STOCK
COMPANY

ŽEMAITIJOS PIENAS

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REPUBLIC OF LITHUANIA
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Statement by Responsible Persons

02/04/2013

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, Acting General Director of Žemaitijos Pienas, AB, and Natalija Vainikevičiūtė, Finance Director, 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 2012 have been prepared in accordance with the International Financial Accounting Reporting Standards as applicable in the European Union, and give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the group of companies and the Consolidated Annual Statement includes a fair review of the development and performance of the business, and the position of the company and the group of companies in relation to the description of the main risks and contingencies faced thereby.

Acting General Director — Robertas Pažemeckas

LIETUVOS RESPUBLIKA * Akcinė bendrovė ŽEMAITIJOS PIENAS * TELŠIAI

Finance Director — Natalija Vainikevičiūtė

NEPRIKLAUSOMAS
AUDITAS

INDEPENDENT AUDITOR'S REPORT

To JSC "Žemaitijos pienas"group shareholders

Report on the Financial Statements

We have audited the accompanying set of financial statements of JSC "Žemaitijos pienas" (hereinafter "Company") and of JSC "Žemaitijos pienas" and its subsidiaries (hereinafter "Group"), which comprise the separate and consolidated statement of financial position as at December 31, 2012, and the separate and colsolidated statement of comprehensive income, separate and colsolidated cash flow statement, separate and colsolidated statement of changes in equity for the year then ended and related notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Republic of Lithuania law on accounting and financial reporting, International Financial Reporting Standards as adopted by European Union, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of JSC "Žemaitijos pienas" and Group as at December 31 of 2012, and the financial performance and cash flows for the year then ended in accordance with the Republic of Lithuania law on accounting and financial reporting, and with International Financial Reporting Standards as adopted by European Union.

Report on Other Legal and Regulatory Requirements

Furthermore, we have read the accompanying Annual Report of JSC "Žemaitijos pienas" and Group for the year ended at December 31, 2012 and have not noted any material inconsistencies between the financial information included in it and the financial statements of JSC "Žemaitijos pienas" and Group for the year ended at December 31, 2012.

Auditor Olga Kivel
15th of March, 2013
Subačiaus str.15/2-53
LT 01126 Vilnius
Auditor's licence No. 000476
UAB „Nepriklausomas auditas"
Audit company's licence No. 001247

STATEMENTS OF FINANCIAL POSITION
AS OF 31 DECEMBER 2012
(All amounts in LTL thousands unless otherwise stated)

		The Group		The Company	
ASSETS	**Notes**	**2012**	**2011**	**2012**	**2011**
Non-current assets					
Intangible assets	**5**	408	413	383	381
Property, plant and equipment	**5,6**	60.462	67.481	44.532	50.671
Investment assets	**5,6**	4.255	4.132	4.255	4.132
Investments into subsidiaries	**1**	4	4	10.882	10.942
Loans granted	**7**	4.901	5.059	6.738	7.527
Other financial assets		-	10	-	10
Deferred income tax asset	**23**	2.149	2.287	2.098	2.236
Total non-current assets		**72.178**	**79.386**	**68.888**	**75.898**
Current assets					
Inventories	**8**	97.674	90.486	90.234	80.186
Prepayments		1.740	588	1.697	504
Trade accounts receivable	**9**	32.978	36.430	32.042	40.075
Other accounts receivable	**10**	6.842	5.942	6.190	7.306
Deposits		-	-	-	-
Cash and cash equivalents	**11**	5.789	9.556	5.427	8.739
Total current assets		**145.023**	**143.002**	**135.589**	**136.810**
TOTAL ASSETS		**217.201**	**222.388**	**204.478**	**212.708**
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	**12**	48.375	48.375	48.375	48.375
Own shares (-)		(3.002)	-	(3.002)	-
Legal reserve		4.838	4.838	4.838	4.838
Other reserves		15.000	17.997	15.000	17.997
Retained earnings		82.985	56.193	80.104	54.982
Equity attributable to equity holders of the Company		**148.196**	**127.403**	**145.316**	**126.192**
Minority interest		1.947	1.944	-	-
Total Equity		**150.144**	**129.347**	**145.316**	**126.192**
Non-current liabilities					
Grants received	**13**	4.389	2.247	1.744	819
Borrowings	**14**	-	2.885	-	2.885
Obligations under finance lease	**15**	796	3.264	796	3.017
Deferred income tax liability		1.083	977	-	-
Other current liabilities	**23**	1.910	1.658	1.910	1.658
Total non-current liabilities		**8.178**	**11.031**	**4.450**	**8.379**
Current liabilities					
Borrowings	**14**	13.934	32.502	13.934	32.502
Obligations under finance lease	**15**	2.457	4.027	2.211	3.665
Trade accounts payable	**17**	27.283	30.578	25.600	29.458
Income tax payable		53	2	53	-
Other accounts payable	**18**	15.153	14.903	12.913	12.512
Total current liabilities		**58.880**	**82.011**	**54.712**	**78.137**
Total liabilities		**67.058**	**93.041**	**59.162**	**86.515**
TOTAL EQUITY AND LIABILITIES		**217.201**	**222.388**	**204.478**	**212.708**

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 2013 and signed by:

Robertas Pažemeckas	Dalia Gecienė
Acting General Director	Senior accountant

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2012
(All amounts in LTL thousands unless otherwise stated)

	Notes	The Group 2012	The Group 2011	The Company 2012	The Company 2011
Sales	**19**	500.515	494.426	489.659	487.218
Cost of sales		(404.244)	(400.122)	(401.007)	(401.049)
GROSS PROFIT		**96.271**	**94.304**	**88.652**	**86.170**
Operating expenses	**20**	(67.050)	(80.143)	(65.677)	(78.184)
Other operating income and expenses	**21**	(1.711)	(3.309)	2.332	1.613
(LOSS) PROFIT FROM OPERATIONS		**27.510**	**10.852**	**25.307**	**9.598**
Finance costs		(587)	(678)	(619)	(661)
Other financial income and expenses	**22**	273	391	485	497
(LOSS) PROFIT BEFORE TAX		**27.195**	**10.565**	**25.173**	**9.435**
Income tax (benefit) expense	**23**	(3.181)	(610)	(3.051)	(406)
NET (LOSS) PROFIT		**24.014**	**9.955**	**22.122**	**9.029**
ATTRIBUTABLE TO:					
Equity holders of the Company		23.784	9.851	22.122	9.029
Minority interest		230	104	-	-
		24.014	**9.955**	**22.122**	**9.029**
Basic and diluted earnings per share (LTL)	**25**	**0,49**	**0,21**	**0,46**	**0,19**

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 2013 and signed by:

Robertas Pažemeckas
Acting General Director

Dalia Gecienė
Senior accountant

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2012
(All amounts in LTL, in thousands, unless otherwise stated)

The Group	Share capital	Own shares	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 2010	**48.375**	**-**	**4.838**	**10.000**	**-**	**56.842**	**120.055**	**1.840**	**121.895**
Bonus, bonus shares	-	-	-	-	-	(2.500)	(2.500)	-	-
Transfer to other reserves	-	-	-	5.000	3.000	(8.000)	-	-	-
The use of reserves	-	-	-	(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**
Dividends	-	-	-	-	-	-	-	-	-
Transfer to other reserves	-	-	-	3	-	-	3	-	3
Reserves used	-		-	-	(3.000)	3.000	-	-	-
Acquisition of own shares	-	(3.002)	-	-	-	-	(3.002)	-	(3.002)
Subsidiary company liquidation result	-	-	-	-	-	8	8	(227)	(219)
Net profit	-		-	-	-	23.784	23.784	230	24.014
Balance as of									
31 December 2012	**48.375**	**(3.002)**	**4.838**	**15.000**	**-**	**82.985**	**148.197**	**1.947**	**150.144**

The Company	Share capital	Own shares (-)	Legal reserve	Reserves for own shares	Other reserves	Retained earnings	Total
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**
Dividends	-	-	-		-	-	-
Transfer to reserves	-	-	-	3	-	-	3
Reserves used	-	-	-	-	(3.000)	3.000	-
Acquisition of own shares	-	(3.002)	-	-	-	-	(3.002)
Net profit	-	-	-		-	22.122	22.122
Balance as of							
31 December 2012	**48.375**	**(3.002)**	**4.838**	**15.000**	**-**	**80.104**	**145.316**

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 2013 and signed by:

Robertas Pažemeckas	Dalia Gecienė
Acting General Director	Senior accountant

CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012
(All amounts in LTL thousands unless otherwise stated)

		The Group		The Company	
		2012	**2011**	**2012**	**2011**
Cash flow from operating activities					
Net (loss) profit		24.014	9.955	22.122	9.029
Adjustments to net (loss) profit					
Depreciation and amortization		17.282	17.536	15.217	15.645
Amortization of grants received		(903)	(979)	(558)	(730)
Loss (gain) from disposal and write-offs of property, plant and equipment.		80	(318)	(210)	(316)
Income tax expenses		268	(488)	138	(691)
Impairment of accounts receivable		786	(22)	786	(22)
Impairment of property, plant and equipment		(16)	(6)	-	12
Interest (income)		(408)	(445)	(452)	(452)
Interest expenses		587	678	619	661
Write off inventories to net realizable value		5.624	6.970	5.624	6.970
Other financial (income) and expenses		(252)	(44)	(33)	(45)
Elimination of non-cash items	5	(552)	-	(527)	-
Loss from liquidation of subsidiaries		(20)	-	(5)	103
		46.490	**32.838**	**42.721**	**30.060**
Changes in working capital:					
(Increase) decrease in inventories		(12.261)	(35.375)	(15.145)	(33.730)
(Increase) decrease in trade receivables		6.593	904	7.247	1.321
(Increase) decrease in prepayments		(1.199)	53	(1.193)	114
(Increase) decrease in other receivables		526	(832)	1.116	(855)
(Decrease) increase in trade payables		(8.025)	3.878	(3.857)	4.839
(Decrease) increase other accounts payable		510	2.104	654	1.076
Income tax paid		53	(2.820)	53	(2.820)
Interest paid		(627)	(678)	(619)	(661)
Net cash flows (to) from operating activities		**32.060**	**71**	**30.976**	**(656)**
Cash flows from (to) investing activities					
(Acquisition) of intangible assets and property, plant and equipment.		(11.285)	(24.574)	(9.302)	(20.696)
Proceeds on sale of property, plant and equipment		851	707	307	697
Acquisition of subsidiaries		10	-	76	-
Sale of investments available for sale		-	-	-	-
Repayment of loans granted		6.569	5.749	8.002	5.749
Loans granted		(7.213)	(5.616)	(7.213)	(9.516)
Interest received		448	445	452	452
Net cash flows (to) investing activities		**(10.620)**	**(23.289)**	**(7.678)**	**(23.313)**
Cash flows from (to) financing activities					
Acquisition of own shares		(3.000)	(3)	(3.000)	(3)
Bonuses, bonus shares		-	(2.500)	-	(2.500)
Grants received		3.044	547	1.483	547
Loans received		48.264	38.774	48.264	38.774
Repayment of loans		(69.716)	(13.212)	(69.716)	(13.212)
Financial lease payments		(4.038)	(4.642)	(3.675)	(4.288)
Other financial (income) and expenses		238	45	34	45
Net cash flows from (to) financial activities		**(25.208)**	**19.009**	**(26.610)**	**19.363**
Net (decrease) in cash and cash equivalents		**(3.768)**	**(4.209)**	**(3.313)**	**(4.606)**
Cash and cash equivalents at the beginning of the year		**9.556**	**13.766**	**8.739**	**13.345**
Cash and cash equivalents at the end of the year		**5.789**	**9.556**	**5.427**	**8.739**

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 2013 and signed by:

Robertas Pažemeckas
Acting General Director

Dalia Gecienė
Senior accountant

1. GENERAL INFORMATION

AB "Žemaitijos Pienas" (hereinafter – the Company) is a UAB 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 2012, 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.

