252	8.838	-	10.508
Interest bearing finance lease liabilities	-	1.167	3.505	6.575	-	11.248
Trade payables and prepayments	-	25.652	-	-	-	25.652
Commitments to related parties	-	-	-	-	-	-
Balance as of 31 December 2010	**-**	**27.237**	**4.757**	**15.413**	**-**	**47.407**
Interest bearing loans and borrowings	-	785	33.150	1.453	-	35.387
Interest bearing finance lease liabilities	-	1.152	2.875	3.263	-	7.290
Trade payables and prepayments	-	29.490	-	-	-	29.490
Commitments to related parties	-	1.088	-	-	-	1.088
Balance as of 31 December 2011	**-**	**32.515**	**36.025**	**4.716**	**-**	**73.255**
Changes throught 2011	**-**	**5.278**	**31.268**	**(10.697)**	**-**	**25.849**

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	-	418	1.252	8.838	-	10.508
Interest bearing finance lease liabilities	-	1.079	3.238	5.968	-	10.285
Trade payables and prepayments	-	24.448	-	-	-	24.448
Commitments to related parties	-	171	-	-	-	171
Balance as of 31 December 2010	**-**	**26.116**	**4.490**	**14.806**	**-**	**45.412**
Interest bearing loans and borrowings	-	575	31.927	2.885	-	35.387
Interest bearing finance lease liabilities	-	1.062	2.603	3.017	-	6.682
Trade payables and prepayments	-	28.200	-	-	-	28.200
Commitments to related parties	-	1.258	-	-	-	1.258
Balance as of 31 December 2011	**-**	**31.095**	**34.530**	**5.902**	**-**	**71.527**
Changes throught 2011	**-**	**4.979**	**30.040**	**(8.904)**	**-**	**26.115**

Foreign exchange risk

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

As of 31 December 2011 monetary assets and liabilities stated in various currencies were as follows:

	The Group		The Company	
	2011		2011	
	Assets	Liabilities	Assets	Liabilities
LTL	45.679	51.819	52.626	46.126
EUR	8.790	39.912	8.451	39.075

USD	119	-	119	-
LVL	4.684	495	4.684	495
Other	2	1	2	1
Total:	**59.275**	**92.227**	**65.882**	**85.697**

As of 31 December 2010 monetary assets and liabilities stated in various currencies were as follows:

	The Group		The Company	
	2010		2010	
	Assets	Liabilities	Assets	Liabilities
LTL	47.564	41.084	48.720	38.028
EUR	13.396	23.956	13.208	22.868
USD	41	-	41	-
LVL	3.576	430	3.576	430
Other	-	-	-	-
Total:	**64.576**	**65.470**	**65.545**	**61.326**

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

Fair value of financial assets and liabilities

The Group's and the Company's principal financial assets and liabilities not carried at fair value are trade and other receivables, trade and other payables, long-term and short-term loans.

Fair value is defined as the amount at which the instrument could be exchanged between knowledgeable willing parties in an arm's length transaction, other than in forced or liquidation sale. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate.

A comparison between carrying amount and fair value of all of the Group and the Company financial instruments presented in financial statements by it's categories is set out below:

The Group	Carrying amount		Fair value	
	2011	2010	2011	2010
Financial assets				
Cash	9.556	8.766	9.556	8.766
Term deposits	-	5.000	-	5.000
Investments available for sale	10	-	10	-
Loans granted	5.059	3.760	5.059	3.760
	14.626	**17.526**	**14.625**	**17.526**
Financial liabilities				
Interest bearing loans and borrowings:	-	-	-	-
Obligations under finance lease and hired purchase contracts	(7.505)	(11.570)	(7.290)	(11.248)
Floating interest rate borrowings	(33.799)	(10.508)	(33.799)	(10.508)

Fixed interest rate borrowings	(1.588)	-	(1.588)	-
	(42.892)	**(22.078)**	**(42.677)**	**(21.756)**
Total:	**(28.266)**	**(4.764)**	**(28.051)**	**(4.441)**

The Company	Carrying amount 2011	Carrying amount 2010	Fair value 2011	Fair value 2010
Financial assets				
Cash	8.739	8.345	8.739	8.345
Term deposits	-	5.000	-	5.000
Investments available for sale	10	-	10	-
Loans granted	5.059	3.760	7.527	3.760
	13.808	**17.105**	**16.276**	**17.105**
Financial liabilities				
Interest bearing loans and borrowings:				
Obligations under finance lease and hired purchase contracts	(6.884)	(10.583)	(6.682)	(10.285)
Floating interest rate borrowings	(33.799)	(10.508)	(33.799)	(10.508)
Fixed interest rate borrowings	(1.588)	-	(1.588)	-
	(42.271)	**(21.091)**	**(42.069)**	**(20.793)**
Total:	**(28.463)**	**(3.986)**	**(25.793)**	**(3.688)**

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

a) The carrying amount of current trade accounts receivable, current accounts payable and short-term loans approximates fair value.
b) The fair value of non-current debt is based on the quoted market price for the same or similar issues or on the current rates available for debt with the same maturity profile. The fair value of non-current loans with variable and fixed interest rates approximates their carrying amounts.

Capital management

The primary objectives of the Group's and the Company's 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.

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. To maintain or adjust the capital structure, the Group and the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made to the objectives, policies or processes of capital management during the years ended 31 December 2011.

The Company is obliged to keep its equity not less than 50% of its share capital, as imposed by the Law on Companies of Republic of Lithuania. There were no other externally imposed capital requirements for the Group and the Company.

The Group and the Company monitor capital using debt to equity ratio. Capital includes ordinary shares, reserves, retained earnings attributable to the equity holders of the parent. There is no specific debt to equity ratio target set out by the Group's and the Company's management, however current ratios presented below are treated as sustainable performance indicators.

	The Group		The Company	
	2011	2010	2011	2010
Non-current liabilities (including deferred taxes and grants)	11.031	20.754	8.379	17.687
Current liabilities	82.011	47.394	78.137	44.641
Total liabilities	**93.041**	**68.148**	**86.516**	**62.328**
Equity attributable to equity holders of the parent	**127.403**	**120.055**	**126.192**	**119.667**
Debt* to equity ratio	**73%**	**57%**	**69%**	**52%**

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

Moreover the Company has externally imposed capital requirements from the banks. It is required that equity/assets ratio is not less than 30%. The management monitors that the Company is in compliance with the requirement. No other capital management tools are used. No breaches of required ratio occured during the year.

29. RELATED PARTY TRANSACTIONS

The parties are considered related when one party has the power to control the other one or have significant influence over the other party in making financial and operating decisions. The related parties of the Group and the Company are as follows:

- Žemaitijos Pieno Investicija AB (company related to the shareholder);
- Šilutės Rambynas ABF (company related to the shareholder)) (2008 – subsidiary);
- Baltijos Mineralinių Vandenų Kompanija UAB (company related to the shareholder));
- Klaipėdos Pienas AB (company related to the shareholder));
- Žemaitijos Prekyba UAB (company related to the shareholder));
- Gimtinės Pienas UAB (company related to the shareholder)).

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

The related party transactions and the balances at the end of the year were as follows:

	The Group		The Company	
	2011	2010	2011	2010
1) Sales				
Sales of goods				
To the Group				
Tarpučių pienas ŽŪK				

Šilutės Rambynas ABF	-	-	-	1.835
	-	-	-	1.835
To Related parties				
Baltijos mineralinių vandenų kompanija UAB	2	606	2	606
Klaipėdos pienas AB	1.384	707	535	707
Žemaitijos pieno investicija AB	-	-	-	-
Gimtinės pienas UAB	-	-	-	-
Čia Market UAB	29.794	25.506	29.750	25.506
Muizas piens SIA	12.902	8.350	12.408	8.350
	44.082	**35.169**	**42.696**	**35.169**
Sales of inventory and services				
To the Group				
Tarpučių pienas ŽŪK	-	-	2	21
Šilutės Rambynas ABF	-	-	3.527	1.365
	-	-	**3.528**	**1.387**
To Related parties				
Baltijos mineralinių vandenų kompanija UAB	1.658	2.127	1.658	2.127
Klaipėdos pienas AB	2.034	1.858	2.034	1.872
Žemaitijos pieno investicija AB	177	356	177	361
Gimtinės pienas UAB	-	-	-	-
Čia Market UAB	844	498	831	485
Muizas piens SIA	59	31	59	31
	4.772	**4.870**	**4.760**	**4.876**
Total Sales:	**48.854**	**40.038**	**50.984**	**43.266**

	The Group		The Company	
	2011	2010	2011	2010
2) Purchases				
From the Group				
Tarpučių pienas ŽŪK	-	-	-	-
Šilutės Rambynas ABF	-	-	19.948	58.708
	-	-	19.948	58.708
From Related parties				
Baltijos mineralinių vandenų kompanija UAB	303	274	303	274
Gimtinės pienas UAB	-	-	-	-
Žemaitijos prekyba UAB	641	178	638	174
Klaipėdos pienas AB	3.656	529	3.649	1.178
Žemaitijos pieno investicija AB	2.182	1.029	2.175	1.029
SIA "Muizas piens"	-	1.526	-	1.121
	6.782	**3.536**	**6.766**	**3.777**
Total Purchases:	**6.782**	**3.536**	**26.714**	**62.485**

	The Group		The Company	
	2011	2010	2011	2010
3) Accounts recievable				
From Group				
Tarpučių pienas ŽŪK	-	-	-	-
Šilutės Rambynas ABF	-	-	8.461	5.609
	-	-	8.461	5.609
From Related parties				
Baltijos mineralinių vandenų kompanija UAB	447	135	447	135
Gimtinės pienas UAB	-	-	-	-
Čia Market UAB	3.598	4.922	3.545	4.915
Klaipėdos pienas AB	321	450	1	90
Žemaitijos pieno investicija AB	3.213	1.440	3.213	1.440
Muizas piens SIA	2.317	1.365	2.115	1.365
	9.896	**8.313**	**9.321**	**7.945**
	9.896	**8.313**	**17.782**	**13.554**

	The Group		The Company	
	2011	2010	2011	2010
4) Balances of payables				
To Group				
Tarpučių pienas ŽŪK	-	-	170	171
Šilutės Rambynas ABF	-	-	-	-
	-	-	170	171
To Related parties				
Pažemeckas Algirdas	1.588	-	1.588	-
Baltijos mineralinių vandenų kompanija UAB	-	-	-	-
Gimtinės pienas UAB	-	-	-	-
Žemaitijos prekyba UAB	-	-	-	-
Klaipėdos pienas AB	1.088	-	1.258	-
Čia Market AB	1	-	-	-
Muizas piens SIA	-	-	1.588	-
	2.677	**-**	**2.846**	**-**
	2.677	**-**	**3.016**	**171**

Outstanding balances at the year-end are unsecured, interest free and settlement occurs in cash. For the year ended 31 December 2011, the Company has not made any provision for doubtful debts relating to amounts owned by related parties. This doubtful debts assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates. The Group performs a significant part of transactions with related parties (Žemaitijos Pieno Investicija AB group companies) and both profit and sales of the Group are significantly influenced by transactions with AB Žemaitijos Pieno Investicija group. This includes the following: rent of fixed assets, sales of raw materials, full buy up of cheeses from Šilutės Rambynas ABF, distribution services‘ sales to Baltijos Mineralinių Vandenų Kompanija UAB and product sales to Žemaitijos Prekyba UAB.

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I. I. GENERAL INFORMATION ABOUT THE ISSUER

1. Reporting Period of the Compiled Report

Consolidated annual report is drawn up for the financial year 2011.

2. Issuer and its Contact Information

Name	Joint Stock Company "Žemaitijos Pienas
Legal and organisational form	Joint Stock Company
Registration	Joint Stock Company is registered on 23rd of June, 1993
Registration number	180240752
VAT number	LT802407515
Authorised capital	48 375 000 Lt is divided to 48 375 000 registered shares of common stock of nominal amount – 1Lt
Address	Sedos str. 35, LT-87101 Telšiai
Telephone	+370 (444) 22201
Fax	+370 (444) 74897
Electronic mail	info@zpienas.lt
Internet website	www.zpienas.lt

3. Information concerning subsidiaries and agencies of the enterprise

At moment of 31st of December 2011, the consolidated Group of Joint Stock Company (JSC) „Žemaitijos pienas" is composed of general enterprise "Žemaitijos pienas" and its daughter enterprises. Daughter enterprises are the following:

ABF "Šilutės Rambynas", registration code: 277141670.
Authorized capital - 8.596.650 Lt. The company owns 87,82 percents.
Office address – Klaipėdos str. 3 Šilutė.
Activities' character – enzymatic cheese production.

ŽŪK „Tarpučių pienas", registration code: 151449845.
Authorized capital - 496.027 Lt. The company owns 12,08 percents.
Office address – Klaipėdos str. 3, Šilutė.
Activities' character – postchill of the milk stock.

Under Agricultural Law, the substance of the company is established under proportional percentage of the sales together with particular company; by this reason ŽŪK "Tarpučių pienas" is meant as the daughter enterprise, because it's selling to the company amounts to 100%. ABF "Šilutės

Rambynas" is meant as daughter enterprise similarly, because more than 50% of the shares are managed by the JSC "Žemaitijos pienas".

JSC"Žemaitijos pienas" has 7 wholesale subdivisions together with storehouses and transportation means in largest cities of Lithuania. They are the following:

Vilnius subsidiary at address: Algirdo str. 40/13, Vilnius
Kaunas subsidiary at address: Kėdainių str. 8A, Kaunas
Anykščiai subsidiary at address: Vilties str. 4A, Anykščiai
Alytus subsidiary, address: Putinų str. 23, Alytus
Klaipėda subsidiary at address: Šilutės road 33, Klaipėda
Panevėžys subsidiary at address: J. Janonio str. 9, Panevėžys
Telšiai subsidiary at address: Sedos str. 35, Telšiai

4. The nature of main activities of the issuer and of daughter enterprises

As main activity of the JSC "Žemaitijos pienas" is the mintage, production and selling within the pale of Lithuanian and international markets the following production: enzymatic cheese and cheese products, prepacked cheese and cheese products, melted cheese and cheese products, cream, curd cream, spread products of milk and butter, mixed spreads, milk fat, scalded cream, buttermilk, whey, dry milk products, fresh mil products (such as milk, cream, curd, curd products, yoghurts, desserts, cake cheese, coated cake cheese, acidified milk).

As main activity of ABF "Šilutės Rambynas" is meant the mintage, production and selling the enzymatic cheese and cheese products as well as scalded cream, scalded whey and concentrated whey. The activities' character of the ŽŪK "Tarpučių pienas" is the postchill of the milk stock.

5. Data on selling stock of the issuer in range of regulated markets

The registered shares of common stock of JSC „Žemaitijos pienas"are included to the list of Current stock list of Vilnius Stock Exchange since 13th of October, 1997. Stocks as issued by the Company are quoted by additional trading list of Vilnius Stock Exchange.

Type of shares: 100% ordinary registered shares;
Number of stocks - 48 375 000;
Par value per share - LTL 1;
Total par value - 48 375 000 Lt;
ISIN code of stocks LT0000121865;
Symbol of Vilnius Stock Exchange - ZMP1L

6. Information on contracts with financial intermediaries of stocks' public turnover

The Company has concluded the Agreement with Joint Stock Company "Šiaulių bankas", situating at address Tilžės str. 149 on 16th of July, 2004, under which regulation of the stocks as issued by the Company since 23rd of July, 2004, is transferred to JSC "Šiaulių bankas".

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

48 375 000 ordinary nominal stocks of JSC "Žemaitijos pienas" are included to NASDAQ OMX Vilnius Additional stock trading list (Symbol of Vilnius Stock Exchange - ZMP1L). 1 stock is of 1Lt nominal amount.

The stocks as not participating within the authorized capital, the turnover of which is regulated by legislation of the Republic of Lithuania, are absent.

Stock trading within other Stock Exchanges and other organized markets was not prosecuted.