On 31 December 2012, Company acquired 1.360.010 of own shares, which constitutes 2,81% of the total shares. The reason and purpose of the acquisition of own shares is to maintain and increase the price of shares in the market.

The major shareholder of AB "Žemaitijos Pienas" is the general manager of the Company Mr. Algirdas Pažemeckas. As of 31 December 2012, Mr. Algirdas Pažemeckas owned 44,63% of the authorized share capital. As of 31 December 2012, Skandinavska Ensilda Banken (investment fund) clients had 7,53%, AB "Klaipėdos Pienas" 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 2012, the Group consisted of AB "Žemaitijos Pienas" and the following subsidiaries (hereinafter the Group):

Subsidiary	Registration address	Ownership of the Group	Percentage in consolidation	Cost of investment 2012	Cost of investment 2011	Net assets as of 31 December 2010	Main activities
Šilutės Rambynas ABF	Klaipėdos str. 3, Šilutė, Lithuania	87,82%	87,82%	10.878	10.878	15.706	Cheese production and selling
Tarpučių Pienas ŽŪK	Klaipėdos str. 3, Šilutė, Lithuania	12,08%	100,00%	-	60	0	liquidated on 31 January 2013
SIA Muižas piens"	Skaitkalnes g. 1, Riga, Latvija	32%	-	4	4	-	Retail sale, wholesale
				10,882	**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.

As of 31 December 2012, the number of employees of the Company was 1.231 (as of 31 December 2011 it was 1.294). As of 31 December 2012, the number of employees of the Group was 1.416 (as of 31 December 2011 it was 1.491).

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In 2012 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 2012. 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:

IAS 1 Presentation of Items of Other Comprehensive Income — Amendments to IAS 1

Effective for annual periods beginning on or after 1 July 2012. Key requirements The amendments to IAS 1 change the grouping of items presented in OCI. Items that would be reclassified (or recycled) to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendments do not change the nature of the items that are currently recognized in OCI, nor do they impact the determination of whether items in OCI are reclassified through profit or loss in future periods. Transition These amendments are applied retrospectively in accordance with the requirements of IAS 8 for changes in accounting policy. Earlier application is permitted and must be disclosed. Impact Although the change in presentation of OCI is relatively minor with respect to the overall financial statements, it will assist users to identify more easily the potential impact that OCI items may have on future profit or loss.

IAS 12 Income Taxes (Amendment) — Deferred Taxes:

Recovery of Underlying Assets Effective for annual periods beginning on or after 1 January 2012.

Key requirements The amendment to IAS 12 introduces a rebuttable presumption that deferred tax on investment properties measured at fair value will be recognized on a sale basis, unless an entity has a business model that would indicate the investment property will be consumed in the business. If consumed, an own use basis must be adopted. The amendment also introduces the requirement that deferred tax on non-depreciable assets measured using the revaluation model in IAS 16 should always be measured on a sale basis. As a result of this amendment, SIC-21 Income Taxes — Recovery of Revalued Non-Depreciable Assets has been withdrawn. Transition This amendment is applied retrospectively, in accordance with the requirements of IAS 8 for changes in accounting policy. Earlier application is permitted and must be disclosed. Impact In certain jurisdictions entities have noted difficulties in applying the principles of IAS 12 to certain investment properties. This amendment is intended to give guidance on the tax rate that should be applied.

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 amortization and any accumulated impairment losses. Intangible assets are amortized on a straight-line basis over the best estimate of their useful lives. Amortization 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 p***roperty, 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 500. Until 1 September 2012, the minimum acquisition cost was 3,000 Litas.

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 2012	year 2011
1 EUR = 3,4528 LTL	1 EUR = 3,4528 LTL
1 LVL = 4,9520 LTL	1 LVL = 4,9421 LTL
1 USD = 2,6060 LTL	1 USD = 2,6694 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.

<u>Current and deferred income tax for the period</u>
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 2012 are presented below:

The Group	Licenses and patents	Computer software	Other tangible assets	Total
Acquisition cost				
As of 31 December 2010	**3**	**381**	**498**	**883**
- acquisition	107	41	333	481
- transfers between accounts	-	(3)	(2)	(5)
As of 31 December 2011	**110**	**419**	**829**	**1.359**
- acquisition	2	100	107	209
- sold or written-off assets	-	-	(7)	(7)
As of 31 December 2012	**112**	**520**	**928**	**1.560**
Accumulated depreciation				
As of 31 December 2010	**1**	**379**	**480**	**860**
- amortization	11	9	70	90
- amortization of transferred and written-off assets	-	(3)	(2)	(4)
As of 31 December 2011	**12**	**385**	**548**	**945**
- amortization	36	32	139	207
- amortization of transferred and written-off assets	-	-	-	-
As of 31 December 2012	**48**	**417**	**687**	**1.152**
Net book value:				
As of 31 December 2011	**98**	**34**	**281**	**413**
As of 31 December 2012	**64**	**103**	**242**	**408**

Changes in intangible assets of the Company as of 31 December 2012 are presented below:

The Company	Licences and patents	Computer software	Other tangible assets	Total
Acquisition cost				
As of 31 December 2010	-	**329**	**498**	**827**
- acquisition	107	3	333	443
- transfers between accounts	-	(3)	(2)	(5)
As of 31 December 2011	**107**	**329**	**829**	**1.265**
- acquisition	2	92	107	200
sold or written-off assets	-	-	(7)	(7)
As of 31 December 2012	**109**	**421**	**928**	**1.459**
Accumulated depreciation				
As of 31 December 2010	-	**329**	**480**	**809**
- amortization	10	0	70	80
- amortization of transferred and written-off assets	-	(3)	(2)	(4)
As of 31 December 2011	**10**	**326**	**548**	**885**
- amortization	36	16	139	191
- amortization of transferred and written-off assets	-	-	-	-
As of 31 December 2012	**46**	**342**	**687**	**1.075**
Net book value:				
As of 31 December 2011	**97**	**3**	**281**	**381**
As of 31 December 2012	**63**	**79**	**242**	**383**

In 2012, amortization of non-current intangible assets of the Group and the Company amounts to LTL 207 thousands and LTL 191 thousands respectively (31 December 2011: 90 thousands LTL and 80 thousands LTL).

Investments in the purchase of non-current intangible assets made by the Group and the Company in 2012 amount to 209 thousands LTL and 200 thousands LTL respectively (2011: 481 thousands LTL and 443 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 2010	**38.231**	**134.188**	**33.262**	**12.181**	**842**	**218.704**
- acquisition	1.200	10.324	5.054	736	7.015	24.329
- sold or written-off assets	-	(3.343)	(809)	(646)	(505)	(5.303)
- transfers between accounts	-	149	118	6	-	273
- reclassification	2.971	1.023	434	243	(4.689)	(18)
As of 31 December 2011	**42.402**	**142.340**	**38.059**	**12.520**	**2.664**	**237.985**
acquisition	1.383	4.171	626	953	4.171	11.303
recalculation of the accounting policy change	-	29	-	794	-	823
sold or written-off assets	(117)	(2.497)	(1.455)	(1.500)	(705)	(6.273)
Adding value	3	856	47	126	(848)	184
reclassification	15	3.488	-	-	(3.994)	(491)

transfers between accounts	-	-	-	-	-	-
transfers between accounts	-	-	-	-	-	-
As of 31 December 2012	**43.686**	**148.387**	**37.276**	**12.893**	**1.288**	**243.531**
Accumulated depreciation As of 31 December 2010	**15.969**	**102.391**	**23.493**	**11.232**	-	**153.084**
depreciation	1.746	11.834	3.283	583	-	17.445
depreciation of written-off and sold assets	-	(3.289)	(474)	(635)	-	(4.398)
reclassification	(202)	0	-	184	-	(18)
As of 31 December 2011	**17.513**	**110.935**	**26.302**	**11.363**	-	**166.113**
- depreciation	2.065	11.447	2.635	659	-	**16.805**
- depreciation of written-off and sold assets	**(54)**	(1.651)	(1.423)	(1.488)	-	**(4.616)**
recalculation of the accounting policy change	-	11	-	259	-	**270**
reclassification	-	-	-	-	-	-
- transfers between accounts	-	-	-	-	-	-
- transfers between accounts	-	-	-	-	-	-
As of 31 December 2012	**19.523**	**120.742**	**27.514**	**10.793**	-	**178.573**
Accumulated impairment losses As of 31 December 2010	**213**	**7**	-	**38**	**7**	**265**
- impairment losses	-	2	-	9	-	11
- reversal of impairment	(18)	9	-	(9)	-	(18)
As of 31 December 2011	**195**	**18**	-	**38**	**7**	**258**
- impairment losses	-	-	-	-	-	-
- reversal of impairment	(17)	-	-	-	-	(17)
As of 31 December 2012	**178**	**18**	-	**38**	**7**	**241**
Net book value:						
As of 31 December 2011	**24.694**	**31.387**	**11.757**	**1.118**	**2.656**	**71.614**
As of 31 December 2012	**23.985**	**27.628**	**9.763**	**2.061**	**1.281**	**64.717**