The history of JSC "Žemaitijos pienas" is provided below as concerned with trading the stocks in range of NASDAQ OMX Vilnius Stock Exchange during the period 2007 - 2011:

Index	year 2007	year 2008	year 2009	year 2010	year 2010
Opening price	25,25	22,95	0,60	1,04	2,414
Highest price	27,2	26,01	1,44	2,572	2,659
Lowest price	20,45	0,48	0,48	1,02	1,916
Final price	22,5	0,6	1,03	2,414	2,345
Units turnovers	741.669	1.639.916	14.273.509	7. 623.027	4 945 124
Turnover (in mil.)	16,66	3,97	11,53	11,74	11,10
Plough-back (in mil.)	108,84	29,03	49,83	116,75	113,41

Stock transactions of JSC "Žemaitijos pienas" within NASDAQ OMX Vilnius Stock Exchange are provided below:

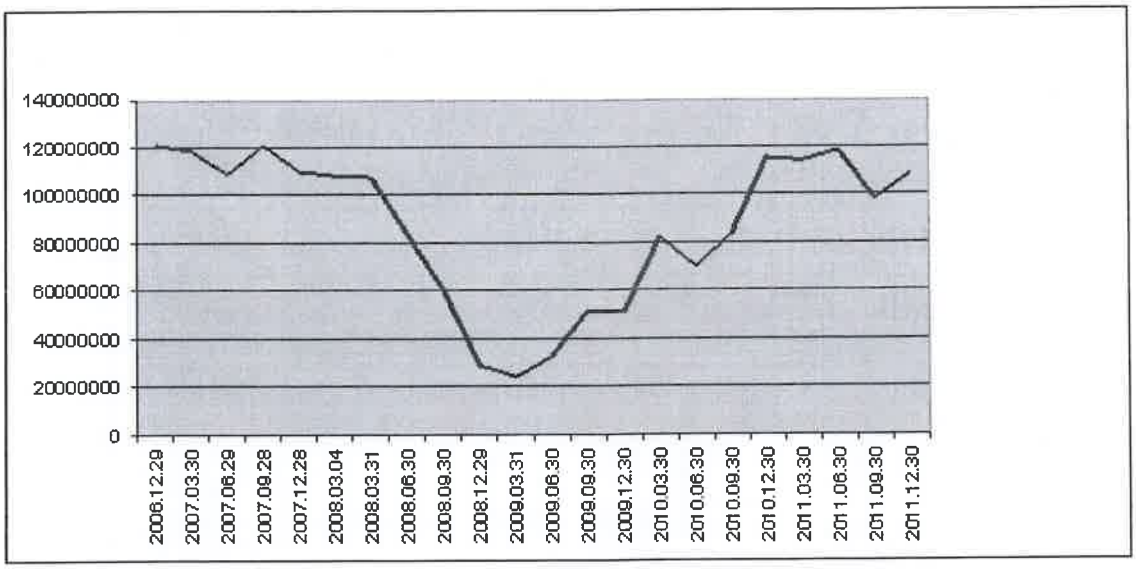
Reporting cycle		Price (Lt)			Turnover (Lt)			Date of final session	Total turnover	
since	till	max.	min.	Final session	max.	min.	final session		(units)	(Lt)
2006.01.01	2006.03.31	20,90*	18,15*	20,40*	388131,30	0	20455,00	2006.03.31	70621*	1355512,31
2006.04.01	2006.06.30	21,10*	18,02*	19,50*	469989,34	0	3878,20	2006.06.30	72122*	1487329,26
2006.07.01	2006.09.30	19,20*	18,20*	18,36*	211179,95	0	12961,92	2006.09.29	32366*	603870,82
2006.10.01	2006.12.31	27,00*	18,00*	24,98*	994131,52	0	21424,46	2006.12.29	126904*	2811010,07
2007.01.01	2007.03.31	25,80*	21,50*	24,45*	1551091,80	0	9882,00	2007.03.30	244198*	6149153,28
2007.04.01	2007.06.30	24,48*	20,50*	22,50*	123109,00	0	28445,90	2007.06.29	45575*	980996,61
2007.07.01	2007.09.30	26,36*	20,50*	25,00*	2896764,09	0	27177,20	2007.09.28	412115*	8577471,35
2007.10.01	2007.12.31	25,20*	22,50*	22,70*	135087,25	0	44258,33	2007.12.28	39781*	950569,12
2008.01.01	2008.03.24	26,01*	20,80*	22,30*	253915,34	0	8205,00	2008.03.04	94225*	2151710,39
2008.03.25	2008.03.31	2,40	2,22	2,22	18390,64	0	2950,00	2008.03.31	18579	42168,66
2008.04.01	2008.06.30	2,21	1,60	1,73	88536,31	0	1881,00	2008.06.30	348876	627384,43
2008.07.01	2008.09.30	1,70	1,24	1,24	56815,40	0	1004,00	2008.09.30	272759	419727,24
2008.10.01	2008.12.31	1,25	0,50	0,60	74821,50	0	461,00	2008.12.29	905477	725090,79
2009.01.01	2009.03.31	0,66	0,48	0,50	627365,70	0	875,00	2009.03.31	2470477	1474090,09
2009.04.01	2009.06.30	0,82	0,49	0,67	686402,16	0	19159,56	2009.06.30	4226779	2828899,35
2009.07.01	2009.09.30	1,32	0,63	1,06	543585,51	0	18110,62	2009.09.30	5114462	4576203,11

2009.10.01	2009.12.31	1,19	0,92	1,05	303011,29	0	23996,10	2009.12.30	2461791	2646416,65
2010.01.01	2010.03.31	1,72	1,03	1,70	992758,18	0	47337,23	2010.03.30	4282788	5571108,39
2010.04.01	2010.06.30	1,80	1,36	1,45	161450,13	0	6612,00	2010.06.30	1083548	1743183,90
2010.07.01	2010.09.30	1,83	1,42	1,72	167319,47	0	42942,82	2010.09.30	793571	1352007,88
2010.10.01	2010.12.31	2,493	1,78	2,279	208683,55	0	13197,50	2010.12.30	1463120	3073421,99
2011.01.01	2011.03.31	2,531	2,231	2,358	195461,76	0	6840,55	2011.03.30	1089197	2589804,26
2011.04.04	2011.06.30	2,486	2,161	2,451	120364,44	0	120364,44	2011.06.30	533075	1250801,66
2011.07.01	2011.09.30	2,621	1,934	2,037	217326,91	0	16095,43	2011.09.30	1277441	2921999,48
2011.10.01	2011.12.31	2,593	2,02	2,244	2061290,77	0	4542,5	2011.12.30	2045411	4339454,32

*Par value of 1 stock – 10 (ten) litas.

8. Capitalization of securities

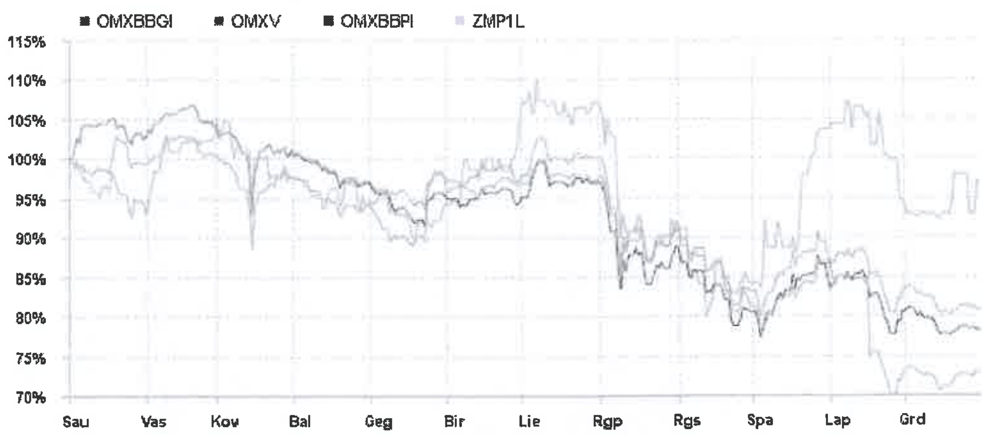
Capitalisation of the Company's shares in 2007-2011, LTL



Date of last trading session	Capitalization, LTL
2006.12.29	120840750
2007.03.30	118276875
2007.06.29	108843750
2007.09.28	120937500
2007.12.28	109811250
2008.03.04	107876250
2008.03.31	107392500
2008.06.30	83688750
2008.09.30	59985000
2008.12.29	29025000
2009.03.31	24187500

2009.06.30	32411250
2009.09.30	51277500
2009.12.30	50793750
2010.03.30	82237500
2010.06.30	70143750
2010.09.30	83205000
2010.12.30	115229250
2011.03.30	114068250
2011.06.30	118567125
2011.09.30	98539875
2011.12.30	108553500

Baltic market indexes:
(1 Jan 2011 - 31 Dec 2011)

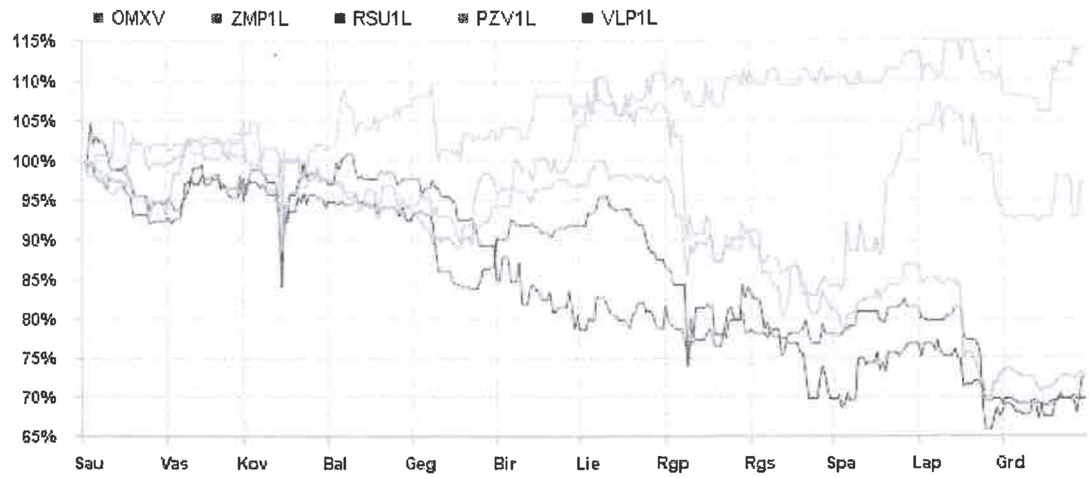


Data of the chart:

Index/shares	01.01.2011	31.12.2011	+/-%
OMX Baltic Benchmark GI	533,99	431,94	-19,11
OMX Vilnius	409,65	298,78	-27,06
OMX Baltic Benchmark PI	366,96	287,07	-21,77
ZMP1L	0,70 EUR	0,68 EUR	-2,86

Share prices on OMX Vilnius: Žemaitijos Pienas AB (ZMP1L), Rokiškio Sūris AB (RSU1L), Pieno Žvaigždės AB (PZV1L) and Vilkyškių Pieninė AB (VLP1L):

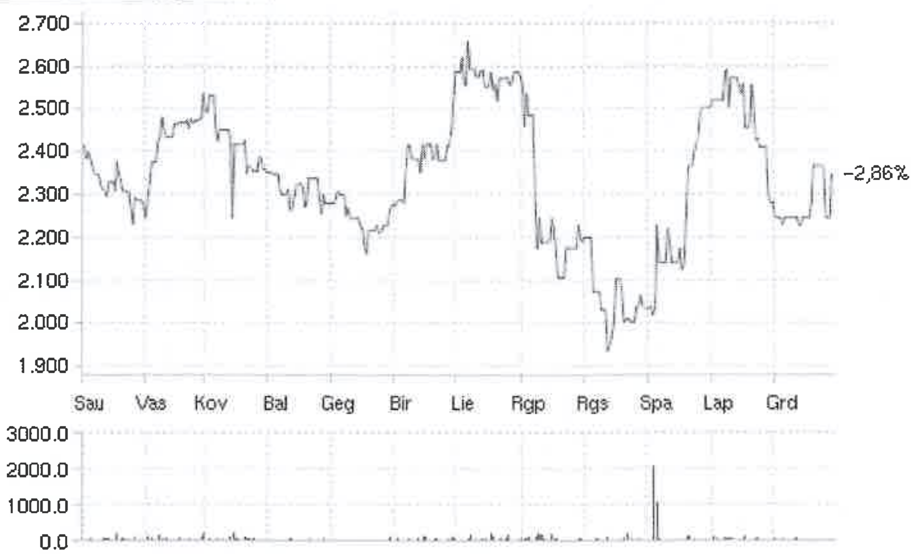
Baltic market indexes:
(1 Jan 2011 - 31 Dec 2011)



Data of the chart:

Index/Shares	01.01.2011	31.12.2011	+/-%
OMX Vilnius	409,65	298,78	-27,06
ZMP1L	0,70 EUR	0,68 EUR	-2,86
RSU1L	1,79 EUR	1,30 EUR	-27,57
PZV1L	1,48 EUR	1,69 EUR	14,12
VLP1L	1,72 EUR	1,20 EUR	-30,23

Information on trading in Žemaitijos Pienas AB‘s shares on the Vilnius Securities Exchange in 2011 (Source: website of AB NASDAQ OMX Vilnius: http://www.nasdaqomxbaltic.com/market/?instrument=LT0000121865&list=3&currency=LTL&pg=details&tab=historical&lang=lt&downloadcsv=0&date=&start_d=1&start_m=1&start_y=2011&end_d=31&end_m=12&end_y=2011



9. Authorized capital of the issuer:

On 31th of December, 2011, authorized capital of JSC "Žemaitijos pienas" was the following:

Type of the stock	Number of stocks (units)	Par value (Lt)	Total par value (Lt)	Part of authorized capital (%)
Ordinary nominal stocks	48 375 000	1	48 375 000	100

All stocks are fully paid and none of limitations of remising the stocks are applied to them.

10. Impartial review of condition processing activities and development of the enterprise

JSC "Žemaitijos pienas" is meant as the largest and the most modern milk processing enterprise of Lithuania.

JSC "Žemaitijos pienas" was founded in 1924. Since that time started working Telšiai dairy, the potential of which was meant as rather extensive. At the end of 1984 year Telšiai dairy has continued working within new premises that was operative until opening and privatizing Telšiai cheese enterprise in the year 1993, as the largest over all Baltic countries. JSC "Žemaitijos pienas" was registered on 23rd of June, 1993 at the Department of Telšiai region after it was registered anew on 16th of October, 1998 at the Ministry of Economy of the Republic of Lithuania.

Work experience and unique recipe-formulas that were accumulated during the years, currently provide possibilities to represent to the consumers the wide range of the products that make their mark of excellent taste and of highest quality. The variety of the processed products and their quality has been improved by means of consulting with firms as the best in Europe and America, paying the most attention to introducing new technologies as well as using the most progressive technology in the world, such as membranous cleaning of milk "Bactocatch". The Company's production is the following: fresh milk products, butter, enzymatic and melted cheese and also – dry milk products.

The production of the Company is appreciated by the most part of Lithuanian consumers and the consumers of the foreign countries. JSC "Žemaitijos pienas" exports its production to the following countries: European Union, Baltic countries, Russia, Belarus, USA, Israel, Croatia and others. Not only popularity of the production shows its high quality, but also plenitude of various awards that were gained at national and international exhibitions.

Most of the products processed by JSC "Žemaitijos pienas" conform not only to European, bur also to international standards; they are presented by golden medals and by diplomas of national and international exhibitions.

The Company has reprocessed on the average 210 thousand t of organic milk per year and 1934t of ecological milk; it produces 9825t of enzymatic cheese, 5351t of butter, 146t of fat-free milk powder, 8374 of whey powder, 1057t of ecological milk, 474t of ecological yoghurt (organic and with additives), etc.

In 2006, National Food and Veterinary Service of the Republic of Lithuania as on the ground of the order № B1-800 of 13-12-2006 of Director of the Service, namely "On veterinary endorsement of the subject of animal food management", has declared the order № 4-104 of 20-07-2005, namely "On providing the numbers of veterinary maintenance", as unavailable and approved the conformance of JSC

"Žemaitijos pienas" to requirements of sanitary regulations herewith approval it for production of milk products for JSC "Žemaitijos pienas", by giving the approval number 78-01 P.

In 2006, JCS "Žemaitijos pienas" was audited by German accreditation body DAR, as for the laboratory conformance to requirements of DIN EN ISO/IEC 17025:2000, and the conformance was approved by the conformance certificate. Registration number given by DAR is DAP-PL-3977.00.

The ecological products were started being produced by the Company in 2007. Public enterprise "EKOAGROS" has attested that the production of JCS "Žemaitijos pienas" conforms to requirements of European Council Regulation (EEB0 № 2092/91) as well as to requirements of the Rules for Agriculture. Production was certified for the following products: ecological cheese - 45% richness of dry material, ecological milk - 25% richness, ecological yoghurts (Certificate № SER-K-07-00010, registration № 060670P).

In May month of 2008, JCS "Žemaitijos pienas" on the ground of purchasing-selling transaction has acquired 87, 82% (754 938 units) of ordinary nominal stocks of ABF "Šilutės Rambynas", which were managed by JCS "Žemaitijos pieno investicija" under proprietorship as for 10 878 000 Litas, i.e. 14, 41 Litas were paid for one stock.

JSC "Žemaitijos pienas" and ABF "Šilutės Rambynas" pays much regards to safety and quality of the production by meeting the needs of the clients and the requests for environmental protection. By this reason, new corporate and integral food protection and quality management system is planned to be created (according to requirements of ISO 22000:2006 and ISO 9001:2008).