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 2010	**22.661**	**117.602**	**25.921**	**10.025**	**599**	**176.807**
- acquisition	1.200	10.277	1.861	736	6.413	20.487
- sold or written-off assets	-	(3.337)	(809)	(566)	(496)	(5.208)
- reversal of impairment loss	-	149	118	6	-	273
- reclassification	2.899	989	-	-	(3.863)	25
As of 31 December 2011	**26.760**	**125.680**	**27.091**	**10.201**	**2.653**	**192.384**
- acquisition	1.383	3.867	597	939	2.542	9.328
recalculation of the accounting policy change	-	25	-	759	-	784
- sold or written-off assets	(56)	(1.150)	(1.376)	(349)	(705)	(3.636)
- adding value	3	856	47	126	(847)	185
- reclassification	-	1.874	-	-	(2.365)	(491)
- transfers between accounts	(322)	-	-	-	-	(322)
- transfers from investing assets	-	-	-	-	-	-
As of 31 December 2012	**27.768**	**131.152**	**26.359**	**11.676**	**1.278**	**198.232**
Accumulated depreciation						
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)
- - reclassification	39	-	-	(18)	-	21
As of 31 December 2011	**8.919**	**101.344**	**22.236**	**9.161**	-	**141.661**
- depreciation	1.469	10.400	2.039	599	-	**14.507**
- depreciation of written-off and sold assets	(20)	(1.117)	(1.366)	(337)	-	**(2.840)**
recalculation of the accounting policy change	-	9	-	248	-	**257**
reclassification	-	-	-	-	-	-
transfers from investing assets	-	-	-	-	-	-
- transfers from investing assets	63	-	-	-	-	63
As of 31 December 2012	**10.431**	**110.636**	**22.909**	**9.671**	-	**153.647**
Accumulated depreciation						
As of 31 December 2010	**5**	**7**	-	**27**	-	**39**
- impairment losses	1	2	-	9	-	12
- reversal of impairment	-	-	-	-	-	-
As of 31 December 2011	**6**	**9**	-	**36**	-	**51**
- impairment losses	-	-	-	-	-	-
- reversal of impairment	-	-	-	-	-	-
As of 31 December 2012	**6**	**9**	-	**36**	-	**51**
Net book value						
As of 31 December 2011	**17.835**	**24.326**	**4.855**	**1.003**	**2.653**	**50.671**
As of 31 December 2012	**17.331**	**20.506**	**3.450**	**1.969**	**1.278**	**44.532**

For the year ending with 31 December 2012 the depreciation charge of the Group's and the Company's property, plant and equipment amounts to 16.805 thousands LTL and 14.507 thousands LTL (31 December 2011 – 17.445 thousands LTL and 15.297 thousands LTL).

On 31 August 2012, minimum value of fixed asset was changed from 3.000 Litas to 500 Litas in accordance with the order of AB "Žemaitijos pienas" General Director. Due to these changes, a part of the write-off low-value assets, totalling 823 thousand Litas in the Group and 784 thousand Litas in the Company, was reinstated to the fixed assets with the calculated depreciation in the amount of 270 thousand Litas in the Group and 257 thousand Litas in the Company. Due to the adjustments above, cash flow report of the Group reflects elimination of non-cash items to the amount of LTL 552,000, whereas the cash flow report of the Company reflects elimination of non-cash items to the amount of LTL 527,000.

On 31 December 2012, Company's fixed tangible assets, which residual value equalled 8.897 thousand Litas (on 31 December 2011 it equalled 15.060 thousand Litas), were pledged to the banks for the Company's received loans. On 31 December 2012, the subsidiary company ABF "Šilutės Rambynas" also had pledged fixed tangible assets for the Company's received loans, which residual value equalled 37.4 thousand Litas (on 31 December 2011 it equalled 39 thousand Litas) (see Note 14).

A part of the Group's and the Company's fixed tangible assets, which acquisition value on 31 December 2012 equalled 104.769 thousand Litas and 97.359 thousand Litas respectively, was completely depreciated (31 December 2011 respectively – thousand Litas and 76.834 thousand Litas and 70.313 thousand Litas), however still used in the business.

The investment in the Group and in the Company in 2012 when acquiring fixed tangible and intangible asset amounted to LTL 11,285,000 and LTL 9,302,000 (in 2011, LTL 24,574,000 and LTL 20,696,000). All the acquisitions above relate to the geographic 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 2010		9.435
- acquisition		-
- transfers to long-term assets		(43)
As of 31 December 2011	-	9.392
- acquisition	-	323
- transfers to long-term assets	-	-
As of 31 December 2012	-	9.714
Accumulated depreciation		
As of 31 December 2010		5.032
- depreciation		267
- transfers to long-term assets		(39)
As of 31 December 2011	-	5.259
- depreciation	-	262
- transfers to long-term assets	-	(63)
As of 31 December 2012	-	5.458
Net book value:		
As of 31 December 2011	-	4.132
As of 31 December 2012	-	4.256

The fair value of investment assets approximates its book value.

The Company's depreciation of the investment assets for the year 2012 amounted to 262 *th*ousands LTL (2011 – 267 *th*ousands LTL).

The Company's investment assets in 2012 and 2011 represents rented assets to Šilutės Rambynas ABF and UAB "Čia Market".

All rent contracts are easily cancellable with a few months prior notice made by the lessee or the lessor.

7. LOANS GRANTED

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

As of 31 December, loans granted consisted of the following:

	The Group		The Company	
	2012	2011	2012	2011
Loans granted	4.901	5.059	6.738	7.527
Less: current portion of loans granted	(3.466)	(3.692)	(3.466)	(3.693)
	1.435	**1.367**	**3.272**	**3.834**

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	
	2012	**2011**	**2012**	**2011**
Raw materials	13.152	13.226	10.369	11.051
Finished goods and work in process	89.426	82.266	84.768	74.141
Goods for resale	721	1.964	721	1.964
	103.299	**97.456**	**95.858**	**87.156**
Less: write off to net realizable value	(5.624)	(6.970)	(5.624)	(6.970)
Total:	**97.675**	**90.486**	**90.234**	**80.186**

9. TRADE ACCOUNTS RECEIVABLE

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

As of 31 December, 2012 trade accounts receivable consisted of the following:

	The Group		The Company	
	2012	**2011**	**2012**	**2011**
Trade accounts receivable	30.369	29.090	29.680	28.749
Receivable from related parties	3.479	7.423	3.231	11.409
	33.848	**36.513**	**32.911**	**40.158**
Minus: decrease in value for trade accounts receivables	(864)	(17)	(864)	(17)
Minus: decrease in value for related	(5)	(66)	(5)	(66)
Total:	**32.979**	**36.430**	**32.042**	**40.075**

Changes in impairment loss for doubtful trade accounts receivables for 2012 and 2011 are included into operating expenses in the income statement. The change in impairment loss for trade accounts receivable increased operating expenses of the year 2012.

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	
	2012	2011	2012	2011
Balance at beginning of year	83	105	83	105
Impairment loss	786	(22)	786	(22)
At end of year	**869**	**83**	**869**	**83**

31 December 2012 and 31 December 2011 period analysis for trade accounts receivables after value evaluation is as follows:

The Group	Trade accounts receivables, which period has not passed	Trade accounts receivables (without related companies), which period has passed					Total
		Less than 3 months	3 – 6 months	6 – 9 months	9 – 12 months	More than 1 year	
2011	25.626	3.418	29	-	-	-	**29.073**
2012	25.996	3.509	-	-	-	-	**29.505**

The Company	Trade accounts receivables, which period has not passed	Trade accounts receivables (without related companies), which period has passed					Total
		Less than 3 months	3 – 6 months	6 – 9 months	9 – 12 months	More than 1 year	
2011	25.298	3.405	29	-	-	-	**28.732**
2012	25.318	3.498	-	-	-	-	**28.816**

10. OTHER ACCOUNTS RECEIVABLE

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

As of 31 December 2012, other accounts receivables consisted of the following:

	The Group		The Company	
	2012	2011	2012	2011
Income tax paid in advance	-	1.645	-	1.645
Current portion of long-term loans granted	3.466	3.692	3.466	3.692
Overpaid personal income Tax	-	25	-	25
VAT receivable	2.683	1.903	2.683	1.898
Other receivables	693	(1.323)	41	46
Total:	**6.842**	**5.942**	**6.190**	**7.306**

11. CASH AND CASH EQUIVALENTS

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

As of 31 December 2012, cash and cash equivalents consisted of the following:

	The Group		The Company	
	2012	2011	2012	2011
Cash at bank	5.684	9.426	5.328	8.613
Cash on hand	104	131	99	126
Total:	**5.788**	**9.556**	**5.427**	**8.739**

12. SHAREHOLDERS' EQUITY

As of 31 December 2012, the share capital consisted of 48.375.000 ordinary shares with the par value of LTL 1 each. As of 31 December 2012, all shares were fully paid.

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

As of 31 December 2012, the main shareholders of the Company were:

	2012		2011	
	Number of shares	Ownership, %	Number of shares	Ownership, %
Pažemeckas Algirdas	21.589.380	44,63%	21.589.380	44,63%
SKANDINAVISKA ENSKILDA BANKEN CLIENTS code 50203290810, SERGELS TORG 2 10640 STOCKHOLM, SWEDEN	3.954.525	7,53%	3.954.903	8,18%
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%	3.025.820	6,25%
AB "Žemaitijos pienas"	1.360.010	2,81%	-	-
Other small shareholders	15.154.421	31.33%	16.203.053	33,49%
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 ending with 31 December the Group and the Company consisted of the following:

	The Group	The Company
Grants received		
As of 31 December 2010 (balance)	**16.862**	**11.842**
- received	547	547
As of 31 December 2011 (balance)	**17.409**	**12.389**
- received	3.044	1.483
As of 31 December 2012 (balance)	**20.453**	**13.872**
Accumulated amortisation		
As of 31 December 2010 (balance)	**14.183**	**10.839**
- amortization	979	730
As of 31 December 2011 (balance)	**15.162**	**11.569**
- amortization	902	558
As of 31 December 2012 (balance)	**16.064**	**12.127**
Net book value		
As of 31 December 2011	**2.247**	**819**
As of 31 December 2012	**4.389**	**1.744**

March 2010 – Assistance of LTL 684.000 was received for the implementation of a project "Increasing the Competitiveness of AB "Žemaitijos Pienas" by Introducing Innovative Production Processes" under the 2007-2013 Lithuanian Rural Development Programme measure "Processing of Agricultural Products and Increasing of Added Value".

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

2011, 20% of the compensated amount (547 thousand Litas) was received for the first completed stage of this project. In 2012, 20% of the compensated amount (1.483 thousand Litas) was transferred to the Company for the completed 2nd stage of this project.