On 30th of April, 2009 the Company was granted the certificates of "ISO 9001 Quality Management" and "ISO 22000 Food Safety Management Systems". The same certificates were granted to Company "Šilutės Rambynas" that belongs to the group of the enterprises. The scope of certification is the creation, manufacturing and selling new milk products. Management systems' Certificate ISO 9001 shows the fact that quality management system has been implemented within the enterprise, which makes the management of the company effective, in line with the valuables and intensions being established all over the world. ISO 22000 Food Safety Management Systems certificate shows that the enterprise warrants the safety of the food in scope of production, supply and up to consumption. All enterprises that have ISO 22000 certificates must give exceptional attention to the processing products by extending activities of environmental control; also to sufficient hygiene of production for the aim to warrant final products to be of high quality.

11. Description of general fields of risk and uncertainties, to which enterprise confronts

The enterprise is occupied by production of milk. Main factors creating the risks for business of the enterprise are meant as possible variations of the markets, products and raw materials; also political, legal, social or technological changes that, as concerned with business of JSC "Žemaitijos pienas", might have negative influence for the cash flow and operating results of the Company.

Main raw material of the enterprise is milk, the amount of which, as to be sold to milk producers of European Union, is limited by national milk quotas. Limitations for raw materials' supply are able to influence shortage of raw materials and raising its prices. Such variations might have negative influence for the cash flow and operating results of the Company.

Business of the Company (collection and wheeling of milk in particular) is meant to be such activity that requests for much working strength. Potential development and the potential results of the Company might be negatively influenced by rising of prices of fuel and also by increasing salary for the workers.

The Company specializes in the field of production of fresh milk and cheese, and the most part of its earnings consists of such earnings that are receivable after selling the products. By these reasons negative changes within the market of demands, prices of fresh milk and cheese likewise are able to influence earnings, profit and general financial condition of the Company. The price of the products also might suffer negative influence, while being under competition in local and international milk products' market.

The most influence for effectiveness of processing of milk, while using equipment, dependents on raw milk seasonal possibilities that prevail in Lithuania.

12. Analysis of the results of financial and non-financial activities herewith information on environmental questions and the staff

Main financial indicators that reflect activities of the Company and the Group in 2011 (in thousand of Lt) are the following:

Financial indicators	According to IFRS			
	year 2011		year 2010	
	Groups	Companies	Groups	Companies
Turnover	494.426	487.218	433.692	427.735
Total profit	94.304	86.170	89.555	85.054
EBITDA	28.779	42.383	42.363	39.396
Profit before taxing	10.565	9.435	23.095	22.114
Amount of investments to long-term assets	24.574	20.696	6.963	6.113

Comparison of the prices and tonnage on procurement of raw milk in years 2009, 2010 and 2011:

Procurement of raw milk (as recalculated to basic richness)	year 2011	year 2010	year 2009
Amount of received milk, thousands of t	345	318	311
Milk procurement price, Lt/t	850	745	531

Organic milk was received as follows: 285 thousand of t (in year 2011), 263 thousand of t (in year 2010) and 257 thousand of t (in year 2009).

Segmentation by type of the products, of production sold by JSC "Žemaitijos pienas" within the period of 2010-2011 years was the following (in thousand of Lt):

The Group

Name of the group of goods	Turnover in thousand, Lt		Changes, if 2011 and 2010 years are compared %
	year 2011	year 2010	
Enzymatic cheese	214.521	199.051	**8%**
Fresh milk products	154.752	134.086	**15%**
Butter and spreading fat blends	62.435	48.320	**29%**

Dry milk products	24.438	18.289	**34%**
Ice-cream	88	115	**-23%**
Other	38.192	33.482	**14%**
Export grants	0	349	**-100%**
Total:	**494.426**	**433.692**	**14%**

The Company

Name of the group of goods	Turnover in thousand, Lt		Changes, if 2011 and 2010 years are compared %
	year 2011	year 2010	
Enzymatic cheese	208.509	193.869	**7,55%**
Fresh milk products	154.752	134.086	**15,41%**
Butter and spreading fat blends	62.435	48.320	**29,21%**
Dry milk products	24.438	18.289	**33,62%**
Ice-cream	88	115	**-23,48%**
Other	36.996	32.707	**13,11%**
Export grants	0	349	**-100,00%**
Total:	**487.218**	**427.735**	**13,91%**

The sales of the Group as after geographical (secondary) segments (in thousand of Lt), in the year 2011 and 2010:

The Group

Sales after geographical segments	year 2011	year 2010
Lithuania	276.594	248.931
Other Baltic states and countries of ISU	127.063	112.876
Other European countries	83.640	61.737
USA	321	126
Other	6.808	10.022
Total:	**494.426**	**433.692**

The Company

Sales after geographical segments	year 2011	year 2010
Lithuania	272.842	247.008
Other Baltic states and countries of ISU	125.304	110.771
Other European countries	83.640	61.737
USA	321	126
Other	5.111	8.093
Total:	**487.218**	**427.735**

Environment control

JSC "Žemaitijos pienas" as the enterprise that processes and sells milk products, according to stated criterions is attached to the group of Equipment that are provided by Annex 1 of IPPC Rules of the environment control license. On 29-12-2006, Integrated Pollution Prevention and Control license was issued for the Company that term of being in effect is not limited, nevertheless, it should be corrected according to changes. The Company doesn't provide negative effect to the environment, any such, for which the means should be taken as to minimize it; nevertheless, the Company observes indications of its activities, plans and implements the investments that might minimise costs of processing as well as of energy consumption, with the aim to increase environment control conditioning. Moreover, the Company finds itself always ready to solve questions of environment control in mutual relations with the community.

In 2008, the Company has implemented integral system of quality and food safety management, which conforms to requirements of the standards ISO 9001:2008 and ISO 22000:2005 in general; besides this, it plans to implement the system of environment control, namely – ISO 14000.

The Company doesn't provide perceptible negative effect to the environment. The polluted waste-water is given to be cleaned by the city. The fuel, which is used in the boiler-room, is natural gas, which pollution to atmosphere is minimal. According to the plan of distribution of circulating Pollution Allowances of 2008-2012 years, the Company is not included to circulating PA trading system. Company doesn't provide negative effect to the environment. Natural resources are used economically. The environmental exposure is controlled according to mutually matched monitoring programmes.

The enterprise has developed the plans for elimination of possible accidents as well as of their reasons, has repository of gas-station and of freezing ammonia-pump – in view of identification of the hazards, risks analysis and safety assessment, these are meant as hazardous object.

Waste and the packages are managed in line with requirements of environment control. JSC "Žemaitijos pienas"separates secondary raw materials from general waste flow and consistently carries them to collectors and re-makers. Hazardous and non-hazardous waste in the territory stored and maintained in such way, as they shouldn't negatively affect the environment; the mentioned waste are screened and their storage places are respectively marked. Timely the waste is carried to their disposal establishments.

Žemaitijos Pienas AB 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 the EU Structural Funds. In 2011, the Company completed implementation of Phase II of the project "Increasing Competitiveness of Žemaitijos Pienas AB by Introducing Innovative Production Processes" under Measure "Processing of Agricultural Products and Increasing the Value Added" of the National Rural Development Programme for 2007-2013. The investments totalled about LTL 10.2 million and resulted in the replacement of equipment, improvement of product quality, and increase in energy efficiency.

The human resources policy pursued by the Company is aimed at the establishment and development of relations with is employees. The employees are afforded opportunities for self-development and improvement of knowledge and skills. The Company has prepared training programmes for production workers, production technicians, production operators, production operators-metalworkers, production foremen, and sales personnel.

Professional training

Ser. №	Name of tasks/training	Number of employees as being trained	Comments
1.	New workers were trained under the programme of introductory training	35	
2.	Production workers were trained and assessed under the programme for successive training	42	
3.	Production workers were trained (and training still going on) under the programme for successive training	22	
4.	The employees were trained by specialists of the Company during immanent training	296	13 lessons
5.	The employees were trained during immanent training (payable service)	203	9 lessons
6.	New production foremen and taskmasters were assessed	2	
7.	Employees that were trained on questions of safety	107	6 lessons
8.	The employees were trained for operating new equipment	53	
9.	Participation in outer training (courses, seminars and conferences)	147	58 lessons
10.	Prepared training programmes	11	
	Total:	918	

13. References and additional explanations about the information provided in the Annual Financial Statements

The information provided in the Annual Financial Statements and the Explanatory Notes is sufficient, complete and does not require additional explanations.

14. Information on Purchase of Own Shares by the Issuer

In financial year 2011, Žemaitijos Pienas AB bought 10 (ten) own ordinary registered shares of Litas 1 (one) par value via the public offering submarket on NASDAQ OMX Vilnius Securities Exchange. This accounts for an insignificant part of Žemaitijos Pienas AB‘s authorised capital. No disposal of own shares of the Company took place in the accounting period.

15. Important events that took place since the end of the last financial year

Certified products in 2011

Certifications of the following products were obtained in 2011:

- Žemaitijos Pienas AB, Sour cream butter (*kastinys*), certified by Public Entity Kulinarijos Paveldo Fondas (certificate No. 3P of 6 January 2011)
- Žemaitijos Pienas AB, Home-made cottage cheese, certified by Public Entity Kulinarijos Paveldo Fondas (certificate No. 3P/2 of 3 March 2011)
- Set of Džiugas hard cheeses, 40%, certified by the Kaliningrad Certification Centre (certificate No. C-LT- AЯ19.H 00075 of 20 April 2011)
- Žemaitijos Pienas AB:

raw milk
organic milk 2.5 %
organic yogurt 2.4 %
organic yogurt with cherries 2.0 %
organic yogurt with strawberries 2.0 %
organic yogurt with lemons and ginger 2.0 %
organic yogurt with redcurrant and apples 2.0 %
organic yogurt with mint 2.0 %
organic cheese 45 % fat in dry matter
organic hard cheese 45 % fat in dry matter

(Public Entity EKOAGROS" LT- EKO - 01) (certificate No. SER-K-11-00021 of 8 March 2011)

- Žemaitijos Pienas AB:

organic cottage cheese 9 %
organic sweet cottage cheese with red berries 6.5 %
organic sweet cottage cheese with yellow berries 6.5 %
(Public entity EKOAGROS" LT- EKO-01) (certificate No. SER-K-11-00088 of 15 June 2011)

- Snack, melted smoked cheese sausages, certified by the Kaliningrad Certification Centre (certificate No. C-LT- АЯ19.B. 40272 of 28 December 2011);
- Skimmed milk powder, certified by the Kaliningrad Certification Centre (certificate No. C-LT-АЯ19.B. 40295 of 28 December 2011).

Awards received in 2011:

- ПРОДЭКСПО–2011, International Foodstuffs Exhibition. Diploma awarded to DŽIUGAS hard cheese, 40%, 2 months, in packages (Moscow, 7-11 February 2011)
- ПРОДЭКСПО–2011, International Foodstuffs Exhibition. Gold medal awarded to DŽIUGAS 40% hard smoked cheese (Moscow, 7-11 February 2011)
- Awards received on 29 April 2011 in the "Most Popular Product 2010" competition organised by the Lithuanian Association of Trade Enterprises (award ceremony held in the offices of the Government of the Republic of Lithuania:

SAULUTĖ – most popular mixed spread 2010;
MAGIJA – most popular glazed sweet cottage cheese 2010.

- Superior Taste Award to DŽIUGAS hard cheese (two stars) in the foodstuffs and beverages competition organised by the International Taste and Quality Institute (iTQi) (Brussels, 26 May 2011;
- GOLDENER PREIS 2011 award by GLG-Zertifizierungsstelle DŽIUGAS hard cheese 40% Fat in dry matter (Frankfurt am Main, 6 June 2011);
- Gold medal for PIK-NIK cheese for roasting in the "Lithuanian Product of the Year 2011" competition organised by the Lithuanian Industrialists Confederation (16 December 2011);
- Gold medal for NIDA SNACK cheese snack in the "Lithuanian Product of the Year 2011" competition organised by the Lithuanian Industrialists Confederation (16 December 2011);
- Silver medal for MAGIJA PREMIUM yogurt with strawberries in the "Lithuanian Product of the Year 2011" competition organised by the Lithuanian Industrialists Confederation (16 December 2011).

Audits conducted in 2011:

- On 13-14 January 2011, auditors from Bureau Veritas Certification conducted an audit of production of cheeses-butter and melted-packaged cheeses at Žemaitijos Pienas AB according to the BRC requirements (Global Food Standard Issue 5 (British Retail Consortium) (certificate No. DNKFRC93675F of 14 January 2011)

• On 1-2 August 2011, auditors from Bureau Veritas Certification conducted supervisory audit No. 3 of the Integrated Foodstuffs Safety and Quality Management System at Žemaitijos Pienas based on the ISO 90001 and ISO 22000 requirements.

• Audits of Žemaitijos Pienas conducted by the State Foodstuffs and Veterinary Service Telšiai Office:

11 February 2011, Report on Audit of a Milk Processing Enterprise No. V- 57;

28 April 2011, Report on Audit of a Milk Processing Enterprise No. V- 177;

2 May 2011, Report on Audit of a Milk Processing Enterprise No. V- 187;

4 August 2011, Report on Audit of a Milk Processing Enterprise No V-376 (Raw Mil Safety and Quality);

27 October 2011, Report on Audit of Risks Analysis and Critical Management Points System of a Foodstuffs or Feedingstuffs Processing Entity No. V-574;

28 December 2011, Report on Audit of a Milk Processing Enterprise No V-696.

• Checks of Žemaitijos Pienas conducted by the Lithuanian Agricultural Products and Foodstuffs Market Regulation Agency:

Refrigerating equipment spot approval report No. 2011 /301PTV- 12 of 18 May 2011;

Milk processing enterprise spot approval report No. 2011 /301PTV- 13 of 18 May 2011;

Warehouse spot approval report No. 2011 /301PTV- 14 of 18 May 2011;

Refrigerating equipment spot approval report No. 2011/301PTV-36 of 14 October 2011;

Milk processing enterprise spot approval report No. 2011/301PTV-34 of 14 October 2011;

Warehouse spot approval report No. 2011/301PTV-35 of 14 October 2011.

3 August 2011: Audit of IKI Quality Division (Products intended specifically for the IKI store chain were assessed (*Gurmanų kastinys, Cento grietinė*).

15 03 2012 – audit of the Annual Financial Statements of the Group and the Company (carried out by Nepriklausomas Auditas UAB).

16. Plans and Projections of the Company

Long-term objectives of Žemaitijos Pienas AB include the following: to become a strong, technologically modern, reliable company that is attractive to investors; create a profitable market for the Company‘s products in the European Union and in the Baltic States in particular; ensure the highest quality of products; fully exploit the available production capacities; and consistently increase the corporate intellectual capital.

Key short-term objectives of the Company:
- buy milk at market prices that are not higher than those paid for raw milk by other participants in the Lithuanian market;
- cut production costs and product cost price;
- abandon, as soon as possible, those types of production that are not cost-effective;
- ensure that all products are stored in modern premises;
- increase sales at prices favourable to the Company; focus on the basket of strongest products and retain an at least 20% domestic market share; focus on sales of products with higher added value in export markets;
- strengthen the marketing function and the brand name of the Company;
- cut distribution costs;

- give incentives to employees for the final result achieved and for execution of plans;
- modernise production equipment and vehicle fleet consistently in order to achieve the highest product quality, productivity and cost-effectiveness.

17. Information about Research and Development Activities of the Company and the Group

The Company makes investments in its operations on a regular basis and seeks ways to ensure consistent growth and increase in efficiency.

18. Information on financial instruments used by the Company

Where the Company uses financial instruments, which is important for the assessment of its assets, equity, liabilities, financial position etc., the Company shall disclose the objectives of management of financial risks and the main hedges for future transactions to which hedging transactions accounting applies. Information on financial risks of the Issuer is presented in the Explanatory Notes to the Annual Financial Statements.

II. OTHER INFORMATION ABOUT THE ISSUER

19. The scheme of the authorized capital of issuer

48.357.000 Lt of authorized capital is registered to the Register of juridical persons. The capital is divided to 48.357.000 registered shares of common stock of nominal amount – 1Lt.

On 31st of December of 2011, the authorized capital of JSC "Žemaitijos pienas" was the following:

Type of the shares	Number of units of the shares	Par value (Lt)	Total par value (Lt)	Part of authorized capital (%)
Registered shares of common stock	48 375 000	1	48 375 000	100

All registered shares of common stock are fully paid and none limitations for assignation of the stock is applicable to them.

20. All limitations of assignation of the stocks

Limitations for assignation of the stocks are not applied.

21. The shareholders

On 31st of December, 2011, the company had 3 378 shareholders. All issued shares provide the same rights to the share holders that are provided by Companies' Law of the Republic of Lithuania and by statute of the Company.

Shareholders that manage more then 5% of the authorized capital of JSC "Žemaitijos pienas" under proprietorship and have the votes:

Ser. №	Shareholder	Number of the shares that belong under proprietorship	Part of the authorized capital and the votes under proprietorship, %	Part of available votes together with concerned persons %
1	Pažemeckas Algirdas p.c. 35111120012	21589380	44,63	50,88
2	SKANDINAVISKA ENSKILDA BANKEN CLIENTS, code 50203290810, SERGELS TORG 2, 10640 STOCKHOLM, SWEDEN	3954903	8,18	10,61
3	Klaipėdos Pienas JSC, enterprise code 240026930, Šilutės road 33, 91107 Klaipėda	3601844	7,45	7,45
4	Pažemeckienė Danutė p.c. 45502110019	3025820	6,25	50,88
5	Other	16203053	33,49	33,49

For assignation of stocks limitations are absent. The shareholders undertake real and non-property rights and have the duties that provided by the Law on Joint Stock Companies of the Republic of Lithuania and by statute of the Company.