On 31 December 2012, the residual value of all of the Company's received grants constituted 1.744 thousand Litas (on 31 December 2011 it constituted 819 thousand Litas).

On 5 July 2005, ABF "Šilutės Rambynas" has signed a financing agreement with the Lithuanian Environmental Investment Fund on 300 thousand Litas support. The support was intended for ABF "Šilutės Rambynas" boiler house reconstruction, during which the fuel used in the boiler house was to be replaced from fuel oil to liquefied gas. The amount of the support cannot exceed 70% of the total value of the reconstruction project. Boiler house reconstruction was completed in December 2005; therefore grant amount has started to being amortized since 1 January 2006 over a 8 year period. On 24 January, 2006 ABF "Šilutės Rambynas" has signed a financing agreement with the National Paying Agency under the Ministry of Agriculture on 3.395 thousand Litas support. The support was intended for ABF "Šilutės Rambynas" milk processing production modernization by acquiring new vehicles and equipment. ABF "Šilutės Rambynas" has acquired new equipment in June and July 2006, therefore grant amount has started to being amortized since the next month after the acquisition of the equipment over a 5 year period. The grant was paid to ABF "Šilutės Rambynas" on 31 January 2007.

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

On 31 December 2012, the total residue of ABF "Šilutės Rambynas" grants was 2.645 thousand Litas (on 31 December 2011 it was 1.428 thousand Litas).

Depreciation is included in financing amortization, which is calculated in sales prime cost depreciation and amortization section of gross income statements. Received support amounts are amortized in equal parts over the depreciation period of the assets, acquired with the support funds.

14. BORROWINGS

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

As of 31 December 2012, the Group's borrowing consisted of the following:

The Group	Contract date	Maturity date	Currency	Balance	
				2012 m.	2011 m.
AB DnB NORD bankas	2004 05	2014 06	EUR	-	20.717
AB DnB NORD bankas	2006 06	2013 04	EUR	417	2.087
AB SEB bankas	2011 09	2013 09	EUR	11.939	7.147
AB SEB bankas	2011 11	2014 11	LTL	-	3.848

Algirdas Pažemeckas	2011 10	2012 12	LTL	1.578	1.588
Total:				**13.934**	**35.387**
Less: short-term borrowings				-	(8.735)
Less: current portion of long-term borrowing				(13.934)	(23.767)
Total long-term borrowings				-	**2.885**

As of 31 December 2012, the Company's borrowings consisted of the following:

The Company	Contract date	Maturity date	Currency	Balance 2012 m.	2011 m.
AB DnB NORD bankas	2004 05	2014 06	EUR	-	20.717
AB DnB NORD bankas	2006 06	2013 04	EUR	417	2.087
AB SEB bankas	2011 09	2013 09	EUR	11.939	7.147
AB SEB bankas	2011 11	2014 11	LTL	-	3.848
Algirdas Pažemeckas	2011 10	2012 12	LTL	1.788	1.588
Total:				**13.934**	**35.387**
Less: short-term borrowings				-	(8.735)
Less: current portion of long-term borrowing				(13.934)	(23.767)
Total long-term borrowings				-	**2.885**

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

	The Group		**The Company**	
	2012	**2011**	**2012**	**2011**
Within one year	13.934	32.502	13.934	32.502
In the second year	-	1.048	-	1.048
In the third year	-	1.837	-	1.837
In the fourth and thereafter	-	-	-	-
Total:	**13.934**	**35.387**	**13.934**	**35.387**

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	
	2012	2011	2012	2011
EUR	12.356	29.951	12.356	29.951
LTL	1.578	5.436	1.578	5.436
Total:	13.934	35.387	13.934	35.387

15. OBLIGATIONS UNDER FINANCE LEASE

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

As of 31 December 2012, the Group's and the Company's obligations under finance lease consisted of the following:

The Group	2012		2011	
	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
Within one year	2.484	2.457	4.167	4.027
In the second to fifth years inclusive	807	796	3.339	3.264
Minimum lease payments	**3.291**	**3.253**	**7.506**	**7.291**
Less: future interest	(38)		(215)	
Present value of minimum lease payments	**3.253**		**7.291**	

The Company	2012		2011	
	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
Within one year	2.237	2.211	3.797	3.665
In the second to fifth years inclusive	807	796	3.087	3.017
Minimum lease payments	**3.044**	**3.007**	**6.884**	**6.682**
Less: future interest	(37)		(202)	
Present value of minimum lease payments	**3.007**		**6.682**	

As of 31 December 2012 and 2011, 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	
	2012	2011	2012	2011
Within one year	4.221	2.986	4.221	2.986
In the second to fifth years	4.267	3.076	4.267	3.076
After five years	-	-	-	-
Total:	**8.488**	**6.062**	**8.488**	**6.062**

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	
	2012	2011	2012	2011
Payables to suppliers	25.164	28.670	23.486	27.610
Payables to related parties	1.787	1.088	1.782	1.258
Prepayments	332	819	332	590
Total:	**27.283**	**30.578**	**25.600**	**29.458**

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	
	2012	2011	2012	2011
Accrued expenses	9.604	9.064	8.704	7.814
Wages and salaries payable	2.921	2.765	2.022	1.943
Social security payable	1.450	1.278	1.279	1.142
Taxes payable, other than income tax	658	844	389	664
Prepayments received	-	-	-	-
Other current liabilities	519	951	519	949
Total:	**15.153**	**14.903**	**12.913**	**12.512**

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		
	2012 m.	**2011 m.**	**Variation in % As comparing 2012 with 2011**
Fermented cheese	218.357	214.521	**1,79%**
Fresh dairy products	154.419	154.752	**-0,22%**
Butter and spreadable fat mixes	43.128	62.435	**-30,92%**
Dry dairy products	33.181	24.438	**35,78%**
Ice cream	70	88	**-20,45%**
Other	51.360	38.192	**34,48%**
Total:	**500.515**	**494.426**	**1,23%**

The Company	Turnover, thousand of litas		
	2012 m.	**2011 m.**	**Variation in % As comparing 2012 with 2011**
Fermentted cheese	208.725	208.509	**0,10%**
Fresh dairy products	154.391	154.752	**0,23%**
Butter and spreadable fat mixes	43.128	62.435	**-30,92%**
Dry dairy products	33.181	24.438	**35,77%**
Ice cream	70	88	**-20,45%**
Other	50.164	36.996	**35,59%**
Total:	**489.659**	**487.218**	**0,50%**

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**	
	2012	**2011**	**2012**	**2011**
Sales:				
Lithuania	272.778	276.594	266.014	272.842
Other Baltic States and CIS members	128.260	127.063	125.700	125.304
Other Europe countries	94.746	83.640	94.746	83.640
Other	4.731	7.129	3.199	5.432
Total:	**500.515**	**494.426**	**489.659**	**487.218**

During the year of 2012, sales income from each Company customer did not constitute more than 10% of the total income.

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 statement of comprehensive income)

As of 31 December operating expenses consisted of the following:

	The Group		The Company	
	2012	2011	2012	2011
Wages, salaries and social security*	29.063	29.253	28.562	28.844
Services	13.980	12.379	13.650	12.114
Marketing	13.529	16.457	13.452	16.462
Fuel and spare parts	5.735	5.576	5.615	5.466
Depreciation and amortisation	2.456	2.586	2.413	2.551
Change in write off of inventoriews to net realizable value	(1.307)	4.267	(1.345)	4.267
Materials	1.929	1.980	1.835	1.928
Taxes, other than income tax	597	470	597	411
Other expenses	1.067	7.176	898	6.141
Total:	**67.050**	**80.144**	**65.677**	**78.184**

For the year ending with 31 December 2012, the Group's and the Company's wages, salaries and social operting expenses amounted to 29.063 thousands LTL and 28.562 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 ending with 2012 and 2011 on 31 December other operating income and expenses consisted of the following:

	The Group		The Company	
	2012	2011	2012	2011
Other operating income				
Gain on sales of property, plant and equipment and goods for resale sales income	1.219	1.513	3.641	4.279
Rental income	1.178	-	1.333	1.192
Income of the canteen	574	716	574	716
Other	-	-	829	568
	2.971	**2.229**	**6.377**	**6.755**
Other operating income				
Cost of goods for resale sold	(3.532)	(3.734)	(3.171)	(3.691)

Rental income	(540)	(1.017)	(264)	(658)
Wages, salaries and social security	-	-	-	-
Other	(611)	(787)	(610)	(793)
	(4.682)	**(5.537)**	**(4.045)**	**(5.142)**
Total:	**(1.711)**	**(3.308)**	**2.332**	**1.613**

22. FINANCIAL INCOME AND EXPENSES

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

For the year ending with 2012 and 2011 on 31 December other operating income and expenses consisted of the following:

	The Group		**The Company**	
	2012	**2011**	**2012**	**2011**
Income from financial activity				
Interest income	365	446	452	453
Foreign currency exchange (profit)	132	610	132	610
Other financial incomes	89	40	55	27
	586	**1.096**	**639**	**1.090**
Expenses from financial activity				
Foreign currency exchange (loss)	(186)	(601)	(154)	(593)
Interest	(587)	(678)	(619)	(661)
Other financial expenses	(127)	(105)	-	-
	(900)	**(1.384)**	**(773)**	**(1.254)**
Total:	**(315)**	**(287)**	**(134)**	**(164)**

23. INCOME TAX EXPENSE (BENEFIT)

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

For the years ending with 31 December 2012 and 31 December 2011 income tax consisted of the following:

	The Group		**The Company**	
	2012	**2011**	**2012**	**2011**
(Loss) profit before tax	27.195	10.565	25.173	9.435
Tax at the statutory income taxes rate	2.938	1.097	2.913	1.097
Tax effect of non-taxible differences	138	(691)	138	(691)
Change in deferred tax asset valuation allowance	106	204	-	-
Income tax expenses (benefit) charged to the income statement	**3.181**	**610**	**3.051**	**406**
Current period income tax	(2.913)	(1.097)	(2.913)	(1.097)
Change in deferred income tax	(268)	488	(138)	691
Income tax expenses (benefit) charged to the income statement	**3.181**	**610**	**3.051**	**406**

	The Group		The Company	
	2012	2011	2012	2011
Deferred income tax asset				
Tax loss carry forward	-	-	-	-
Inventories	844	1.045	844	1.045
Accrued vacation reserve	1.122	1.161	1.099	1.141
Other accrued expenses	183	81	155	50
Total deferred income tax asset	**2.149**	**2.287**	**2.098**	**2.236**
Less: valuation allowance				
Deferred income tax liabilities				
Difference in property, plant and equipment depretiation rates	(1.083)	(977)	-	-
Total deferred income tax liabilities	**(1.083)**	**(977)**	-	-
Deferred income tax asset, net	**1.066**	**1.310**	**2.098**	**2.236**

24. ACQUISITION AND WRITE-OFFS OF SUBSIDIARIES

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

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	
	2012	2011	2012	2011
Net (loss) profit attributable to the shareholders	23.784	9.851	22.122	9.029
Weighted average number of shares (in thousands)	48.375	48.375	48.375	48.375
Basic earnings (loss) per share (LTL)	**0,49**	**0,20**	**0,46**	**0,19**

Diluted earnings per share equal to basic earnings per share as there were no potential shares issued as of 31 December 2012 and 2011.