Limitations as applicable to the voting rights. All shares of the Company that provide voting rights are of the same par value and each of the shares endue with one vote at the General meeting of the shareholders.

22. Rights of the shareholders

The shareholders of the Company have the following real rights:
to receive the part (dividend) of profit of the Company; to receive the part of property of the Company that is liquidated; to receive the shares for free in case, when the authorized capital of the Company is increased by means of resources of the Company, except of cases provided by the law; when the shareholder is natural person – to settle according to will all or part of the shares to one or some persons; according to order provided by the law, transfer all or part of the shares to possession of any other people or to assign them in any other way.

The shareholders of the Company have the following non-property rights:
to participate at the meetings, under the rights provided by shares to vote at the meetings; to receive non-confidential information concerning economical activities of the Company; to elect or to be elected to authorities of supervision and management of the Company; to take any position at the Company, unless the Law on Joint Stock Companies of the Republic of Lithuania and the Statute of the Company states differently; to submit actual proposals for the aim to increase financial, economical and organizational activities of the Company, to appeal to the court against the decisions or actions of the Meetings of the

shareholders, Council of beholders, Board or Chief-executive of the Company that affect the Law of the Republic of Lithuania, statute of the Company as well as real and non-property rights of shareholders. Single shareholder or some of shareholders beyond particular authorization have the right to request for compensation of the loss as suffered by other shareholders; and other non-property rights provided by legislation.

The person acquires all rights and the duties that are provided by the part of the purchased authorized capital of the Company and (or) part of his voting rights: in case of increasing the authorized capital – since the day of registration of emendations of the statute of the Company as being concerned with increased authorized capital and (or) voting rights, in other cases – since the day of emergence of the proprietary rights to the part of authorized capital of the Company or to the part of the voting rights.

23. The shareholders that have special control rights and the portrait of any latter

The shareholders that have special control rights at the Company are absent.

24. All limitations of the voting rights

The shareholders that have limited voting rights at the Company are absent.

25. All mutual agreements between shareholders being able to restrict the assignation of the stocks and/or voting rights, which are known to issuer

The issuer isn't aware about any mutual agreements between the shareholders that might limit the assignation of the stocks and (or) voting rights.

26. The stuff

As of 31 December 2011, the Company employs 1,491 people. The number has decreased slightly compared with 31 December 2010.

During latter financial year, changes of the employees of JSC "Žemaitijos pienas" show the following average:

	31 12 2011	31 12 2010
Average number of employees	1491	1550

Employees' groups with respect to their background:

Number of employees	31 12 2011	31 12 2010
MA degree	25	19
Higher educational attainment	213	198
College educational attainment	336	414
Vocational educational attainment	352	298
Secondary educational attainment	460	517

Incomplete secondary educational attainment	105	104
Total:	**25**	**19**

Average wage of employees of JSC "Žemaitijos pienas" group according to respective working groups:

Subdivision	31 12 2010		31 12 2009	
	Number of employees	Average wage	Number of employees	Average wage
Administration	138	4362	121	3820
Operating personnel	237	2287	230	2178
Transport subdivision	155	2425	167	2423
Purchasing of raw material	265	1059	269	962
Production subdivision	401	1779	447	1790
Subdivisions	295	2390	316	2311
Total:	**1491**		**1550**	

Rights and the duties of the employees are provided by their official Rules. None of specific rights and duties is intended by work agreements.

27. The course of modification of the issuer's statute

The activities of JSC "Žemaitijos pienas" are guided by legislation of the Republic of Lithuania, by governmental resolutions and legal acts that regulate movement of the enterprise, also by Stock Exchange Law and the statute of the Company.

28. Issuer's regulatory bodies

Regulatory bodies of the issue are meant to be General meeting of the shareholders, Council of the beholders, the Board and Chief-executive of the Company, i.e. General Director. Regulatory bodies are the Board and General Director of the Company.

General meeting of the shareholders has the right:
to emend and supplement the statute of the Company; elect and revoke the auditing enterprise and the members of Council of the beholders; approve annual financial accountability and the report of the movement as provided by the Board; to take the decision to increase authorized capital; define the type, class and minimum emission rate of the stocks issued by the Company; to take decision and issue convertible bonds; to take decision to replace stocks of the proper type and class of the Company by the other and to claim the order of such replacement; to take decision for the Company on acquisition its own stocks; to take decision to reorganize the Company, to liquidate the Company and to revoke the liquidation of the Company; to take decision to reorganize the Company and maintain the project (conditions) of its reorganization. In cases provided by Law, the Board of the Company should be able to take decision on reorganization of the Company by means of incorporation; to take decision on allocation of the profit; to make decision to form the backlog, except of reappraisal backlog.

Audit Committee of the Company is formed of 4 members, one of them being independent. Under offering of the Board of the Company the members of the Audit Committee are appointed and revoked by the General meeting of the shareholders of the Company. The tenure term of the Audit Committee is restrained to 4 years. The members of Audit Committee were elected by General meeting of the shareholders on 8st of April, 2011.

The members of Audit Committee are the following:

1. Angelė Taraškevičienė – independent member.
2. Viktorija Ragauskienė
3. Asta šliogerienė.

Main functions of the Audit Committee:

to provide recommendations to the Board of the Company regarding selection, appointment and dismissing of undertaking for extrinsical audit, according to conditions as stated under agreement with mentioned undertaking; to watch the process of extrinsical audit; to watch, whether extrinsical auditor and the auditing undertaking follows the principle of independence and impartiality; to watch preparation process of annual financial reports; to pursue other functions that are provided by legal acts of the Republic of Lithuania and by recommendations of the Corporate Governance Codex of the Companies that are listed by Vilnius Stock Exchange.

Council of beholders of the Company is meant as collegial supervising body that performs supervision on activities of the Company. The Board is governed by the President. The Board of the Company consists of 3 (three) members, who are elected by General meeting of the shareholders for four years. It is supposed by statute of the Company that the number of the tenures should not be limited.

Powers and amenabilities of Council of the beholders:

It elects members of the Board and revokes them off position. If the Company operates wastefully, Council of the beholders must contemplate, whether the members of the Board are applicable for taking their position; supervises acting of the Board and of Chief-executive of the Company; submits to General meeting of the shareholders appreciations and proposals as for activities' strategy of the Company, for annual financial accountability, project of allocation of the profit and for reporting activities of the Company as well as for actions of the Board and Chief-executive of the Company; establishes (matches) monthly and quarterly limits of processing the production as provided by the Board of the Company; the processed production is intended being submitted to consumers to taste it free as the tasting is intended for analysis and extension of the market; at the end of the quarter the limits are approved by the Council of beholders; submits the proposals to the Board and Chief-executive of the Company to revoke their decisions that contradict with the Law and other legal acts, with the statute of the Company or with decisions of General meeting of the shareholders; resolves other questions provided by statute of the Company and by decisions of General meeting of the shareholders that are subsumed as ability of Council of the beholders and concerns supervision of activities of the Company and its regulatory bodies; defines the official wage of Chief-executive of the Company, if he is the member of the Board; on request of the Board considers the question of termination of Work agreement of the member of Council of beholders, who works at the Company.

The Board of the Company is meant as collegial management body that represents the shareholders of the Company at time between their meetings and takes decisions on overriding questions of economical activities of the Company. The order of operating of the Board is guided by working rules as accepted by the Board. The Board consists of 5 (five) members. The members of the Board are elected by Council of the beholders for the period not longer then 4 years. The number of the tenures should not be limited. The operating Board is governed by the President, who is elected one of the members of the Board.

The Board treat and maintain the following:

the strategy of activities of the Company; management structure of the Company and incumbencies of the employees; the incumbencies, to which the employees are accepted by way of the tender; under the consent of Council of the beholders estimates and approves the assortment and content of the processing production for each month, which is submitted to consumers for tasting free as the tasting is intended for analysis and extension of the market; approves the Rules of subsidiaries and agencies of the Company, official Rules and wages of General Director and the official Rules and wages of his assistants.

The Board elects and revokes Chief-executive of the Company. The Board endorses the candidates provided by the Chief-executive of the Company to be appointed as his assistants and the candidates to the posts, to which employees are accepted by means of the tender.

The Board should analyze and qualify the material provided by Chief-executive of the Company as follows:
the development of activities strategy of the Company; organization of activities of the Company; financial conditions of the Company; results of economic activity; estimates the outcome and income; stocktaking and other data of stocktaking as concerned with modifications of property; sources for accumulating financial resources and operating methods as well as transactions of the Company.

The Board analyzes and valuates the project of annual accountability of the Company as provided by General Director, project of allocation of the profit and, after these projects are approved, submits them to General meeting of the shareholders. The Board defines normative and the methods of calculation of tear and wear of material assets as well as of amortization of non-property assets.

The Board ought to run General meetings of the shareholders at time, to warrant preparation of the lists of the owners of ordinary shares, to frame schedules of General meetings of the shareholders, to submit annual financial accountability of the Company to shareholders as well as profit allocation project, report on activities and other information that is required for considering the questions included to the schedule.

Beyond the consent of General meeting of the shareholders, the Board takes decisions on the following questions:
the decisions for the Company might become the promoter or the participant of other juridical persons; the decisions for instituting subsidiaries and agencies of the Company; decisions on investment, assignation and lease of long-term property, the inventory value, which is more then 1/20 of authorized capital of the Company; decisions on soak and mortgage of long-term property, the inventory value, which is more then 1/20 of authorized capital of the Company; the decisions on accomplishment, sponsorship and reassurance of liabilities of any other persons, which sum is more then 1/20 of authorized capital of the Company; decisions as to purchase long-term property for the price, which is more then 1/20 of authorized capital of the Company; decisions on restructurization of the enterprises, on restructurization conditions and/or projects of restructurization or reorganization of the Company (Companies); decisions on entering of the Company to associations, trusties and/or consortiums and on secession of them; on questions concerned with committing the means for charity, for health care, culture, science, physical training and sports as well as for liquidation of the natural disasters and emergency situations; defines the proportion of funds as being disposed by Chief-executive of the Company; other decisions that are provided by the statute of the Company or by decisions of General meeting of the shareholders that are attached to ability of the Board.

<u>Chief-executive of the Company is meant to be General Director,</u> who acts under the statute of the Company, decisions of General meeting of the shareholders, decisions of the Board and in line with the Rules assessed for administrative operation.

General Director plans daily movement of the Company and performs actions that are required for carrying out its functions, for implementing the decisions of regulatory bodies of the Company with the aim to warrant the movement of the Company. General Director of the Company is amenable for his taken actions and regularly must report to the Board.

Regulatory bodies of the Company in their activities are guided by powers provided by the Law of the Republic of Lithuania, legal acts and the statute of the Company. According to provisions of the mentioned instruments, regulatory bodies of the Company are elected, appointed and revoked of the appointment.

Chief-executive and administration of the Company:

Chief-executive of the Company is General Director, who acts under the statute of the Company, decisions of General meeting of the shareholders, decisions of the Board in line with the Rules assessed for administrative operation. General Director is elected and revoked by the Board of the Company. The tender might be organized as with the aim to select General Director. The President of the Board signs the work contract with General Director. Work contract with General Director, who is also the President of the Company should be signed by the member of the Board, who is authorized by it. If General Director is not the member of the Board, he should participate at meetings of the Board as after advisory right.

Chief-executive (General Director) of the Company:

He manages administration of the Company; in range of his ability transacts in the name of the Company; represents the Company in relation with third persons as well as at court and the arbitrage. The right to represent the Company is acquired by General Director since the day that is stated by the work contract; opens and closes accounts of the Company at banks; prepares management structure, lists of incumbencies, systems of wages and stimulation for labour of employees of the Company and submits it to the Board for approval; prepares the project of the agreement for signing the shares; employs and dismisses employees; structures and terminates work contracts with them, valuates work results, gives disciplinary punishments and boosts to employees, including these of material character; establishes domestic working rules, approves regulations of the subdivisions of the Company and labour regulations for administration; issues authorizations enabling to perform function that are on his own ability; in cases provided by the Law on Joint Stock Companies calls General meeting of the shareholders; manages it, prepares projects of the documentation that are required for General meeting of the shareholders; ascertains safety of property and commercial secrets of the Company; performs other functions provided by legislation and present statute, disposes property of the Company, including financial assets.

General Director is amenable for his actions and he regularly should report to the Board.

Structure of Council of the beholders:

Name and Surname	Position at issuer	Tenable part of authorized capital %	Beginning of tenure	End of tenure	Began working at "Žemaitijos pienas"
Romusas Jarulaitis	Chairman of the Supervisory Council	1 105 510 2,29	2011 04 08	2015 04 07	1988 01 26
Robertas Pažemeckas	Chairman of the Supervisory Council	-	2011 04 08	2015 04 07	2002 08 26
Algirdas Bladžinauskas	Chairman of the Supervisory Council	-	2011 04 08	2015 04 07	1996 08 20

Structure of the Board:

Name and Surname	Position at issuer	Tenable part of authorized capital %	Beginning of tenure	End of tenure	Began working at "Žemaitijos pienas"
Algirdas Pažemeckas	Chairman of the Board, General Director	21 509 180 44,46	2011 05 01	2015 04 30	1986 12 26
Marius Dromantas	Member of the Board Logistics Director	-	2011 05 01	2015 04 30	2003 12 01
Vygantas Sliesoraitis	Member of the Board		2011 05 01	2015 04 30	2011 05 05
Alvydas Žabolis	Member of the Board		2011 05 01	2015 04 30	-
Arūnas Šikšta	Member of the Board		2011 10 19	2015 04 30	-

Administration:

Name and Surname	Position	Number of tenable stocks units	Tenable part of authorized capital %
Algirdas Pažemeckas	General Director	21.589.380	44,63
Natalija Vainikevičiūtė	CFO	-	-

Gross payments to members of the management bodies total LTL 1,042,163.2 in 2011 including LTL 292,530 to the members of the Supervisory Council and LTL 749,633.2 to the members of the Board.

29. Any significant agreements to which the Issuer is a party and which would take effect, change or terminate in case of changes in the Issuer's control; impact of such agreements except for cases where, due to their nature, disclosure of such agreement would result in serious damage to the Issuer

There are no agreements to which the Issuer is a party and which would take effect, change or terminate in case of changes in the Issuer's control.

30. Any agreements by and between the Issuer and members of its management bodies or employees, which provide for a compensation in case of resignation or dismissal without a valid reasons or in case of termination of employment due to changes in the Issuer's control

The Issuer has not entered into any agreements with the members of its management bodies or employees, which provide for a compensation in case of resignation or dismissal without a valid reasons or in case of termination of employment due to changes in the Issuer's control.

31. Information about compliance with the Corporate Governance Code

Report on Žemaitijos Pienas AB's compliance with the Corporate Governance Code for Listed Companies Listed on the Securities Exchange is presented in a separate annex forming an integral part of this Consolidated Annual Report.

32. Publiced information

28 February 2011 Interim information on Žemaitijos Pienas AB
Unaudited estimated results of Žemaitijos Pienas AB Group ("the Group") for 2010
Unaudited consolidated turnover of the Group for 2010: LTL 433.7 million (EUR 125.6 million) (+ 16.3% compared with 2009). The increase in turnover was achieved due to increased exports.
Unaudited consolidated net profit of the Group for 2010 accounts for 4.46% of turnover.

18 March 2011. Žemaitijos Pienas AB. Notice of Material Event
Regarding annual meeting of shareholders of Žemaitijos Pienas AB
An annual meeting of shareholders of Žemaitijos Pienas AB is convened, on the initiative and by decision of the Board of Žemaitijos Pienas AB, at 3 p.m. on 8 April 2011, business ID of the company 300041701, registered office address Sedos g. 35, Telšiai.
Agenda of the meeting:
1. Concerning hearing of the Annual Report of the Company.
2. Concerning Audit Opinion on the Annual Financial Statements and Annual Report of the Company.
3. Concerning approval of the Annual Financial Statements of the Company for 2010.
4. Concerning approval of the allocation of profit/loss of the Company for 2010.
6. Concerning acquisition of own shares.
7. Concerning issue of new shares of the Company.
8. Concerning amendments and additions to the Articles of Association.
9. Concerning recalling of members of the Supervisory Council and the Board of the Company and election of new members.

10. Concerning recalling of an independent member of the Audit Committee of the Company and approval of the new member.
11. Concerning separation of the Laboratory of the Company.
12. Concerning separation of the Transport Unit.
13. Concerning centralisation of accounting services.
14. Other issues.

21 March 2011. Žemaitijos Pienas AB. Notice of Material Event
Regarding annual meeting of shareholders of Žemaitijos Pienas AB
Correction: amendment to the agenda of the meeting
An annual meeting of shareholders of Žemaitijos Pienas AB is convened, on the initiative and by decision of the Board of Žemaitijos Pienas AB, at 3 p.m. on 8 April 2011, business ID of the company 300041701, registered office address Sedos g. 35, Telšiai.
Agenda of the meeting
1. Concerning hearing of the Annual Report of the Company.
2. Concerning Audit Opinion on the Annual Financial Statements and Annual Report of the Company.
3. Concerning approval of the Annual Financial Statements of the Company for 2010.

4. Concerning approval of the allocation of profit/loss of the Company for 2010.
5. Concerning acquisition of own shares.
6. Concerning amendments and additions to the Articles of Association.
7. Concerning recalling of members of the Supervisory Council and the Board of the Company and election of new members.
8. Concerning recalling of an independent member of the Audit Committee of the Company and approval of the new member.
9. Concerning separation of the Laboratory of the Company.
10. Concerning separation of the Transport Unit.
11. Concerning centralisation of accounting services.
12. Other issues.

21 March 2011. Žemaitijos Pienas AB. Notice of Material Event
The Board of Žemaitijos Pienas AB decided to submit draft decisions to the general meeting of shareholders for consideration.
The Board of Žemaitijos Pienas AB decided to submit draft decisions to the general meeting of shareholders for consideration:
1. Hear the Annual Report of the Company.
2. Hear the Audit Opinion on the Annual Financial Statements and Annual Report of the Company.
3. Approve the Annual Financial Statements of the Company for 2010.
4. Approve the allocation of profit/loss of the Company for 2010:
- as of the beginning of the financial year, retained profit/loss was LTL 37,872 thousands (EUR 10,968 thousands);
- net profit/loss for the financial year: LTL 18,582 thousands (EUR 5,382 thousands);
- transfers from reserves;
- shareholders‘ contributions towards losses of the Company (if the shareholders have resolves to pay the losses in part or in full);
- retained profit/loss totalling LTL 56,454 thousands (EUR 16,350 thousands);
- profit allocation to the statutory reserve;
- profit allocation to the reserve for acquisition of own shares LTL 5,000,000 (EUR 1,448 thousands)
- profit allocation to other reserves;
- profit allocation to dividend;
- profit allocation to tantiemes to members of the Board and the Supervisory Council, bonuses to employees and other purposes;
- retained profit/loss at the end of financial year brought forward to next financial year: LTL 51,454 thousands (EUR 14,902 thousands).
5. In the process of allocation of profit for 2009 and 2010, a reserve of LTL 15 million (EUR 4.34 million) was formed for acquisition of own shares.
The following terms of own share acquisition have been set:
- purpose of share purchase – maintain and increase the price for the Company‘s shares;
- shares accounting for up to 10% of the Company‘s share capital can be purchased, i. e. up to 4, 837,500 shares;
- time limit for the acquisition of own shares by the Company – within 18 months from the date of adoption of the decision;
- set the maximum share acquisition price at LTL 3 and the minimum share acquisition price at LTL 1, i. e. equal to the share par value;

- grant the Board the right to establish, according to the provisions of this resolution and the Republic of Lithuania Law on Companies, the more detailed procedures for the acquisition of own shares based on the criteria for the share acquisition set in the shareholders' decision as well as other circumstances. This decision also authorises the Board to take other actions related to the purchase of own shares.
6. Amend the Articles of Association and set them out as follows:
"7.42. The Board shall elect and recall the Head of the Company. The Company shall approve of the candidates to the positions of the Deputy Heads proposed by the Head of the Company as well as the candidates to the positions to which employees are recruited on competition basis.
7.42.1. The Board shall elect, for the term equal to the term of the Board's office, the Production Director, the Sales Director, the Finance Director, the Logistics Director, and the Human Resources And Law Director of the Company."
7. Concerning recalling of members of the Supervisory Council and the Board and election of new members:
7.1. It is proposed that the Supervisory Council or individual members thereof should be recalled including Romusas Jarulaitis, Artūras Kanapienis and Robertas Pažemeckas, and to propose new members: Romusas Jarulaitis, Robertas Pažemeckas;
7.2. It is proposed that members of the Board are recalled and the newly elected Supervisory Council are charged with the responsibility for electing and approving new members of the Board.
8. Concerning recalling of an independent member of the Audit Committee of the Company and approval of the new member:
8.1. Recall the independent member of the Audit Committee Sigitas Ertmanas and members of the Audit Committee Viktorija Kungytė and Asta Šliogerienė and propose new members of the Audit Committee as the independent member and new members of the Audit Committee.
9. Charge the Board of the Company with the responsibility for implementing the terms and conditions of the separation of the Laboratory.
10. Charge the Board of the Company with the responsibility for implementing the terms and conditions of the separation of the Transport Unit.
11. Provision of centralised accounting services.
12. Other issues

10 April 2011. Žemaitijos Pienas AB. Notice of Material Event
Decisions adopted by the general meeting of shareholders of Žemaitijos Pienas AB.
The general meeting of shareholders of Žemaitijos Pienas AB held on 8 April 2011 adopted the following decisions:
1. ISSUE ON THE AGENDA: Annual Report of the Company for 2010.
The meeting heard the Annual Report of the Company for 2010.
2. ISSUE ON THE AGENDA: The meeting heard the Audit Opinion on the Annual Financial Statements and Annual Report of the Company for 2010.

3. ISSUE ON THE AGENDA: Approval of the Annual Financial Statements of the Company for 2010.
Decided: To approve the Annual Financial Statements of the Company for 2010.
4. ISSUE ON THE AGENDA: Allocation of the profit/loss of the Company for 2010.
Decided: To approve the following allocation of the profit/loss of the Company for 2010:
1) Retained profit/loss as of the beginning of financial year is LTL 37,872 thousands (EUR 10,968 thousands);
2) net financial profit/loss of the financial year LTL 18,582 thousands (EUR 5,382 thousands);
3) **retained profit/loss totals LTL** 56,454 thousands (EUR 16,350 thousands);

4) profit allocation to the reserve for purchase of own shares LTL 5,000 thousands (EUR 1,448 thousands);
5) profit allocation to dividend LTL 2,500 thousands (EUR 724 thousands) (LTL 0.051 or EUR 0.014 per share);
6) profit allocation to tantiemes to members of the Board and the Supervisory Council LTL 1,500 thousands (EUR 434 thousands);
7) profit allocation to bonuses for employees and other purposes LTL 1,500 thousands (EUR 434 thousands);
8) retained profit/loss at the end of financial year brought forward to next financial year: LTL 45,954 thousands (EUR 13,310 thousands);
During the process of allocation of the 2009 profit in 2010, LTL 3 million were allotted to tantiemes. Under the law, the Company could allot not more than 20% of the net accounting year profit to tantiemes; the unpaid difference was transferred back to retained profit.
5. ISSUE ON THE AGENDA: Concerning purchase of own shares and formation of a reserve for this purpose.
Decided:
5.1. In the process of allocation of profit for 2009 and 2010, a reserve of LTL 15 million (EUR 4.34 million) was formed for acquisition of own shares.
5.2. The following terms of acquisition of own shares were set:
1) purpose of share purchase – maintain and increase the price for the Company's shares;
2) shares accounting for up to 10% of the Company's share capital can be purchased, i. e. up to 4, 837,500 shares;
3) time limit for the acquisition of own shares by the Company – within 18 months from the date of adoption of the decision;
4) set the maximum share acquisition price at LTL 3 and the minimum share acquisition price at LTL 1, i. e. equal to the share par value;
5) grant the Board the right to establish, according to the provisions of this resolution and the Republic of Lithuania Law on Companies, the more detailed procedures for the acquisition of own shares based on the criteria for the share acquisition set in the shareholders' decision as well as other circumstances. This decision also authorises the Board to take other actions related to the purchase of own shares.
6. ISSUE ON THE AGENDA: Concerning amendments/additions to the Articles of Association.
Decided: Approve the following amendments to the Articles of Association, with the following final wording:
"7.42. The Board shall elect and recall the Head of the Company. The Company shall approve of the candidates to the positions of the Deputy Heads proposed by the Head of the Company as well as the candidates to the positions to which employees are recruited on competition basis.
7.42.1. The Board shall elect, for the term equal to the term of the Board's office, the Production Director, the Sales Director, the Finance Director, the Logistics Director, and the Human Resources And Law Director of the Company."

7. ISSUE ON THE AGENDA: Concerning recalling of members of the Supervisory Council and the Board and election of new members.
Decided:
7. Concerning recalling of members of the Supervisory Council and the Board and election of new members:
7.1. Recall the Supervisory Council or individual members thereof and elect new members for the term of office of four years: Algirdas Bladžinauskas, Romusas Jarulaitis, and Robertas Pažemeckas.

7.2. Obligate the newly elected Supervisory Council to recall members of the Board and elect new members of the Board.

8. ISSUE ON THE AGENDA: Concerning recalling of an independent member of the Audit Committee of the Company and approval of the new member.
Decided:
Recall the independent member of the Audit Committee Sigitas Ertmanas and elect **Angelė Taraškevičienė** as the independent member of the Audit Committee. Charge the Board with the responsibility for setting the rate of remuneration of work to the independent member of the Audit Committee. Authorise the Head of the Company to conclude an agreement with the independent member of the Audit Committee. Elect Viktorija Kungytė and Asta Šliogerienė as members of the Audit Committee.

9. ISSUE ON THE AGENDA: Separation of the Transport Unit, with the Board being charged with the responsibility for implementing the terms and conditions of the separation of the Transport Unit as well as other related terms.
Approve the separation of the Laboratory, with the Board being charged with the responsibility for implementing the terms and conditions of the separation of the Laboratory as well as other related terms.
10. ISSUE ON THE AGENDA: Separation of the Transport Unit, with the Board being charged with the responsibility for implementing the terms and conditions of the separation of the Transport Unit as well as other related terms.
Approve the separation of the Transport Unit, with the Board being charged with the responsibility for implementing the terms and conditions of the separation of the Transport Unit as well as other related terms. Prepare a project on the phased separation of the Transport Unit.

11. ISSUE ON THE AGENDA: Provision of centralised accounting services.
Approve the centralisation of provision of accounting services, with the Board being charged with the responsibility for implementing the terms and conditions of centralised provision of accounting services.

12 April 2011 Annual information for 2010
The annual information on Žemaitijos Pienas AB for 2010 is appended (see Annex).

28 April 2011. Žemaitijos Pienas AB. Notice of Material Event
Decision by the meeting of the Supervisory Council of Žemaitijos Pienas AB
1. On 28 April 2011, the Supervisory Council of Žemaitijos Pienas AB elected Romusas Jarulaitis as its Chairman.
2. The Board of the Company is recalled from 1 May 2011, with the following new members of the Board appointed: Marius Dromantas, Asta Gaubienė, Algirdas Pažemeckas, Vygantas Sliesoraitis and Alvydas Žabolis.
3. An agreement on activities for the Company is to be concluded with the members of the Board. R. Jarulaitis is authorised to sign the agreement.

30 May 2011 Interim information on Žemaitijos Pienas AB
Estimated operating result of Žemaitijos Pienas AB for 3 months of 2011.
Unaudited consolidated sales income of the Company for QI 2011 is LTL 116.2 million (EUR 33.65 million); compared with the same period of 2010, sales income increased 26.31%. Unaudited

consolidated net profit of the Company for QI 2011 is LTL 1.1 million (EUR 0.32 million); profit in QI of 2010: LTL 0.13 million (EUR 0.04 million).
Unaudited consolidated interim financial statements of Žemaitijos Pienas AB Group for three months of 2011 together with the management‘s confirmation are presented in the attached files.

31 May 2011 Notices of Žemaitijos Pienas AB‘ related party transactions
Notice of related party transactions
Notice of a transaction of a person – related party to the Company‘s management – concerning the Issuer‘s securities.

27 June 2011 Notice of Žemaitijos Pienas AB‘ related party transactions
Notice of related party transactions concerning the Issuer‘s securities.
Notice of a transaction of management or a person – related party to the Company‘s management – concerning the Issuer‘s securities.

11 July 2011 Notice of securities transactions
Notice of a transaction of management or a person – related party to the Company‘s management – concerning the Issuer‘s securities.

10 August 2011 Notice of transaction related to the Issuer's securities
Notice of a transaction of management or a person – related party to the Company‘s management – concerning the Issuer‘s securities.

12 August 2011 Notice of transaction related to the Issuer's securities
Notice of a transaction of management or a person – related party to the Company‘s management – concerning the Issuer‘s securities.

17 August 2011 Notice of acquisition of own shares
1. The Board has resolved, pursuant to decision of the general meeting of shareholders of Žemaitijos Pienas AB of 8 April 2011 “On Setting of the Terms and Conditions of Own Shares“ and based on authorisations granted to the Board, to:
1.1. Purchase up to 2.1%, i. e. up to 1,000,000 (one million) ordinary registered shares of Žemaitijos Pienas AB of LTL 1 (one) par value;
1.2. Set the price for the acquisition of own shares: LTL 1.80 (one Litas and 80 cents) per ordinary registered share of Žemaitijos Pienas AB;
1.3. Set the term for the acquisition of own shares: 30 (thirty) days. The share purchase period is from 22 August 2011 until 20 September 2011.
1.4. The shares are to be bought on NASDAQ OMX Vilnius though a public offering.
1.5. To implement the public offering through Šiaulių Bankas AB, which is responsible for the keeping of accounting of the securities issued by the Company.

24 August 2011 Concerning extraordinary meeting of shareholders of Žemaitijos Pienas AB
An annual meeting of shareholders of Žemaitijos Pienas AB is convened, on the initiative and by decision of the Board of Žemaitijos Pienas AB, at 3 p.m. on 23 September 2011, business ID of the company 300041701, registered office address Sedos g. 35, Telšiai.

Agenda of the meeting:
1. Selection of an audit company and setting of terms of payment for audit services.
2. Other issues

30 August 2011 Financial statements of Žemaitijos Pienas AB for 6 months of 2011
Results of Žemaitijos Pienas AB Group for 1st half-year of 2011.
Estimated unaudited consolidated sales of Žemaitijos Pienas AB Group in the 1st half-year of 2011 amount to LTL 247.6 million (EUR 71.7) (+26.5% compared with same period of past year).
Estimated unaudited consolidated result of Žemaitijos Pienas AB Group for the six months of 2011is net profit of LTL 2.5 million (EUR 0.72).

30 August 2011 Concerning resignation from the Board
The Board of Žemaitijos Pienas AB satisfied the resignation request of Asta Gaubienė, member of the Board, and resolved to dismiss her from the position of the member of the Board from 1 September 2011.

6 September 2011 Concerning audit services
The Board of Žemaitijos Pienas AB proposes that an agreement for audit services is concluded with Nepriklausomas Auditas UAB, which will conduct an audit of the consolidated financial statements of the Company for 2011.

12 September 2011 Notice of securities transactions
Notice of a transaction of management or a person – related party to the Company‘s management – concerning the Issuer‘s securities.

16 September 2011 Notice of securities transactions
Notice of a transaction of management or a person – related party to the Company‘s management – concerning the Issuer‘s securities.

19 October 2011 Concerning appointment of a member of the Board
After resignation of the Board member Asta Gaubienė on 1 September 2011, the Supervisory Council appointed Arūnas Šikšta as a member of the Board from 19 October 2011.

29 November 2011 Estimated results of Žemaitijos Pienas AB Group for 9 months of 2011.
Estimated unaudited consolidated sales of Žemaitijos Pienas AB Group for the 9 months of 2011 amount to LTL 372.5 million (EUR 107.9) (+18.2% compared with same period of past year).

Estimated unaudited consolidated result of Žemaitijos Pienas AB Group for the 9 months of 2011 is net profit of LTL 4.2 million (EUR 1.2).

None other important events took place during the period since the end of financial year till declaration of consolidated annual report of 2009.

Žemaitijos Pienas AB informed the Securities Commission of the Republic of Lithuania and the Vilnius Securities Exchange (NASDAQ OMX Vilnius) about all the material events pursuant to the provisions of the Articles of Association of the Company and the Lithuanian legal acts. The notices were published in the central database of the regulatory information and the Company‘s website www.zpienas.lt. Notices of the meetings of shareholders were additionally published in Valstiečių

Laikraštis daily. Information about related party transactions was published in the websites of the Vilnius Securities Exchange and the Securities Commission of the Republic of Lithuania.

III. OTHER INFORMATION

33. Important events that took place since the end of the financial year

28-02-2012 – preliminary not audited results of activity of JSC "Žemaitijos pienas" group of 2011.

Consolidated not audited turnover of JSC "Žemaitijos pienas" group of 2011 amounts to 494,4 millions Lt (143,2 millions EUR). In comparison to year 2010, the turnover has increased for 14 %.

Not audited net profit of JSC "Žemaitijos pienas" group of 2011 amounts to 2 % of the turnover.

34. Auditing data

On 31st of December, 2011, UAB "Nepriklausomas auditas" has performed the audit on consolidated statement of financial position of the past year and the relating consolidated reports on statements of comprehensive income, of cash flows and modified owned capital. Finding of auditor was signed on 15 of March 2012.