26. DIVIDENDS PER SHARE

	The Group		The Company	
	2012	2011	2012	2011
Dividends paid	-	-	-	-
Number of shares (thousands)	48.375	48.375	48.375	48.375
Dividends per share (LTL)	**0,00**	**0,00**	**0,00**	**0,00**

27. COMMITMENTS AND CONTINGENCIES

As of 31 December 2012, the Group and the Company had no material purchase commitments for the acquisition of property, plant and equipment.

At 31 December 2012, 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	
	2012	2011	2012	2011
Cash and cash equivalents	5.789	9.556	5.427	8.739
Loans granted	4.901	5.059	6.738	7.527
Trade accounts receivable	32.978	36.430	32.042	40.075
Other accounts receivable	6.842	5.942	6.190	7.306
Term deposits	-	-	-	-
Total financial assets	**50.510**	**56.987**	**50.397**	**63.647**

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	-	785	31.717	2.885	-	35.387
Interest bearing finance lease liabilities	-	1.152	2.875	3.264	-	7.291
Trade payables and prepayments	-	24.929	-	-	-	24.929
Commitments to related parties	-	5.649	-	-	-	5.649
Balance as of 31 December 2011	-	**32.515**	**34.592**	**6.149**	-	**73.256**
Interest bearing loans and borrowings	-	1.736	12.199	-	-	13.934
Interest bearing finance lease liabilities	-	924	1.533	796	-	3.253
Trade payables and prepayments	-	25.273	223	-	-	25.496
Commitments to related parties	-	1.788	-	-	-	1.788
Balance as of 31 December 2012	-	**29.720**	**13.955**	**796**	-	**44.471**
Changes throught 2012	-	(2.795)	(20.637)	(5.353)	-	(28.785)

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	-	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**
Interest bearing loans and borrowings	-	1.578	12.356	-	-	13.934
Interest bearing finance lease liabilities	-	833	1.378	796	-	3.007
Trade payables and prepayments	-	23.594	223			23.817
Commitments to related parties	-	1.783				1.783
Balance as of 31 December 2012	-	**27.788**	**13.957**	**796**	-	**42.541**
Changes throught 2012		(3.307)	(20.573)	(5.106)	-	(28.986)

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 2012, monetary assets and liabilities stated in various currencies were as follows:

	The Group		The Company	
	2012		2012	
	Assets	Liabilities	Assets	Liabilities
LTL	40.346	43.894	40.714	39.213
EUR	10.255	17.869	9.680	17.300
USD	29	-	29	-
LVL	3.767	897	3.767	897
Other	1	8	2	8
Total:	**54.398**	**62.669**	**54.192**	**57.418**

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	46.267	66.408	53.130	46.126
EUR	8.790	23.956	8.451	39.075
USD	119	-	119	-
LVL	4.684	430	4.684	495
Other	2	-	2	1
Total:	**59.862**	**90.794**	**66.386**	**85.697**

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	
	2012	2011	2012	2011
Financial assets				
Cash	5.789	9.556	5.789	9.556
Term deposits	-	-	-	-

Investments available for sale	-	10	-	10
Loans granted	4.901	5.059	4.901	5.059
	10.690	**14.626**	**10.690**	**14.625**
Financial liabilities				
Interest bearing loans and borrowings:	-	-	-	-
Obligations under finance lease and hired purchase contracts	(3.253)	(7.291)	(3.289)	(7.506)
Floating interest rate borrowings	(12.356)	(33.799)	(12.356)	(33.799)
Fixed interest rate borrowings	(1.578)	(1.588)	(1.578)	(1.588)
	(17.187)	**(42.678)**	**(17.223)**	**(42.893)**
Total:	**(6.497)**	**(28.052)**	**(6.533)**	**(28.268)**

The Company	**Carrying amount**		**Fair value**	
	2012	**2011**	**2012**	**2011**
Financial assets				
Cash	5.427	8.739	5.427	8.739
Term deposits	-	-	-	-
Investments available for sale	-	10	-	10
Loans granted	6.738	7.527	6.738	7.527
	12.165	**16.276**	**12.165**	**16.276**
Financial liabilities				
Interest bearing loans and borrowings:				
Obligations under finance lease and hired purchase contracts	(3.007)	(6.682)	(3.044)	(6.884)
Floating interest rate borrowings	(12.356)	(33.799)	(12.356)	(33.799)
Fixed interest rate borrowings	(1.578)	(1.588)	(1.578)	(1.588)
	(16.941)	**(42.069)**	**(16.978)**	**(42.271)**
Total:	**(4.776)**	**(25.793)**	**(4.813)**	**(25.995)**

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 ending with 31 December 2012.

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	
	2012	**2011**	**2012**	**2011**
Non-current liabilities (including deferred taxes and grants)	8.178	11.031	4.450	8.379
Current liabilities	58.880	82.011	54.712	78.137
Total liabilities	**67.058**	**93.041**	**59.162**	**86.516**
Equity attributable to equity holders of the parent	**148.196**	**127.403**	**145.316**	**126.192**
Debt* to equity ratio	**45%**	**73%**	**41%**	**69%**

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

No breaches of required ratio occured during the year.

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);
- Čia Market UAB (company related to the shareholder);
- Muižas Piens SIA (company related to the shareholder);
- Samogitija 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	
	2012	**2011**	**2012**	**2011**
1) Sales				
Sales of goods				
To the Group				
Tarpučių pienas ŽŪK	-	-	-	-
Šilutės Rambynas ABF	-	-	-	-
	-	-	-	-
To Related parties				
Baltijos mineralinių vandenų kompanija UAB	-	2	0	2
Klaipėdos pienas AB	1.293	1.384	425	535
Žemaitijos pieno investicija AB	-	-	-	-
Čia Market UAB	24.394	29.794	23.395	29.750
Muizas piens SIA	9.410	12.902	8.507	12.408
	35.097	44.082	32.328	42.696
Sales of inventory and services				
To the Group				
Tarpučių pienas ŽŪK	-	-	1	2
Šilutės Rambynas ABF	-	-	3.752	3.527
	-	-	3.753	**3.528**
To Related parties				
Baltijos mineralinių vandenų kompanija UAB	1.529	1.658	1.529	1.658
Klaipėdos pienas AB	1.832	2.034	1.832	2.034
Žemaitijos pieno investicija AB	139	177	139	177
Samogitija UAB	6	-	6	-
Čia Market UAB	654	844	642	831
Muizas piens SIA	90	59	90	59
	4.250	4.772	4.239	**4.760**
Total Sales:	**39.347**	**48.854**	**40.320**	**50.984**

	The Group		The Company	
	2012	2011	2012	2011
2) Purchases				
From the Group				
Tarpučių pienas ŽŪK	-	-	-	-
Šilutės Rambynas ABF	-	-	19.948	19.948
	-	-	19.948	19.948
From Related parties				
Baltijos mineralinių vandenų kompanija UAB				
Čia Market UAB	2.295	303	2.295	303
Klaipėdos pienas AB	678	641	662	638
Žemaitijos pieno investicija AB	3.958	3.656	3.952	3.649
SIA "Muizas piens"	2.565	2.182	2.559	2.175
	103	-	103	-
Total Purchases:	9.599	6.782	9.571	6.766

	The Group		The Company	
	2012	2011	2012	2011
3) Accounts recievable				
From Group				
Tarpučių pienas ŽŪK	-	-	-	-
Šilutės Rambynas ABF	-	-	2.468	8.461
	-	-	**2.468**	**8.461**
From Related parties				
Baltijos mineralinių vandenų kompanija UAB				
Samogitija UAB	-	447	-	447
Čia Market UAB	78	-	78	-
Klaipėdos pienas AB	947	3.532	947	3.479
Žemaitijos pieno investicija AB	71	320	-	0
Muizas piens SIA	2.477	3.213	2.477	3.213
	2.358	2.317	2.265	2.115
Total, decrease in value not considered	5.931	9.829	5.767	9.254

	The Group		The Company	
	2012	2011	2012	2011
4) Balances of payables				
To Group				
Tarpučių pienas ŽŪK	-	-	-	170
Šilutės Rambynas ABF	-	-	807	-
	-	-	**807**	**170**
To Related parties				
Pažemeckas Algirdas	1.578	1.588	1.578	1.588
Baltijos mineralinių vandenų kompanija UAB	751	-	751	-
Žemaitijos pieno investicija UAB	224	-	223	
Klaipėdos pienas AB	-	1.088	-	1.088
Čia Market AB	4	1	-	-
Muizas piens SIA	-	-	-	-
	2.557	**2.677**	**2.552**	**2.676**
	2.557	**2.677**	**3.359**	**2.846**

Outstanding balances at the year-end are unsecured, interest free and settlement occurs in cash. In 2012, the Company have calculated 5 thousand Litas of decrease in distribution value for doubtful accounts, relating to the amounts that belong to the related parties (in 2011 – 66 thousand Litas). Evaluation of these doubtful accounts is being reviewed every financial year, by checking the financial state of the related party and the market, in which the related party is operating. The Group has many transactions with the related parties (the companies in AB "Žemaitijos pieno investicija" group), and Group's profit as well as sales are strongly influenced by the transactions with AB "Žemaitijos pieno investicija" group. It includes rent of fixed assets, raw material sales as well as full buy up of cheeses from ABF "Šilutės Rambynas", sale of distribution services to UAB "Baltijos mineralinių vandenų kompanija" and sales of finished goods to UAB "Čia Market".

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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 2012.

2. Issuer and its Contact Information

Name	AB "Žemaitijos Pienas"
Legal and organisational form	Uždaroji akcinė bendrovė (an equivalent to a Joint Stock Company or Private Limited company)
Registration	Company is registered on 23 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 31 December 2012, the consolidated Group of UAB „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 per cent.
Office address – Klaipėdos str. 3, Šilutė.
Activity – enzymatic cheese production.