Additional information that should be disclosed after legislation that regulate activities of the enterprise, legal acts and statute of the Company, but which wasn't disclosed by annual report and annual financial reports, is absent.

I. INFORMATION ON APPROACH OF THE CORPORATE GOVERNANCE CODEX

Report of JSC "ŽEMAITIJOS PIENAS" on following Corporate Governance Codex by the Companies listed by Vilnius Stock Exchange

JSC "ŽEMAITIJOS PIENAS" on the ground of part 3, article 21 of Stock Law of the Republic of Lithuania and clause 24.5 of the Listing Rules of NASDAQ OMX Vilnius here submits information on following Corporate Governance Codex of the listing Companies and its actual provisions. If the Codex and any provisions of it aren't followed, the Company points out, which actual provisions aren't followed and by what reasons.

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT RELEVANT/	COMMENT
Principle I: General provisions **Main intention of the Company is meant to be appeasement of interests of the shareholders in order to warrant permanent growth of their property value.**		
1.1. The Company should prepare and declare publicly strategy and the aims of development of the Company by pointing out clearly, how it plans to dispose the interests of the shareholders and increase property of the shareholders.	Yes	The Company declares strategy and the aims of the Company by annual and mediate quarterly reports of activities of the Company.
1.2. Actions of all regulatory bodies should be concentrated to the development of the strategic aims with respect to the demand to increase property of the shareholders.	Yes	The Company is guided by strategic plan of the Company, in accordance to which working must be profitable; technically modern enterprise should be created and strengthened in order to increase property of the shareholders.
1.3. All regulatory and supervisory bodies of the Company should collaborate closely in order to achieve the most benefit of the shareholders.	Yes	Council of the beholders, the Board and Chief-executive of the Company collaborate closely as for the aim to achieve the most benefit of the shareholders.
1.4. Regulatory and supervisory bodies of the Company should warrant that the rights and interests are respected, not only of the shareholders of the Company, but also of other persons that participate in the actions of the Company or are concerned with it, namely, the employees, creditors, suppliers, clients and local community.	Yes	Regulatory and supervisory bodies of the Company warrant that the rights and duties of the shareholders and employees of the Company as well as of suppliers of raw materials. The possibility is given to employees to raise their qualification at training courses and seminars that take place in Lithuania and in foreign countries; various privileges are given to milk producers. Considerable part of the employees and the producers of milk are shareholders of the Company.
Principle II: Management system of the Company **Management system of the Company should warrant strategic management of the Company, effective supervision of regulatory bodies of the Company, relevant balance and sharing of the functions regulatory bodies of the Company and protection of shareholders' interests.**		
2.1. Beyond mandatory bodies as General meeting of the shareholders and Chief-executive of the Company that are provided by Law on Joint Stock Companies of the Republic of Lithuania, the advise is to form collegial supervisory body as well as collegial managing body. Creation of collegial supervisory and managing bodies of the Company warrants clear detachment of supervision and management functions, accountability and control of Chief-executive of the Company; in turn this postulates more effective and transparent Company's management process.	Yes	Regulatory bodies of the Company are the following: General meeting of shareholders, Audit Committee, Council of beholders, the Board and Chief-executive of the Company.
2.2. Collegial management body is amenable for strategic guiding of the activities of the Company; it performs other general Company's management functions. Collegial management body is amenable for effective	Yes	These functions that are provided by advice are performed by collegial supervisory and management bodies of the Company, namely – Council of the beholders and the Board of the

supervision of actions of regulatory bodies of the Company.		Company.
2.3. It is advised that in case, when the Company forms single collegial body, it should be supervisory body, i.e. Council of the beholders. In this case, Council of the beholders is amenable for effective supervision of functions as performed by Chief-executive of the Company.	Not relevant	Both Council of the beholders and the Board are formed by the Company.
2.4. Collegial supervisory body that is elected by General meeting of the shareholders should be formed as acting after the order provided by III and IV principles. If the Company decides not to form collegial supervisory body, but form collegial supervisory body – the Board, then principles III and IV should be applied to the Board to such extent, which don't contradict with nature and purpose of the said body.[1]	Yes	Two collegial bodies are formed by the Company – Council of beholders and the Board of the Company. Provisions of principles III and IV are applied to them.
2.5. Management and supervision bodies of the Company should be formed of such number of the members of the Board (Managing directors) and of Council of beholders (Consulting directors) that several persons couldn't dominate these bodies, while taking the decisions[2]	Yes	Council of the beholders of the Company is of 3 (three) members. Board of the Company is of 5 (five) members. The Company holds on opinion that such number of the members of the Board should be meant as sufficient.
2.6. Consulting directors and the members of Council of the beholders should be appointed for the definite period and have the possibility to be individually re-elected at maximal intervals that allowed by legal acts of the Republic of Lithuania, as with the aim to warrant necessary growth of professional experience and sufficiently frequent re-approval of their status. Also the possibility should be provided to dismiss them, but the dismissing procedure should not be easier then dismissing of Managing director or the member of the Board.	Yes	According to statute of the Company, the Board and Council of the beholders of the Company are elected for 4 (four) years. The number of the tenures is not limited. Dismissing or retirement of the members of the Board or Council of the beholders of the Company is regulated by legislation of the Republic of Lithuania.
2.7. The Chairman of the collegial body that is elected by General meeting of the shareholders should become such person, whose previous or present office is not the barrier for performing supervision functions independently and impartially. When Council of the beholders is not formed by the Company, but the Board, then it is advised that the same person doesn't function as Chairman of the Board and as Chief-executive of the Company. Previous chief-executive shouldn't be appointed to the Chairman's post of the collegial body that is elected by General meeting of the shareholders immediately. When the Company decides not to follow these recommendations, the information should be provided regarding means that are taken in order to warrant impartiality of the supervision.	No	The Company doesn't follow recommendation provided by clause 2.7, because the Chairman of the Board and General Director is the same person. The impartiality of the supervision is warranted by other four members of the Board.

[1] The provisions of the principles III and IV are preferably applied to these cases, when General meeting of the shareholders elects Council of the beholders, i.e. the body, which is generally formed in order to warrant supervision of the Board and Chief-executive of the Company as well as to represent the shareholders. Nevertheless, when Council of the beholders is not formed by the Company, but the Board, various recommendations as provided by principles III and IV become actually applied to the Board. However, it should be noticed that any recommendations that by their own nature and spirit are concerned with Council of the beholders exceptionally (for example, making the committees), should not be applied to the Board, because the aim and functions of this body, as after the Law on Joint Stock Companies (Žin., 2003, № 123-5574) are different. For example, clause 3.1 of the code regarding supervision of regulatory bodies, should be applied to the Board insofar, as it concerns with supervision of chief-executive of the Company, but not of the Board; clause 4.1 of the code regarding submission of recommendations to regulatory bodies is applicable insofar, as it concerned with recommendations that should be provided to chief executive; clause 4.6 of the code regarding independence of collegial body that is elected by General meeting of the shareholders, with respect to regulatory bodies of the Company is applicable insofar, as it concerned with independence with respect to chief-executive of the Company.

[2] *Concepts of Managing Director and Consultant Director* are used in cases, when the Company form single collegial body.

Principle III: Order of forming collegial body as elected by General meeting of the shareholders. **The order of forming collegial body as elected by General meeting should warrant representing the interests of minor shareholders as well as accountability of the mentioned body to the shareholders and impersonal supervision of activities of the Company together with regulatory bodies[3].**		
3.1. Formation mechanism of collegial body (hereinafter with this principal – collegial body) as elected by General meeting of the shareholders should warrant impersonal and impartial supervision of regulatory bodies of the Company and relevant representing of the interests of minor shareholders.	Yes	As collegial supervisory body of the Company is meant to be Council of the beholders that is elected by General meeting of the shareholders. The Company discloses the information concerning candidates to collegial body of the Company. The right of representing interests of minor shareholders is not restricted; they are able to delegate their representative to collegial body.
1.2. The names, surnames, information concerning background, qualification, professional experience, other important professional liabilities and potential conflicts of the interests of the candidates to collegial body should be disclosed to the shareholders just before General Meeting by leaving sufficient time to the shareholder for taking decision as for what candidate should he vote. Moreover, all circumstances should be disclosed that might affect independence of the candidate (standard list of those is provided by 3.7 recommendation). The collegial body should be informed on later alterations of the information provided by this clause. Collegial body should collect data concerned with its members as provided by this clause yearly and submit them in annual report of the Company.	Yes	Information concerning members of the collegial supervisory body (names, surnames, information concerning background, qualification, professional experience, participation in the actions of other enterprises as well as other professional liabilities) is presented in annual report.
1.3. When the offer is to appoint the member of the collegial body, his actual scope should be pointed out that directly concerns working in the collegial body. For the shareholders and the investors might assess, whether this scope is relevant in future, collegial body should declare information about itself .i.e. consistence actual scope of several members, that concerned with working in collegial body, by each annual report of the Company.	Yes	Before prospective election of the members of Council of the Board information concerning candidates is provided together with material of the meeting.
1.4. In order to maintain balance of the qualification that is tenable by the members of the collegial body, the consistence of the collegial body should be appointed in accordance with structure and character of activities of the Company and should be periodically assessed. The collegial body should warrant that its members as a whole have many-sided knowledge, opinions and skills for exercising the tasks. Members of the Audit committee as a whole should have modern knowledge and relevant qualification in the field of finances accounting and (or) auditing of the listed Companies. At least one of the members of wages committee should have knowledge and skills in the field of estimating the wages.	Yes	The members of collegial bodies of the Company have long-lived experience of management of the companies, many-sided knowledge and the skills for exercising the tasks.

[3] Attention should be paid to the case that, if the collegial body as elected by Meeting of the shareholders is meant to be the Board, it should warrant supervision not for all regulatory bodies of the Company, but only for one-man regulatory body, i.e. Chief-executive of the Company. Comment is also applicable to clause 3.1.

1.5. For all new members of the collegial body individual programme should be offered in order to get information about the office, organization and activities of the Company. The collegial body should perform annual inspection for setting the fields, were knowledge and skills of the members should be renewed.	Yes	New members of the Board of the Company are informed on their office, organization and activities of the Company during meeting of the Board as well as individually, according to demand.
1.6. With the aim to warrant that all general conflicts of the interests concerned with the member of collegial body should be solved properly, sufficient[4] number of independent[5] members should be elected to collegial body of the Company.	No	Notwithstanding that the main shareholder has the majority of vote at the meeting of shareholders and other shareholders have less than 10 percent of vote, the board of Žemaitijos pienas constitutes 3 dependent and 2 independent board members, who ensure due settlement of conflicts of interests.
1.7. The member of the collegial body should be meant as independent only in such cases, when he is not bound by any business, relationship or other intercourse with the Company, with controlling shareholder or his administration, with respect to which conflict of the interests arise or might arise and which might influence the opinion of the member. Because it is impossible to list all cases, when the member of collegial body becomes dependent, moreover, because the relations and circumstances that concern with assessment of independence might vary in several Companies and the best practise of solution of that problem shall originate by time, then assessment of independence of the member of collegial body should be grounded by content, but not the form of the relations and circumstances. Main criterions, with the help of which might be stated, whether the member of the collegial body is meant as independent, are the following: 1) he cannot take the position of Managing director of the Company or relative Company or function as the member of the Board (if General meeting of the shareholders has elected collegial body as Council of the beholders) and didn't take such position for recent five years; 2) he cannot work as employee of the Company or relative Company and for recent three years didn't take such position, except of cases, when the member of the collegial body doesn't belong to supreme authority and was elected to collegial body as representative of the employees; 3) he cannot receive or didn't receive significant additional wage of the Company or relative Company, except of the wage for labouring as the member of the collegial body. As such additional wage is meant	No	With reference to recommendations, currently the board constitutes 2 members, who meet the criteria of an independent member of collegial body. 1 member of the board is the main shareholder; other 2 members of the board as well as 3 members of supervisory board are the employees of the main shareholder representing the interests of the main shareholder.

[4] Actual numbers of independent members of the collegial body is not stated by the Codex. Particular number (for example, not less then 1/3 or ½ or the members of the collegial body) of independent members that have collegial body is stated by many codes of the foreign states. Nevertheless, with respect to novelty of category of independent members in Lithuania and to delicacy of selection and election of independent members, more flexible formula is consolidated by Codex as letting the Companies to decide themselves, which number of independent members is meant as sufficient. Better number of independent members in the collegial body must be stimulated without doubt and latter it should be meant as preferable Companies' management example.

[5] It should be noticed that in some Companies by reason of minimal number of minor shareholders the election of members of the collegial body might influence the votes of grand shareholder or some grand shareholders. Nevertheless, the member of the collegial body although he is elected by Company's main shareholders might be meant as independent, if he conforms to criterions of independence stated by the Codex.

also participation in transactions of choice of the shares or in other systems of the wage that depend on results of activities; allowances for previous working at the Company (including suspended compensations) as estimated according to the pensions' plan are not ascribed to them provided that such allowance by no means is concerned with further taken position); 4) he shouldn't be meant as controlling shareholder or shouldn't represent such shareholder (the control is stated according to part 1 of the Directive 83/49/EEC of the Council). 5) he can't have or didn't have during last year important business relations with the Company or with related Company directly or as the partner, shareholder, director or leading employee of the subject that have such relations. As having business relations is meant such subject that is important supplier of the goods or supplier of the services (including financial, legal, advisory and consulting services) as well as important client or organization that receives important payments of the Company or of its group; 6) he doesn't be meant as employee or the partner of previous or current outer auditing undertaking of the Company or related Company and wasn't meant as such during last three years; 7) he can't take the position of Managing director or the member of the Board of other Company, where the Managing director or the member of the Board (if collegial body as elected by General meeting of the shareholders – Council of the beholders) is the Consulting director of the member of Council of the beholders, also he can't maintain other important relationship with Managing directors of the Company, that appear by participation of them in actions of other Companies or the Bodies. 8) he must not be appointed as member of the collegial body more then for 12years; 9) he must not be meant as family member of Managing director or of the member of the Board (if collegial body as elected by General meeting of the shareholders – Council of the beholders) or intimate family member of the persons that are provided by clauses 1-8. As intimate family member is meant the spouse (cohabitant), children and parents.		
1.8. The content of independence definition is generally being established by collegial body itself. Collegial body is able to decide that the given member albeit conforms to all independence criterions that are stated by the Codex, nevertheless shouldn't be meant as independent with respect to particular personal or Company related conditions.		The Company didn't find additional criterions concerning independence of the members of collegial body.

3.9. The required information concerning conclusions should be disclosed that were used by collegial body, while it has explained, whether particular member could be meant as independent. When the appointment of the member of collegial body is offered, the Company must declare, whether it means him being independent. When actual member of collegial body does not conform to any of independence criterions provided by Codex, the Company should declare the reasons, why the member, by its opinion, should be meant as independent. Moreover, the Company should declare by each annual report, which members of collegial body it means being independent.	No	Members of Council of the beholders of the Company do not conform to independence criterions as provided by the Codex. In the board of the company 2 out of 5 members are independent members of the board. The company regularly indicates the same in its periodical reports.
3.10.If any or some criterions of assessing independence as provided by Codex were not respected for years, the Company should declare reasons, why actual member of collegial body is meant being independent. In order to warrant accuracy of the information as submitted for showing independence of the members of collegial body, the Company should request independent members to approve their independence regularly.	No	The Company had no possibilities to develop independence of the members of Council of the beholder. In the board of the company 2 out of 5 members are independent members of the board. The company regularly indicates the same in its periodical reports.
3.11.Independent members of collegial body might be remunerated for labouring and participation at meetings of collegial body by means[6] of the Company. The amount of such remuneration should be approved by General meeting of the shareholders.	No	The money isn't paid for members of Council of the beholders and of the Board for being occupied at Council or at Board (nevertheless, such possibility is provided by Company's statute).
Principle IV: Duties and amenability of collegial body elected by General meeting of the shareholders **Company management system should warrant that collegial body as elected by General meeting of the shareholders is functioning properly and effectively; the rights that are given to it should warrant effective supervision of regulatory bodies[2] of the Company as well as safety of interests of the shareholders.**		
4.1. Collegial body as selected by General meeting of the shareholders (hereinafter with the principle – collegial body) should warrant integrity and transparency of financial recording and control system of the Company. Collegial body shall regularly provide recommendations for regulatory bodies of the Company as well as supervise and control their actions on Company management.	Yes	The Board of the Company approves conclusions and offers regarding annual financial accountability of the Company, project of allocation of the profit and annual report of the Company; it considers the results of activities of the Company during the year and submits them to General meeting of the shareholders. The Board of the Company also performs other functions that are attached to it.