ŽŪK "Tarpučių pienas", registration code: 151449845.
Authorized capital – 496.027 Lt. The Company owns 10.08 per cent.
Office address – Klaipėdos str. 3, Šilutė.
Activity – postchill of the milk stock.
This entity went into liquidation on 31 January 2013 and was removed from the register of legal entities.

Associate company SIA "Muižas piens",registration code: 40003786632.
The company owns 32 per cent.
Office address – Skaistkalnes 1, Riga, Latvija.
Activity – Retail sale, wholesale.

UAB "Žemaitijos pienas" has 5 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
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 AB "Žemaitijos pienas" is the mintage, production and selling within the pale of Lithuanian and international markets the following production: enzymatic cheese and cheese products, pre-packed 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 milk 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.

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

The registered shares of common stock of UAB "Žemaitijos pienas" are included to the list of Current stock list of "NASDAQ OMX Vilnius" since 13 October 1997.

Type of shares – ordinary registered shares;
Number of stocks – 48.375.000;
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 AB "Šiaulių bankas", situating at address Tilžės str. 149 on 16 July 2004, under which regulation of the stocks as issued by the Company since 23 July 2004, is transferred to UAB "Šiaulių bankas".

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

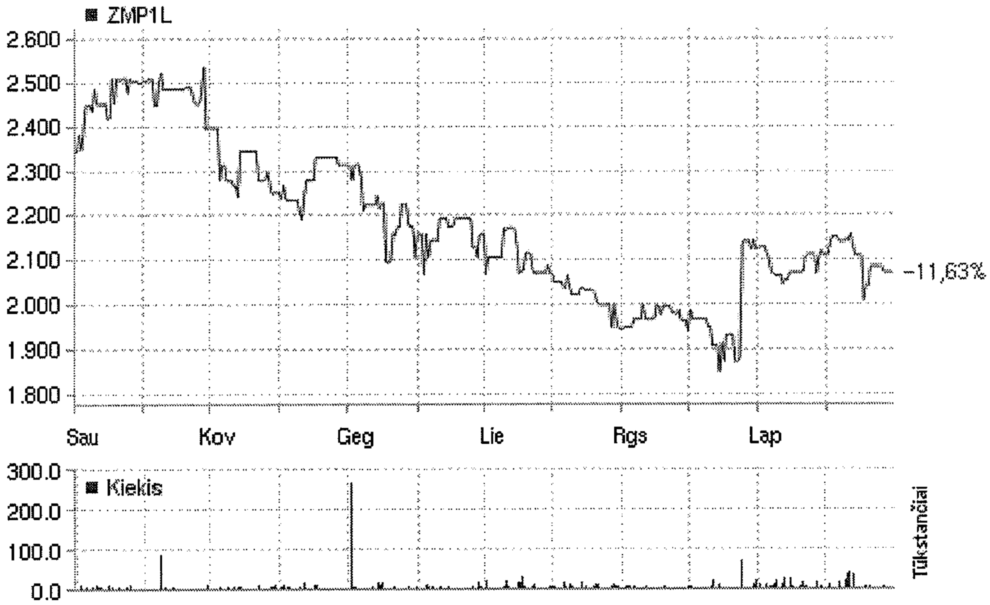
48.375.000 ordinary nominal stocks of AB "Žemaitijos pienas" are included to NASDAQ OMX Vilnius Additional stock trading list (Symbol of Vilnius Stock Exchange - ZMP1L). 1 stock is of 1Lt nominal amount.

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 graph below shows transactions (sale) of shares of AB "Žemaitijos pienas" in Vilnius Stock Exchange from January 2012 to December 2012. Data source: AB NASDAQ OMX Vilnius, webpage address:

http://www.nasdaqomxbaltic.com/market/?instrument=LT0000121865&list=3&date=2012-01-01&pg=details&tab=historical&lang=lt&currency=0&downloadcsv=0&start_d=1&start_m=1&start_y=2012&end_d=31&end_m=6&end_y=2012



The table below represents the historical data of AB "Žemaitijos pienas" stock sale in NASDAQ OMX Vilnius Stock Exchange in 2009–2012:

Indicator	2009	2010	2011	2012
Opening price	0,600	1,040	2,414	2,345
Max. price	1,440	2,572	2,659	2,538
Min. price	0,480	1,020	1,916	1,851
Closing price	1,030	2,414	2,345	2,072
Turnover, units	14 273 509	7 623 027	4 945 124	1 514 200
Turnover, millions	11,53 LTL	11,74 LTL	11,10 LTL	3,32 LTL
Capitalization, millions	49,83 LTL	116,75 LTL	113,41 LTL	100,22 LTL

8. Capitalization of securities

Capitalization of the Company's shares in 2009-2012, LTL

Indicator	2009	2010	2011	2012
Capitalization, millions	49,83 LTL	116,75 LTL	113,41 LTL	100,22 LTL

Change in AB "Žemaitijos pienas" stock capitalization from 2009 to 2012, expressed in %:

ZMP1L	29 025 000,00 LTL	100 217 520,00 LTL	+245,28%

9. Authorized capital of the issuer:

On 31 December 2012, authorized capital of AB "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

AB "Žemaitijos pienas" is a Lithuanian company with old diary processing traditions, which cherishes classical recipes and technologies for production of dairy products and promotes the revival and use of heritage and cultural products from the previous centuries.

AB "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. AB "Žemaitijos pienas" was registered on 23 June 1993 at the Department of Telšiai region after it was registered anew on 16 October 1998 at the Ministry of Economy of the Republic of Lithuania.

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

The Company's irreproachable work is its trademark, which undoubtedly demonstrates the Company's reliability and standing when establishing itself in the local market, as well as making the region of Žemaitija and Lithuania famous in the world. Currently the Company's staff consists of more than 1,300 professional and creative employees, whose important contribution, optimism and ideas help the company achieve ambitious goals and face new challenges in the local and international market.

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. Today the Company's production includes over 200 types of products, new and already known by the consumers, including the line of ecological products DOBILAS. Products in MAGIJA group have gained consumer trust and become amazingly popular since they were launched. Consumers have also grown fond of fermented and melted cheeses and peelable sticks PIK-NIK made from unripen cheese, the only such sticks in Lithuania. On March 8, the sticks celebrated their 10th production anniversary remembering the prizes they have been awarded almost every year both in Lithuania and internationally.

Consumers enjoy a wide range of Company's products: milk, kephir, yoghurt, sour cream, cream, curd, glazed curd snacks, unflavoured and flavoured butter and other. The country's culinary heritage is also cherished at the Company. Home-made cottage cheese ŽEMAITIJOS PIENO and "Žemaitiškas kastinys" are made only from traditional ingredients and additives using traditional technologies and as a result have been awarded Lithuanian Culinary Heritage Fund certificates and come marked with the Fund's special label.

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. AB "Žemaitijos pienas" exports its production to the following countries: European Union, Baltic countries, Russia, Belarus, USA, Israel, Croatia and others.

Most of the products processed by AB "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.

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 AB "Žemaitijos pienas" to requirements of sanitary regulations herewith approval it for production of milk products for AB "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, ecological milk, ecological yoghurts and other products). Currently the Company has been expanding its range of ecological products:

in 2010 they certified the ecological hard cheese, in 2011 launched the ecological curd and curd snacks and in 2012 the ecological cottage cheese and curdled milk.

In May 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 AB "Žemaitijos pieno investicija" under proprietorship as for 10.878.000 Litas, i.e. 14,41 Litas were paid for one stock.

AB "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).

In 2009, the corporate group "Žemaitijos pienas" adopted a general integrated food safety and quality management system (GIFSQMS) in accordance with ISO 9001 and ISO 22000 requirements. On 30 April 2009, the system was certified by the management system certification and technical assessment company "Bureau Veritas Lit".

The Company was certified in the area of diary product creation, production and sales. ISO 9001 shows that the Company has a quality management system which guarantees that the Company is managed efficiently and in accordance with globally recognized values and goals. ISO 22000, a standard for food safety management systems, is an indicator that the company ensures food safety in its production and supply chain until its consumption. Companies awarded with ISO 22000 must focus greatly on production and implementation of environmental, good hygiene and good production practices in order to ensure a safe and high quality end product.

AB "Žemaitijos pienas" decided to seek a higher evaluation according to the standards of BRC (Global Food Standard Issue 5 (British Retail Consortium).

Its GIFSQMS was complemented with high BRC standards. At the beginning of 2010 the auditors of international certification institution Bureau Veritas Certifikation recognized the compliance of AB "Žemaitijos pienas" cheese-butter and melted-packaged cheese production with BRC standard and issued a compliance certificate.

BRC Global Food Safety Standard is accepted worldwide as a company (seller or processor) evaluation system, contributing to safe food production and selection of reliable suppliers. BRC Global Food Safety Standard is one of the most efficient tools for assessing supplier reliability. Encouraged by the success of AB "Žemaitijos pienas", AB "Klaipėdos pienas" also succeeded in being certified by BRC standards shortly after, whereas AB-F "Šilutės Rambynas" received the same recognition at the end of the year.

In 2010, the laboratory of AB "Žemaitijos pienas" was reorganized into UAB "Nepriklausoma tyrimų laboratorija", which was audited by the German accreditor DAkks in accordance with DIN EN ISO/IEC 17025:2005 requirements and was awarded a compliance certificate.

To demonstrate its trust in its quality and food safety systems the Company at the beginning of the year opted for an unannounced audit as established in BRC Global Standard for Food Safety Issue 6, which means that a certification institution may perform an independent unannounced assessment of the Company's production conditions and procedures. This so-called superior certificate had not been awarded to any Lithuanian food production company certified in line with BRC requirements before.

In April 2012, after having been audited by Bureau Veritas AB "Žemaitijos pienas" became the first Lithuanian company awarded the FSSC 22000 certificate.

The certificate covers the international food safety standard ISO 22000, necessary frameworks and additional FSSC requirements stipulated in ISO/TS 22002-1. The FSSC has been fully recognized by the Global Food Safety Initiative (GFSI).

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 AB "Žemaitijos pienas", might have negative influence for the cash flow and operating results of the Company.

As the majority of products are exported and the Company is not a key player in the European and global market to dictate market prices, its performance may be significantly affected by fluctuations in cheese and dry diary product stock prices, intervention balances and other global trade aspects, all of which was witnessed in the first half of 2012.

The main Company's raw material is milk, whose amount to be sold to process to the EU diary producers is restricted by national milk quotas. Restrictions in raw material supply may result in its shortage and price increase, which may have a negative effect on the Company's cash flow and performance results.