[6] It should be noticed that currently evidence is absent, by which form the members of Council of the beholders and (or) of the Board should be remunerated for their labour under the bodies. The Law on Joint Stock Companies (Žin., 2003, № 123-5574) settles that, as provided by order of the Article 59, profit sharing should be paid to the members for their labour at Council of the beholders and at the Board, i.e. the members are paid by means of the profit. This formula is meant different from the version of the same Law as being in effect until 1st of January of 2004; it doesn't state that the members of Council of the beholders or of Board should be remunerated by profit sharing only. Therefore, the law doesn't intercept possibility to pay for labour of members of Council of the beholders or the Board not only by profit sharing, but also in other way, nevertheless such possibility is not consolidated by the Law clearly.

[7] See Footnote № 3; [8] See Footnote № 3. If collegial body as elected by General meeting of the shareholders is the Board, the recommendations should provided to one-man regulatory body, i.e. Chief-executive of the Company.

4.2. The members of collegial body should act fairly, thoughtfully and responsibly as on behalf of the Company and the interests of the shareholders by taking into consideration interests of the employees and wealth of community also. Independent members of collegial body should: a) retain independence of their analysis, actions and taking decisions; b) shouldn't strive any groundless privileges or accept them as they might discredit their independence; c) express their disagreement clearly in cases, if they suppose that the decision of collegial body should affect Company. If the collegial body has taken decisions that are doubtful for the independent member, in such cases the member should draw the conclusions. If independent member is retired, his retirement reasons should be explained by the letter submitted to collegial body or to Audit committee and, if necessary, to relevant body as irrespective to the Company.	Yes	The members of Council of the beholders of the Company and of the Board in pursuance of their duties are guided by interests of the Company. Cases as being the ground for considering opposite are absent.
4.3. Each member should mean for sufficient time and attention for exercising the duties of the member of collegial body. Each member of collegial body should undertake liability to limit his other professional undertakings (particularly functions of the director of other Company) in order they shouldn't prevent proper serving the duties of the member of collegial body. If the member of collegial body during financial year of the Company has attended less then half[9] sessions of the collegial body, such fact should become known to the shareholders.	Yes	The members of collegial body properly serve functions allocated to them: actively participate at meetings of collegial body and mean the sufficient time for performance of their duties as of members of collegial body. All sessions of collegial bodies have formed the quorums as possibility to take decisions constructively.
4.4. In case when the decisions of collegial body might differently influence the shareholders of the Company, the collegial body should deal fairly and impartially with all shareholders. It should warrant the shareholders' receiving information on matters, strategy and risk management of the Company as well as on solving the questions regarding conflicts of the interests. The role of the members of collegial body of the Company should be provided clearly as for communication with the shareholders and liabilities on their behalf.	Yes	The conflicts between the shareholders and members of collegial body are absent. The shareholders are informed on matters of the Company by order as provided by the Law, i.e. by Law on Joint Stock Companies and statute of the Company.
4.5. It is recommended, that the transactions (except of negligible as of insignificant value or transacted under standard conditions in pursuance regular actions of the Company) between the Company and its shareholders, members of supervisory or management bodies or other natural or juridical persons that influence or might influence management of the Company, are approved by collegial body. Decision concerning approval of these transactions should be meant as taken only in case, if majority of the members of collegial body positively vote such decision.	Yes	The transactions are made by regulatory bodies of the Company under provisions of the statute of the Company.

[9] It should be noted that the mentioned request might be tightened by the Company by stating, that the shareholders should be informed on the members, who unsatisfactory attend sessions of collegial body (for example, in case, when the member has participated in less then 2/3 or ¾ of the sessions). Such means for making active participation at sessions of collegial body should be stimulated as they show more progressive example of management of the Companies.

4.6. Collegial body, while taking decisions that have meaning for activities and strategy of the Company should be independent. Inter alia, collegial body should be independent with respect to regulatory bodies of the Company[10]. Persons that have elected the members of collegial body should not influence the labour of them. The Company should warrant the collegial body and its committees having sufficient resources (including financial) that required for accomplishment of their duties, including right to receive respective information, particularly of the employees; also the right to apply to outer legal, reporting or other specialists for independent professional advice on questions that depend to ability of collegial body or the committee. By using services of mentioned consultants and specialists for receiving information concerning market standards on systems for setting the wages, the wages committees should assure that the same consultant doesn't provide the same services to the department of human recourses of the related Company or to the members of management or regulatory body at the same time.	No	The members of Council of the beholders and the Board are people working at the Company, and by this reason they are not independent with respect to regulatory bodies of the Company. Council of the beholders and the Board of the Company, while taking decisions, represent interests of the shareholders of the Company.
4.7. Actions of collegial body should be organized in such way, that independent members of collegial body should maintain great influence within the fields being particularly important, where possibility of conflicts of the interests is extremely presumable. These fields are meant to be questions concerned with appointments of the directors of the Company, setting the wage for directors of the Company and with monitoring and assessment of audit of the Company. Therefore in case, when mentioned questions are related to ability of collegial body, it is recommended such body to form appointment, wages and audit committees[11]. The Companies should warrant that functions related to committees of appointment, wages and auditing are fulfilled; nevertheless, the Companies are able to integrate them by creating less then three committees. In this case the Company should explain in details, why did they take alternative approach and by what means the selected approach conforms to objectives stated for three separate committees. In such Companies, collegial body of which has few members, collegial body itself might fulfil functions provided for three separate committees, if it conforms to requirements of consistence provided to committees and if discloses information regarding the question. In this case the provisions of the codex, concerned with committees of collegial body (particularly concerning their role, actions and transparency) should be applied (if suit) to whole collegial body.	Yes/No	The committees for Appointment and Wages that are provided by recommendations 4.12-4.13 are not formed, because, in opinion of the Company, the Board in pursuance its functions partly fulfils functions of Appointment and Wages committees indicated above. During extraordinary General meeting of the shareholders that rook place on 18th of August, 2009, on the ground of provisions of Audit Law of the Republic of Lithuania and requirements stated by resolution № 1K-18 of Stock Trading Commission, Audit committee has been formed together with approving the members of the committee, with one as independent among them, as well as the Committee's working rules. The members of the audit committee including one independent member were newly approved at the meeting of shareholders that was held on 8 April 2011.

[10] In case when collegial body as elected by General meeting of the shareholders is the Board, the recommendation regarding its independence with respect to regulatory bodies of the Company is applicable insofar, as it concerned with independence in relation with Chief-executive of the Company.

[11] Audit Law of the Republic of Lithuania (Žin., 2008, № 82-3233) settles the provision that the companies of public interest (including, but not limited, Joint Stock Companies that stocks are tradable in the market of Republic of Lithuania and (or) in market as regulated by any other member State, should form Audit Committee.

such aim, audit committee should act as main instance for maintaining relations with inner and outer auditors. 4.14.5. Audit committee should be informed on working programme of inner auditors; it should periodically receive inner auditing reports and summaries. Audit committee also should be informed on working programme of outer auditors; it should receive the report of audit undertaking, in which all relations between independent audit undertaking and the Company and its group should be described. The committee should receive the information in time concerning all auditing questions as related to the Company. 4.14.6. Audit committee should inspect, whether the Company follows the Rules being in effect that regulate possibility of employees to submit the claim or anonymously report on suspicions as for important violations taken place at the Company (these are mostly reported to independent member of collegial body); audit committee should assure settling of the order of solving such questions proportionally and independently as well as for relevant further actions. 4.14.7. Audit committee should submit to collegial body its activities' report at least once per six months as at a time, when annual and half-year reporting is being approved.		
4.15. Collegial body should perform assessment of its own activities each year. This should include assessment of structure of collegial body, labour organization and ability to work as a group, the assessment of each members of collegial body, effectiveness of the labour and abilities of the committee as well as assessment, whether collegial body has achieved stated objectives. At least once a year collegial body should declare (as part of information that is annually declared by the Company regarding its management structure and practice) relevant information regarding inner organization and procedures by pointing out, which general changes have been influenced by assessment of activities as performed by collegial body.	No	The Company has no assessment practice of Council of the beholders and of the Board.
Principle V: Operating order of collegial bodies of the Company **Operating order of supervisory and regulatory collegial bodies stated by the Company should warrant effective operating of these bodies, while taking decisions. as well as stimulate active cooperation between all bodies of the Company.**		
5.1. Collegial supervisory and management bodies of the Company (the concept of *collegial bodies,* as in the principle, include both collegial supervisory and collegial regulatory bodies of the Company) are conducted by Chairmen of collegial bodies. The Chairman of collegial body is liable for qualified calling for meetings of collegial body. The Chairman should warrant giving relevant information to the members of collegial body regarding invocatory meeting and the schedule of the meeting. He should warrant proper guidance of meetings of collegial body also, as well as order and productive atmosphere during the meeting.	Yes	Chairman of Council of the beholders conducts the meetings of Council of the beholders. Chairman of the Board conducts meetings of the Board of the Company.
5.2. Meetings of collegial bodies of the Company should be held at respective time, i.e. periodically, according to schedule approved in advance. Each Company decides itself, what periodicity should be applied to meetings of collegial bodies, nevertheless, it is recommended to call them at such periodicity that continuous solving of general management questions of the Company shouldn't be interrupted. The meetings of Council of the beholders should be held at least once a quarter, and the meeting of the Board – at least once a month.[12]	Yes	Meetings of the Board according to schedule approved in advance are held monthly, moreover, extraordinary meetings are taking place. Meetings of Council of the beholders are held once per six months.
5.3. The members of the collegial body on invocatory meetings	Yes	All required material

should be informed in advance, in order they have the sufficient time to prepare for perfect considering of analyzed questions, where the discussion might take place, after which relevant decisions might be taken. All required material concerned with the schedule of the meeting should be submitted to members of collegial body together with notice on invocatory meeting. The schedule shouldn't be changed or supplemented during the meeting, except of cases, when all members of collegial body participate at the meeting or, if some questions should be solved immediately as being important to the Company.		concerned with the schedule is sent by e-mail to all members of collegial bodies as in advance. The schedule is being supplemented only in case, if all members participate at the meeting and they agree that question, as being urgent, should be immediately solved.
5.4. In order to coordinate actions of collegial bodies and assure effective process of taking the decisions, the Chairmen of supervisory and management collegial bodies should match the dates of calling meetings between themselves as well as the schedules; they should closely cooperate, while solving other questions regarding management of the Company. The meetings of Council of the beholders should be carried openly as available for members of the Board, particularly in cases, when questions solved at the meeting concern retirement, liabilities or settlement of the wage of the members of the Board.	Yes	The meetings of Council of the beholders of the Company are carried openly and the members of the Board can participate in them.

Principle VI. Impartial approach of shareholders and the rights of shareholders **Management system of the Company should warrant all shareholders' impartial approach, including minor shareholders and foreigners. Management system of the Company should protect shareholders' rights.**		
6.1. It is recommended, that the capital of the Company should be formed of only such shares that provide for their holders equal rights for voting, property, dividends as well as other rights.	Yes	The authorised capital of the Company is formed of ordinary nominal stocks that provide to their holders equal real and non-property rights.
6.2. It is recommended to settle conditions for the investors in advance, i.e. before purchasing the shares, as well as to familiarize with the rights that are provided by the shares as running now and issued before.	Yes	The Company provides information to investors and familiarize them with the rights that are provided by the shares as running now and issued before.
6.3. The consent[13] of General meeting of the shareholders should be given to transactions as being important for the Company and its shareholders, such as assignation, investment, soak and encumbrance of property of the Company. All shareholders should have equal possibilities to know and participate in taking decisions as being important to the Company, including approval of mentioned transactions.	Yes	The consent of General meeting of the shareholders is given to such transactions, the criterions of which are provided by Law on Joint Stock Companies of the Republic of Lithuania and by statute of the Company; with these transactions the shareholders of the Company get familiar in advance.
6.4. The procedures of calling and conducting the General meeting of the shareholders should provide equal possibilities to the shareholders to participate at the meeting; these procedures shouldn't violate rights and interests of the shareholders. Selected place, date and the time of General meeting of the shareholders shouldn't prevent the shareholders of active participations at the meeting.	Yes	General meeting of the shareholders of the Company is held on the ground of provisions of the Law on Joint Stock Companies and statute of the Company. All shareholders of the Company

		are informed on place, date and time of the meeting. Before General meeting of the shareholders takes place, all shareholders of the Company, as provided by Law on Joint Stock Companies and the statute of the Company, are provided with possibility to familiarize with material of the meeting, at the latest as before 10 days.
6.5. In order to warrant the right of the shareholders that live abroad to know information, if possibility exists, General meeting of the shareholders is recommended to declare the prepared material in advance, in website of the Company that is available publicly, not only in Lithuanian, but also in English and (or) in any other language. The minutes of General meeting of the shareholders after signing them and (or) taken decisions are recommended also being declared in website of the Company that is available publicly, not only in Lithuanian, but also in English and (or) in any other language. Concise scope of the documents might be declared in the website of the Company that is available publicly, in case if open declaration might affect Company or commercial secrets of the Company might be disclosed.	Yes	According to order, stated by Law on Joint Stock Companies of the Republic of Lithuania, not latter then before 10 days as General meeting of the shareholders takes place, prepared documentation, as for General meeting of the shareholders, is declared publicly in Vilnius Stock Exchange website that provides possibility to the shareholders to meet it publicly.

[12] The periodicity of the meetings of collegial bodies that is instituted by recommendations should be applied only in cases, when two additional collegial bodies, i.e. Council of the beholders and the Board, are formed at the Company. When single additional collegial body is formed at the Company, the periodicity of its meetings can be the same, as stated for Council of the beholders, i.e. once a quarter per year.

[10] The Law on Joint Stock Companies of the Republic of Lithuania (Žin., 2003, № 123-5574) taking of the decisions on investment, assignation, lease, soak, procurement, etc. of long-term property, which balance value is more then 1/20 of authorized capital of the Company, doesn't ascribe to ability of General meeting of the shareholders. Nevertheless, general transactions as important to the Company should be discussed at General meeting of the shareholders and receive its consent. Such action is not forbidden by the Law on Joint Stock Companies as well. However, in order not to encumber activities of the Company and to avoid unreasonably frequent consideration as taken place at the meetings, the criterions of important transactions could be settled by the Company itself, under which such transactions should be selected, such that need consent of the meeting. The Companies, while settling criterions of important transactions can be guided by criterions provided by clauses 3, 4,

and 5, of part 4 of Article 34 of the Law on Joint Stock Companies, or move them with respect to particularity of their actions and intention not to interrupt continuous and effectual performance of the Company.

6.6. The shareholder should have possibilities to vote at the meetings, of no account as participating personally, or not. None difficulties should be provided to shareholders to vote in writing in advance by filling in common vote.	Yes	The shareholders of the Company have the right to participate at General meeting of the shareholders personally or through his representative, if such person has relevant authorization or the agreement for assigning voting rights is constructed with him, as after the order stated by legislation; the Company provides voting possibilities to shareholders by filling in common vote also, as provided by the Law on Joint Stock Companies of the Republic of Lithuania.
6.7. In order to increase possibilities of the shareholders to participate at the meetings, the Companies are recommended to apply modern technologies more, as they are the way for developing possibilities for the shareholders to participate at the meetings and vote at them by using electronic communication means. In such cases, safety of the transferred information should be assured and possibility to assess sameness of participating and voting person should be implanted. Moreover, the Companies might provide possibility to the shareholders, particularly to these that live abroad, to watch General meetings of the shareholders by using modern technical means.	No	Implementation of the pointed means should need inadequate costs, in comparison with reliable benefit.
Principle VII: Avoidance and disclosure of the conflicts of interests **Management structure of the Company should stimulate the members of regulatory bodies of the Company to avoid conflicts of the interests and assure effective and transparent mechanism of disclosure of conflicting interests of members of Company's regulative bodies.**		
1.1. The member of supervisory or management body of the Company should avoid situation, where his personal interests confront or might confront to interests of the Company. Nevertheless, if such situation has appeared, the member of supervisory or management body of the Company should report upon reasonable term to other members of the same body or to the body that has elected him, or to shareholders of the Company, on such conflicting situation of the interests by pointing out interests' character and, if possible, value. 1.2.	Yes	The Company follows these recommendations.
1.3. The member of supervisory or management body of the Company should not confuse the property of the Company, disposition of which isn't discussed with the Company, with his own property or use the property or information, which he receives as member of the body of the Company, for his own benefit or for benefit of third person as without the consent of General meeting of the shareholders or without consent of other body of the Company being authorized by it. 1.4.	Yes	

1.5. The member of supervisory or management body of the Company can transact with the Company as being the member of its body. He should report immediately such transaction (excluding lightweight transactions, because of minimal value or these that are transacted in pursuance of usual acting of the Company under standard conditions) in writing or orally, by entering this to the minutes of the meeting, to other members of the same body, or to the body that has elected him, or to shareholders of the Company. For transactions as provided by this recommendation, recommendation 4.5 is applicable also.	Yes	
7.4. The member of supervisory or management body of the Company should refrain from voting, when the decisions are taken on transactions or on other questions, to which he is related as by personal or material interest.	Yes	The Company follows the recommendation. The member of collegial body of the Company refrains from voting, when the decisions are taken on transactions or on other questions, to which he is related as by personal or material interest.
Principle VIII: Wages' policy of the Company **The order of wages' policy and of approval, review and declaration of the wages for directors should prevent possible conflicts of the interests and abuse, while settling the wages for directors; such order should warrant publicity and transparency of wages' policy of the Company as well as of wages for the directors.**		
8.1. The Company should declare the report of its wages' policy (hereinafter – wages' report), which should be clear and understandable easy. Such wages' report should be declared not only as a part of annual report of the Company, but it should be reported by website of the Company also.	No	The Company doesn't declare the wages, because these are not required by the legal acts. Nevertheless, average wages of the employees of the Company are reported by half-year and annual financial accountability of the Company.
8.2. By reporting on the wages, most attention should be paid to policy of the wages for directors for next year and, if applicable – for further financial years. The wages' reporting should express the development of wages' policy during the last financial year. Particular interest should be taken on general changes of wages' policy of the Company, in comparison with the last financial year.	No	The Company doesn't declare the wages, because these are not required by the legal acts.
8.3. The following minimal information should be declared by the wages' report: 1) proportion of variable and fixed components of wages for the directors and explication of it; 2) sufficient information on valuation criterions of the results of activities, on which the right to participate in transactions of assortment of the shares is based as well as the right of the shares or variable and fixed components of the wage; 3) the explanations, by what means selected criterions for assessment of the results of activities are useful for long-term interests of the Company; 4) explanation of the methods that are applied with the aim to assess, whether the criterions of assessment of the results of activities are met; 5) sufficiently detailed information concerning periods of	No	Under previously mentioned conditions the wages' policy, according to which wages' report should be prepared, is not approved by the Company.

suspension of paying the variable component of the wage; 6) sufficient information concerning relation of the wage and the results of activities; 7) main criterion of system of annual bonus or any other benefit received in not-money form, and explication of it; 8) sufficiently detailed information concerning policy of redundancy pays; 9) sufficiently detailed information on retention of the shares, as provided by clause 8.15. 10) sufficiently detailed information concerning content of similar groups of the Companies, which policy of settlement of the wages was analyzed, as with the aim to identify policy of settlement of the wages by related company; 12) description of main characteristics of additional pension assigned to directors or the schemes of early retirement on the pension; 13) information that is off-the-record in view of commercial activity should be absent in wages' report.		
8.4. The policy of the Company should be summarized and explained in wages' report, regarding conditions of agreements as concluded with Managing directors and the members of regulatory bodies of the Company. Inter alia, it should include information regarding the terms of agreements as concluded with Managing directors and the members of regulatory bodies of the Company, applicable terms of notice for leaving office and detailed information regarding redundancy and other pays, with respect to early termination of agreements with Managing directors and the members of regulatory bodies of the Company.	No	General information regarding pays and loans is declared publicly to the members of Council of the beholder and of the Board by annual reporting prospect.
8.5. All amount of the wage or other benefit that is provided to several directors during relevant financial year should be declared is details by the wages' report. At least information regarding each person, which served as director at the Company at any time of financial years, should be provided by document, as provided by clauses 8.5.1-8.5.4. 8.5.1. The following information concerning wage and (or) other official revenue should be provided: 1) total amount of the wage that is paid or is payable to the director for the services, provided during last financial year, including, if applicable, participation money that are stated by General meeting of the shareholders; 2) wage and privileges that were received of any Company as pertaining to the same group; 3) wage that is paid as the part of profit and (or) bonus, and the reasons as why such bonus and (or) part of profit was given. 4) if possible under legislation, each perceptible and additional wage that is paid to director for special services, that do not belong to natural functions of the director; 5) compensation that was received or was paid to each Managing directors of the member of regulatory body that was retired during last financial year; 6) total calculated value of the benefit that is meant as the wage provided in non-money form, if such benefit shouldn't be provided under clauses 1-5. 8.5.2. The following information should be provided as concerned with the shares and (or) the right to participate in transactions for assortment of the shares, and (or) with any others systems of stimulation of the employees by the shares: 1) number and applicable conditions of transactions for assortment of the shares, as offered by the Company, or delivered shares during last financial years;	No	The Company doesn't declare the wages, because these are not required by the legal acts. Nevertheless, average wages of the employees of the Company are reported by half-year and annual financial accountability of the Company.

2) number of transactions for assortment of the shares that were realized during last financial years by pointing out number of the shares and realization price of each of transaction or value of participating in systems of stimulation of employees by shares at the end of financial year. 3) number of transactions for assortment of the shares that were not realized at the end of financial year, realization price, realization date and main conditions of actualization of the rights; 4) all changes of the conditions of present transactions for assortment of the shares towards next financial year. 8.5.3. The following information should be provided concerning systems of additional pensions: 1) when the scheme of pensions is of defined payouts, changes of the payouts as cumulated by directors according to scheme, in relevant financial year; 2) when the scheme of pensions is of defined payouts, detailed information on contributions, which the Company paid or should pay for directors, in relevant financial year. 8.5.4. The amounts should be provided that were paid by the Company or any daughter company or enterprise, as included to the suit of consolidated financial reports of the Company, as loans, early payoffs and bonds for each person, who served as directors at any time during relevant financial year, including outstanding amounts and the interest rate.		
8.6. When variable components of the wage are provided by the policy of settlement of the wages, the Companies should set the limit of the amount of variable component of the wage. Fixed component of the wage should be sufficient in order the Company should not pay variable component of the wage in case, when the criterions of assessment of the results of activities are not met.	Yes	In policy of the settlement of the wages the Company is guided by principle that the wages consist of variable and fixed components of the wage.
8.7. Assignation of variable components of the wage should depend on criterions of measurement of assessment of the results of activities that should be stated previously.	Yes	Variable component of the wage is calculated by the Company according to stated indicators of assessment of the working activities.
8.8. If variable component of the wage is assigned, the payment of the most part of the variable component of the wage should be delayed for particular time as matching reasonable criterions. The amount of variable component of the wage, which payment is delayed, should be stated according to relative value of variable component of the wage, in comparison with the fixed component of the wage.	Yes	Variable component of the wage is calculated by the Company according to stated indicators of assessment of the working activities.
8.9. The provision should be included to agreements with Managing directors or with members of regulatory bodies that should give the opportunity to the Company to return variable part of the wage that was paid on the ground of data that occurred as evidently false in future.	No	
8.10. Redundancy pays should not exceed the settled amount or the amount of stated annual wages; they generally should not be major then the amount of variable part of the wage or its equivalent of two years.	No	
8.11. Redundancy pays shouldn't be paid, of the woks contract is terminated by reason of unsatisfactory work results.	Yes	If work contract is terminated by reason of unsatisfactory work results, redundancy pay is not paid.
8.12. Moreover the information should be disclosed as concerned with preparatory and the process of taking the decisions, by which the policy of the wages of the directors	No	

was stated. The information should include data, if applicable, regarding authority and consistence of the wages' committee, the names and surnames of the consultants as not concerned with the Company, which services were used in process of stating the policy of the wages, and also the role of General meeting of the shareholders.		
8.13. In case, when the wage is grounded on allocation of the shares, the right to the shares should be provided at least for three years from the moment of allocating the shares.	Not relevant	Such practice is not applied by the Company.
8.14. At least for three years after allocation of the shares, transactions for assortment of the shares or other rights to purchase the shares or receive remuneration as grounded on changes of price of the shares shouldn't be applied. Allocation of right for the shares and the right to practice transactions for assortment of the shares or other rights to purchase the shares or receive remuneration as grounded on changes of price of the shares should depend on criterions of measurement of assessment of the results of activities that should be stated previously.	Not relevant	Such practice is not applied by the Company.
8.15. After allocation of the shares, the directors should hold relevant numbers of the shares till the end of their tenure, subject to the need to cover any expenditure as concerned with procurement of the shares. Number of the shares that should be held should be fixed as, for example, it may amount to double value of annual wage (variable plus fixed parts).	Not relevant	Such practice is not applied by the Company
8.16. The transactions for assortment of the shares shouldn't be included to the wage of consulting directors or of the members of Council of the beholders.	Yes	
8.17. The shareholders and primarily institutional shareholders should be stimulated to participate at General meetings and vote regarding questions of settling the wages for the directors.	No	
8.18. The wages' policy and any other perceptible change of policy of the wages should be included to schedule of annual General meeting of the shareholders, without minimizing the role of the bodies being responsible for settling the wages for the directors. Wages' report should be submitted to the shareholders for voting at annual General meeting of the shareholders. The voting can be of mandatory or of advisory character.	No	The Company submits such information that is required by provisions of Stock Law of the Republic of Lithuania.
8.19. The shareholders by taking relevant decision at annual General meeting of the shareholders should accept the schemes, by which the directors are remunerated by the shares, by transactions for the assortment of the shares or by other rights to procure the shares, or being remunerated with respect of changes of prices of the shares, before application of them. The consent should concern with the scheme only, but the shareholders should not discuss regarding the benefit as grounded on the shares that was provided to several directors under the scheme. The shareholders by taking relevant decision at annual General meeting of the shareholders should also accept all general emendations of the conditions of scheme, before application of them. In these cases the shareholders should be informed on all conditions of the proposed emendations and also receive explanations about the effect of the proposed emendations.	Not relevant	The Company doesn't apply the schemes, under which the directors are remunerated by the shares, by transactions for the assortment of the shares or by other rights to procure the shares, or being remunerated with respect of changes of prices of the shares.
8.20. The consent of annual General meeting of the shareholders should be received on the following questions: 1) allocation of the wages for the directors on the ground of share grounded schemes, including transactions for assortment		

of the shares; 2) evaluation of maximal number of the shares and general conditions of the order of allocation of the shares; 3) the period, during which the transactions for the assortment might be realized; 4) Conditions of settling the changed price of realization of each further transactions for assortment of the shares, if such is allowed by legislation; 5) all other long-term schemes of stimulation of the directors that are not offered for all other employees of the Company under same conditions; Annual General meeting of the shareholders should define the final term, during which the body that is responsible for wages of the directors might assign compensations for answerable directors, of types that are named by the clause.		
8.21. The shareholders should also accept each assortment model with the discount, under which the rights are given to sign the shares at lower market price, which is valid on the day when stating the price, or at average market price that was stated few days before as stating realization price, if national legislation and the statute of the Company allows to do so.		
8.22. Clauses 8.19 and 8.20 should not be applied to schemes, in which the participation is offered to employees of the Company under similar conditions, or to employees of any other daughter enterprise that have the right to participate in the scheme, which was approved by annual General meeting of the shareholder.		
8.23. Before annual General meeting of the shareholders, where the decision provided by clause 8.19 is intended to be solved, the shareholders should have possibility to know the project of the decision and the informational report as concerned with it (these documents should be published by the website of the Company). All regulatory text should be provided by this report regarding all schemes of the wages as grounded by shares, or description of general conditions of these schemes as well as names and surnames of the participants of the schemes. The relation of the schemes and general policy of the wages for the directors should be pointed out in the report also. Clear reference to the scheme should be provided by the project of the decision, or the summary of general conditions of the scheme. The information should be provided to shareholders also, how the Company plans to source the shares that are required for development of liabilities as in accordance to stimulation schemes: there should be pointed clearly, whether the Company plans purchasing required shares at market, storing them or issuing new shares. Also review should be provided on expenditure that shall suffer the Company for predictable application of the scheme. Information that is provided by the clause should be published by website of the Company.		
Principle IX: The role of interests' holders in scope of management of the Company **Management system of the Company should recognize the rights of interests' holders as stated by legislation, it should stimulate active cooperation between the Company and interests' holders with the aim of development of wealth of the Company, working places and financial stability. Within context of such principle the concept of *interests' holders* includes investors, employees, creditors, suppliers, clients, local community and any other persons as having interests for actual Company.**		
9.1. Management system of the Company should assure and respect such rights of interests' holders that are protected by legislation.	Yes	Management system of the Company assures that the rights of the interests'

		holders that provided by legislation shouldn't be violated. Employees of the Company and producers of milk present the most part of the shareholders of the Company.
9.2. Management system of the Company should allow to interests' holders to participate in Company's management process according to order stated by legislation. The examples of participation of interests' holders in Company's management might be as follows: collective participation of the employees, while taking decisions as important to the Company, consultancies with the stable of employees on management questions and any other questions of the Company; participation of employees in authorized capital of the Company, inclusion of creditors to management of the Company, in case of insolvency of the Company, etc.		
9.3. If the interests' holders participate in management process of the Company, they should be allowed to get required information.		
Principle X: Disclosure of information **Management system of the Company should warrant, that information concerning all perceptible questions of the Company, including financial situation, activities and management of the Company is disclosed accurately and timely.**		
10.1. The Company should disclose the following information: 1) processing of the Company and its financial results; 2) objectives of the Company; 3) persons that have packet of shares of the Company and owns it on the ground o proprietorship; 4) members of supervisory and management bodies of the Company, Chief-executive of the Company and their wages; 5) possible and supposed general risk factors; 6) transactions of the Company and concerned persons as well as transactions that are transacted beyond running natural activities of the Company; 7) main questions concerning the employees and others interests' holders; 8) management structure and strategy of the Company. The list is meant as minimal and the Companies are recommended not to limit themselves only by disclosing information, which is provided by the list. 10.2. While disclosing information provided by clause 4 of recommendation 10.1, the Company is recommended, that which patronize with respect to other Companies, to disclose information regarding all consolidated results of Companies' group. 10.3. While disclosing information provided by clause 4 of recommendation 10.1, it is recommended to submit information regarding experience of the members of supervisory and management bodies and of Chief-executive of the Company, their qualification and potential conflicts of the interests that might influence their decisions. Also is recommended to disclose the wages or other received remuneration of the members of supervisory and management bodies and Chief-executive of the Company, as it provided by principle VIII in more details. 10.4. While disclosing information provided by clause 7 of	Yes	Information provided by the recommendation is disclosed by annual and intermediary reports, reports on general events of the Company as well as by financial accountabilities of the Company. Such information is published with the help of system for providing the information of the Stock Exchange. After disclosure of general events, information with wider comments is additionally published by mass-media.

recommendation 10.1, it is recommended to disclose information on relationships between the Company and the interests' holders, such as employees, creditors, supplies, local community, including policy of the Company with respect to human resources, programmes of participating of employees in authorized capital of the Company, etc.		
10.5. Information should be disclosed by such means that none of the shareholders or the investors is discriminated with respect to the means and scope of receiving the information. Information should be disclosed to all people at the same time. It is recommended, the reports concerning general events should be published as before or after trading session of Vilnius Stock Exchange, in order all shareholders of the Company and the investors have the same possibilities to familiarize with information as well as take relevant investments' decisions.	Yes	Information concerning Company is provided with the help of the system for providing information that is used by Vilnius Stock Exchange; information is published in Lithuanian and also in English for possible extent. After receiving information Vilnius Stock Exchange publishes it within own website and trading system and by such means all people can reach the information at the same time. Moreover, the Company endeavours to publish information before and after Vilnius Stock Exchange trading sessions and provide it to all markets that are trading Company's Stocks. The information that might have influence on the price of the issued stocks isn't disclosed by the Company by comments, interviews or by other means till the time, until such information isn't published with the help of information system of Stock Exchange.
10.6. Information disclosure means should warrant impartial, timely and inexpensive access to information for information users and, in cases provided by legislation, such access might be gratuitous. It is recommended to use information technologies more extensively as for disclosure of information, for example, information might be published at Company's website. The recommended information within the website of the Company should be disclosed not only in Lithuanian, but also in English, and, if needs and possibilities appear, in any other language.	Yes	The company will publish annual and interim reports on its website, thereby ensuring inexpensive and impartial access to information. Website address: www.pienas.lt
10.7. It is recommended to publish annual report of the Company within the website as well as the suit of financial reports and other reports of the Company being prepared periodically; within the website should be placed the reports of the Company concerning general events and also concerned with changes of price of the shares of the Company at Stock Exchange.	Yes	The company publishes annual and interim reports, results of activities, audited financial statements, notifications of essential events, as well as changes in prices of shares on the stock exchange on its website in Lithuanian and English languages.

Principle XI: Selection of audit undertaking of the Company **The mechanisms of selection of auditing undertaking of the Company should warrant independence of concluded opinion of audit undertaking.**		
11.1 . In order to receive impartial opinion concerning the suit of intermediate financial reports of the Company, independent audit undertaking should perform inspection on the suit of annual financial reports and annual report of the Company.	Yes	Independent audit undertaking inspects the suit of annual financial accountability and annual report of the Company.
11.2. It is recommended, that the candidacy of the audit undertaking is offered by Council of the beholder to General meeting of the Company; in case, when it isn't formed at the Company – the Board of the Company.	Yes	General meeting of the shareholders empowers the Board of the Company to select audit undertaking.
11.3. If audit undertaking has received remuneration of the Company for provided non-audit services, the Company should disclose such fact to shareholders. Such information also should be disposed by Council of the beholders of the Company and, if such in the Company isn't formed – the Board of the Company that decides, which audit undertaking should be offered to General meeting of the shareholder.	Not relevant	Audit undertaking hasn't received remuneration of the Company for non-audit services.