The Company's business (especially milk collection and transportation and product distribution system) requires a great deal of workforce. An increase in staff's salary may produce a negative effect on the Company's growth potential and performance results.

Fluctuating fuel prices may also have a significant effect on the Company's performance results in terms of collected milk delivery as well as product distribution process.

The Company specializes in fresh diary product and cheese production, the majority of its income is generated from the sale of these products. Therefore the Company's revenue, profit and overall financial situation may be affected by unfavorable changes in fresh diary product and cheese demand and prices. Lithuanian market plays the main role in the sector of fresh diary products, whereas export markets rule the cheese sector.

The efficiency of milk processing and employment of equipment are greatly influenced by the seasonal nature of raw milk in Lithuania. Due to indices of material seasonality in Lithuania being different from other European countries as a result of different material seller segmentation, support and quality control system; seasonality has negative effects on business predictability and possibilities of profitable long-run trade deals.

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 2012 (in thousand of Lt) are the following:

Financial indicators	According to IFRS			
	2012		2011	
	Groups	Companies	Groups	Companies
Turnover	500.515	489.659	494.426	487.218
Total profit	96.271	88.652	94.304	86.170
EBITDA	45.064	41.010	28.779	25.741
Profit before taxing	27.195	25.173	10.565	9.435
Amount of investments to long-term assets	11.285	9.302	24.574	20.696

Comparison of the prices and tonnage on procurement of raw milk in years 2010, 2011 and 2012:

Procurement of raw milk (as recalculated to basic richness)	2012	2011	2010
Amount of received milk, thousands of t	334	345	318
Milk procurement price, Lt/t	769	850	745

Organic milk was received as follows: 276 thousand of t in year 2012, 285 thousand of t in year 2011 and 263 thousand of t in year 2010.

Segmentation by type of the products, of production sold by AB "Žemaitijos pienas" within the period of 2011-2012 years was the following (in thousands of Lt):

The Group

Name of the group of goods	Turnover in thousand, Lt		Changes, if 2012 and 2011 years are compared %
	2012	2011	
Enzymatic cheese	218.357	214.521	1,79%
Fresh milk products	154.419	154.752	(-) 0,22%
Butter and spreading fat blends	43.128	62.435	(-) 30,92%
Dry milk products	33.181	24.438	35,78%
Ice-cream	70	88	(-) 20,45%
Other	51.360	38.192	34,48%
Total:	500.515	494.426	1,23%

The sales of the Group as after geographical (secondary) segments (in thousand of Lt), in the year 2012 and 2011:

The Group

Sales after geographical segments	2012	2011
Lithuania	272.778	276.594
Other Baltic states and countries of ISU	128.260	127.063
Other European countries	94.746	83.640
Other	4.731	7.129
Total:	500.515	494.426

Environment control

AB "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 minimize 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 Company does not have a big negative impact on the environment. Contaminated waste is treated at the local waste treatment facility (UAB "Telšių vandenys"). The boiler is fuelled by the least air contaminating fuel: natural gas. The Company is not listed in emission allowance trade system in line with the National Emission Allowance Distribution Plan for 2008-2012. The use of natural resources is economical. The environmental impact is controlled through approved monitoring programmes.

The Company has an accident prevention scheme, accident cause and response plans, ammonia refrigeration compressor and fuel station storage facilities, hazard identification, risk analysis and assessment schemes for a hazardous object.

Waste and the packages are managed in line with requirements of environment control. AB "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.

On 12 June 2012, AB "Žemaitijos pienas" submitted to the Lithuanian Environmental Investment Fund (LEIF) a communication form for an investment project *Installation of Acid Whey Processing Line at AB "Žemaitijos pienas" to Reduce Waste.*

Through regular investment projects the Company installs new modern technologies which enable a more efficient use of energy resources.

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

Seq. No.	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	

Foreign language learning is another important area of focus. The Company's employees are offered language courses and other instruction and development tools, as well as stays abroad.

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, AB "Žemaitijos Pienas" 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 AB "Žemaitijos Pienas" authorised capital. No disposal of own shares of the Company took place in the accounting period.

In December 2012, at NASDAQ OMX Vilnius Stock Exchange the Company purchased 1.360.000 units of shares for 2.992 million Lt, fully paying them up. This represents a minor share of AB "Žemaitijos pienas" total capital, i.e. 2,81 per cent. During the reporting period the Company did not transfer any of its shares.

The reason and purpose of this purchase was to maintain and increase the price of shares in the market.

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

It should be noted that no shares of the Company are owned by its daughter companies.

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

Awards in 2012:

- 29 February 2012, winner of The Most Popular Commodity 2011, a contest organized by the Association of Lithuanian Trade Enterprises (ALTE): Diploma to AB "Žemaitijos pienas" The Most Popular Glazed Curd Snack 2011 "Magija";
- International Food Exhibition ПРОДЭКСПО – 2012 , AB "Žemaitijos pienas" 40% fat hard cheese DŽIUGAS, in chunks, ripened for 12, 18, 36 months, awarded a gold medal (Moscow, 13-17 February 2012);
- International Organic Food Exhibition BEST of ORGANIC, AB "Žemaitijos pienas" ecological cheese DOBILAS, 45% fat, won 3rd place (Warsaw, 7-9 May 2012);
- AB "Žemaitijos pienas" Samogitian Kastinys (sour cream butter) in a clay cup won a gold medal in AgroBalt2012 (19th International Agriculture and Food Industry Exhibition), (09-10 May 2012);
- AB "Žemaitijos pienas" ecological cottage cheese DOBILAS, 13% fat, awarded a Diploma in AgroBalt2012 (19th International Agriculture and Food Industry Exhibition), (09-10 May 2012);
- At International Cheese Awards Nantwich 2012 EST.1897 the package of AB "Žemaitijos pienas" cheese "Džiugas" (180g) was recognized as innovative and the product was awarded a gold medal (31 July 2012).

  Cheese "Džiugas" was awarded a bronze medal for taste qualities (31 July 2012).

  Cheese "Džiugas DELICATE", in chunks in a 100 g package was awarded the main exhibition prize (31 July 2012).
- In World Food 2012 packaged cheese "Džiugas" was awarded a gold medal, (Moscow, 17-20 September 2012);
- AB "Žemaitijos pienas" ecological yoghurt "Dobilas" with apple and grain. The Lithuanian Confederation of Industrialists. Contest Lithuanian Product of the Year 2012 (Gold Medal), (21 December 2012);
- AB "Žemaitijos pienas" glazed curd snack "Magija" with poppy seeds. The Lithuanian Confederation of Industrialists. Contest Lithuanian Product of the Year 2012 (Gold Medal), (21 December 2012);
- AB-F "Šilutės Rambynas" peelable cheese sticks "Pik-Nik" with cured ham. The Lithuanian Confederation of Industrialists. Contest Lithuanian Product of the Year 2012 (Silver Medal), (21 December 2012).

Acknowledgments in 2012:

- From the Lithuanian Sommelier Association to AB "Žemaitijos pienas" For Promoting Wine Culture and Assisting in the Organization of LOUIS ROEDERER GRAND PRIX 2012 Lithuanian Sommelier Championship (30 April 2012);
- Contest by the Ministry of Agriculture and Lithuanian Organic Farming Association *The Most Advanced Eco-Farm.*

Acknowledgments from the Minister of Agriculture:

AB "Žemaitijos pienas": For High Quality and a Wide Range of Organic Products.

AB-F "Šilutės Rambynas": For Advanced Production Culture and High Quality of Organic Products.

• Acknowledgment from the Lithuanian Confederation of Industrialists to AB "Žemaitijos pienas" for attending exhibition "Choose Lithuanian Products 2012" and for production of high quality Lithuanian products (5 October 2012).

16. Plans and Projections of the Company

The long term goals of AB "Žemaitijos pienas" include the following: become a technically and technologically modern, reliable and constantly growing company; ensure profitable markets for its production in the EU and the Baltics, focusing on products with high added value, trademarks and residual marketing effect; maintain products at the highest quality level; exploit the production capacity to the fullest; systematically accumulate intellectual capital.

Current goals of the Company are as follows:

- purchase milk at market conditions but not pay more for raw milk than other market agents in Lithuania;
- reduce production expenses and product costs, at the same time ensuring a stable and growing product quality, opting for negotiations with main suppliers and increasing efficiency as the most important means to reduce production and product costs;
- remove all inefficient production processes as soon as possible;
- store all products in warehouses meeting the highest technological standards;
- increase sales volumes at prices favourable to the Company; concentrate on the major product basket with the Company's trademarks and maintain at least 20% of the local market share. In export markets aim at the higher added value product sales to the end user;
- strengthen the function of marketing and Company's name investing in trademarks, their spread and customer loyalty;
- reduce distribution costs by for example cutting down distribution chains, i.e. reducing the number of agents involved in a distribution chain;
- offer incentives to employees only for the end result and implementation of goals taken up;
- constantly improve and renew technological process equipment and transport infrastructure in order to improve production and performance, efficiency and productivity.

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. The Company also focuses on new product design and to achieve this works in cooperation with scientists.

The Company places a great emphasis on high product quality and added value for the user, therefore it cooperates on a regular basis with various institutes, Lithuanian and foreign experts, carries out laboratory research, improves recipes, focuses on product uniqueness. The research is of continuous nature and its main focus is on improving the products in the basket.

In order to comply with the highest business standards, adopt cutting edge performance methods and innovative approach to production technology as well as business management and separate administration and work processes, the Company's specialists undergo training, are sent on trips abroad, attend fairs, maintain contact with main suppliers at the same time integrating good practice methods in the Company's production and logistics processes and also improving processes already at the supplier level.

18. Information on financial instruments used by the Company

Assets of AB "Žemaitijos pienas" include financial measures in accordance with TFAS: stock of associate companies. The Company's management infers that taking into consideration the performance of associate companies, their tendencies and sales prospects there is no risk of these companies' stock depreciation. AB "Žemaitijos pienas" has adopted a conservative policy towards the use of financial instruments; therefore there is none or very little risk in terms of credits, cash flow and liquidity. Insurance contracts are not in practice and the use of long term funding instruments is restricted: only financial leasing is applied with contracts concluded at favourable terms and conditions.

Principal risk of the Company – liquidity of accounts receivable liabilities – is managed by AB Žemaitijos Pienas through commodity loan or other forms of insurance for almost all export turnover.

AB "Žemaitijos Pienas" is formed and operated as an Audit committee, which evaluates principal risks, makes proposals for the management and controls their implementation. Therefore dependability of Company assets and footings is increased.

Information of the financial risk of an issuer is provided in the explanatory note of the Annual financial statement.

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 31 December 2012, the authorized capital of AB "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	48.37. 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 31 December 2012, the company had 3.345 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 AB "Žemaitijos pienas" under proprietorship and have the votes:

Seq. No.	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	21.589.380	44,63	50,88
2	SKANDINAVISKA ENSKILDA BANKEN CLIENTS, code 50203290810, SERGELS TORG 2, 10640 STOCKHOLM, SWEDEN	3.643.525	7,53	7,53
3	AB "Klaipėdos Pienas", enterprise code 240026930, Šilutės road 33, 91107 Klaipėda	3.601.844	7,45	7,45
4	Pažemeckienė Danutė p.c. 45502110019	3.025.820	6,25	50,88
5	Other	16.514.431	34,14	34,14

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

Company shareholders have property and non-property rights conferred to them by law and other legal acts.

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.

As known by the representatives of the issuer, there are no agreements between the shareholders that could limit transfer of securities and/or voting rights or other special acquired rights.

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 2012, the Company employs 1.231 people. The number has decreased slightly compared with 31 December 2011, i.e. as compared to the respective period (21 December 2011), the number of employees in the Company has decreased 4,87% during the accounting period.

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

	31/12/2012	31/12/2011
Average number of employees	1.231	1.294

Employees' groups with respect to their background:

Number of employees	31/12/2012	31/12/2011
MA degree	20	23
Higher educational attainment	180	190
College educational attainment	344	308
Vocational educational attainment	203	275
Secondary educational attainment	403	415
Incomplete secondary educational attainment	81	83
Total:	**1.231**	**1.294**

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

Number of employees by groups	31/12/2012		31/12/2011		31/12/2010	
	Number of employees	Average salary	Number of employees	Average salary	Number of employees	Average salary
Managers	54	6.961	65	6.103	66	8.508
Specialists	256	3.206	244	2.492	252	2.790
Workers	921	2.016	985	1.878	1.058	1.930
Total:	**1.231**		**1.294**		**1.376**	

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

According to data of 31December 2012, AB-F "Šilutės Rambynas" employed 185 people, i.e. comparing the number of employees on 31 December 2011 and 31 December 2012, the number of employees in the Company has decreased 6.09% or 12 employees during the accounting period.

Average change in the number of employees in AB-F "Šilutės Rambynas" during the last fiscal year:

	31/12/2012	31/6/2012	31/12/2011
Average number of employees	185	207	197

AB-F "Šilutės Rambynas" employee groups by education:

Number of employees by education	31/12/2012	30/6/2012	31/12/2011
Masters Degree	5	3	3
University Degree	22	23	22
College Degree	28	30	29
Professional education	75	77	75
High school education	36	49	45
Incomplete high school education	19	25	23
Total:	**185**	**207**	**197**

AB-F "Šilutės Rambynas" average salary by respective employee groups:

Number of employees by groups	31/12/2012		30/6/2012		31/12/2011	
	Number of employees	Average salary	Number of employees	Average salary	Number of employees	Average salary
Managers	6	6.023,85	4	5.080,44	4	4.787,02
Specialists	49	2.653,36	49	2.403,69	48	2.353,83
Workers	130	2.049,45	154	1.875,81	145	1.607,06
Total:	**185**		**207**		197	

Rights and responsibilities of Company employees are specified in job guidelines. Employment contracts do not specify specific rights or responsibilities. Neither AB "Žemaitijos Pienas", nor AB-F "Šilutės Rambynas" have a concluded and operating collective agreement.

Data about ŽUK "Tarpučių Pienas" employees are not provided, because this legal subject was under liquidation on 9 August 2012, and on 31 January 2013 was removed from the Registry of Legal Entities. Before the start of the liquidation procedure, there were 2 employees.

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

The activities of AB "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. Bodies of the issuer

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, also, Company's audit committee. Regulatory bodies are the Board and General Director of the Company.

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.

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. Members of the Board in the Company operate collectively; their responsibilities are not specialized.

Chief-executive of the Company is meant to be General Director, 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.

General meeting of the shareholders does not bear any special illegal rights.

Company bodies act under the law and other legal acts of the Republic of Lithuania as well as the requirements set out in the Company statute. Company bodies are elected, appointed and recalled in accordance to regulations set out in the above-mentioned documents.

Bodies of the issuer do not possess any exclusive and/or special rights in determining the regulation of the issue or purchase of the issuer's securities. The only rights that they possess in this area are the rights provided to them by the legal acts.

General meeting of the shareholders has and his rights

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. Company shareholders do not have any special rights and responsibilities in the Company.

29. Issuer's management and supervisory 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.

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 AB "Žemaitijos pienas"
Romusas Jarulaitis	Chairman of the Supervisory Council, Džiugo namai Manager	1.105.510 2,29	2011 04 08	2015 04 07	1988 01 26
Robertas Pažemeckas	Chairman of the Supervisory Council, acting General Director	-	2011 04 08	2015 04 07	2002 08 26
Algirdas Bladžinauskas	Chairman of the Supervisory Council, AB-F Šilutės Rambynas General Director	-	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 AB "Žemaitijos pienas"
Algirdas Pažemeckas	Chairman of the Board, Consultant	21.589.380 44,63	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 Consultant		2011 05 01	2015 04 30	2011 05 05
Alvydas Žabolis	Member of the Board		2011 05 01	2012 07 09	-
Arūnas Šikšta	Member of the Board		2011 10 19	2012 07 09	-

The membership of Arūnas Šikšta and Alvydas Žabolis at AB "Žemaitijos pienas" Company Board has ended on 9 July 2012 on the members' own initiative.

Administration:

Name and Surname	Position	Number of tenable stocks units	Tenable part of authorized capital %
Robertas Pažemeckas	Acting General Director	-	-
Natalija Vainikevičiūtė	Financial Director	-	-

During the accounting period, amounts related to labour relations were calculated and paid to Company Manager and Chief Accountant; no guarantees or bail were issued, no assets or other property rights were transferred to these persons.

During 2012, no funds were calculated and paid to the managing bodies for the work at the Company Board as well as the Supervisory Council.

During 2012, the issuer did not allocate bonuses, dividends or other benefits to the Company bodies (Board, Supervisory Council, Manager) as well as Financial Director from the issuer's operating profit. These entities do not have significant material liabilities to the issuer.

During the period of the year of 2012, no guarantees and bail and/or other liability protection measures were issued on behalf of the issuer against the member of the management or supervisory bodies, in order to ensure the execution of liabilities of these entities, neither the issuer issued credits to these entities.

Company Audit Committee

Company's audit committee, operating at AB "Žemaitijos pienas", is comprised of three people – Angelė Taraškevičienė (chairperson), Asta Šliogerienė and Viktorija Ragauskienė (members).

Name, Surname	Workplaces Positions Authority	Number of possessed shares in units at the issuer	Start of term at the committee	End of term at the committee
Angelė Taraškevičienė	UAB "Vertybių auditas", Manager	------------	18/12/2009	Until Company body, which elected the member, recalls the member from the duty
Asta	------------	------------	18/12/2009	Until Company body, which

Šliogerienė				elected the member, recalls the member from the duty
Viktorija Ragauskienė	AB "Žemaitijos pienas", Accountant	-------------	18/12/2009	Until Company body, which elected the member, recalls the member from the duty

The main function of the Audit Committee is to be an advisory body for the Company's Supervisory Council, and the main task is to increase the efficiency of the Supervisory Council's activities in supervising the Company's finances as well as to help ensure appropriate discussions followed by impartial decision-making. By carrying out these functions, Audit Committee provides Company Board with recommendations, related to the selection, appointment, reappointment and dismissal of the external audit company as well as audit company agreement terms, observes the external audit procedure, evaluates external auditor's and audit company's compliance with the principles of independence and objectivity, observes the preparation of the Company's financial statements, executes other functions provided in the legal acts of the Republic of Lithuania and the recommendations set out in the Corporate Governance Code for the Companies listed on the Vilnius Stock Exchange.

It should be noted, that no other committees are established in the Company.

30. Main features of internal control and risk management systems related to the preparation of consolidated financial statements for the group of companies

The consolidated financial statements of JSC "Žemaitijos pienas" group of companies are prepared in accordance with the International Financial Reporting Standards (IFRS) approved by the EU.

The process of internal control of JSC "Žemaitijos pienas" group of companies encompasses the material supply, the production and provision of goods, the guarantee of income as well as all the related business processes and the control of information systems (customer support and accounting, infrastructure, network information, financial accounting, payroll accounting, networks consolidation) and the processes for preparing financial statements.

To be able to prepare timely and correct consolidated financial statements, JSC "Žemaitijos pienas" establishes a procedure for preparing financial statements for its group of companies. The procedure for preparing financial statements indicates the potential risks related to the preparation of financial statements, the means of their control, their types and frequency, the proofs of control, and the employees responsible for the control and its performance.

The appointed administrators of internal controls (the Internal Auditor and the Audit Committee) are responsible for the timely control of respective processes in accordance with the defined procedure as well as for the accountability to the company's management and supervising bodies. The reports on the results and the completion of activities are collected each month, and the Audit Committee holds meetings as frequently as it is defined in the rules of procedure of the Audit Committee. Once a year, the Internal Auditor of the Company tests the controls, namely, checks their efficiency, risk coverage, relevance, and control descriptions.

31. 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.

32. 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.

33. Issuer Transactions

No significant transactions or transactions not typical to the usual activities of the issuer were made on behalf of the issuer with any related parties or other entities in the year 2012.

The issuer has made no transactions where any significant changes related to the issuer occur and/or any negative consequences to the issuer arise as a result of the changes related to the issuer's control.

There are no exceptional and/or significant agreements with the bodies of the issuer, committee members, or employees that entitle to any compensation on the termination of rights or responsibilities of the members of the bodies of the Company for any reason.

As known by the issuer, there are also no transactions made that could cause a conflict of interests between the Company and its managers, between the managers and the shareholders, or between individual managers of the issuer.

34. Information about compliance with the Corporate Governance Code

Report on AB „ Žemaitijos Pienas" 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.

35. Publiced information

During the accounting period of 2012, many significant events, relating to AB "Žemaitijos pienas", have been announced.

Date	Market	Company	Essence of announcement
17.12.2012 15:26:36	VLN	Žemaitijos pienas	Acquisition of own AB "Žemaitijos pienas" shares
30.11.2012 17:48:19	VLN	Žemaitijos pienas	Financial statements Attachments:
02.11.2012 09:57:38	VLN	Žemaitijos pienas	Concerning the Company manager resignation
25.10.2012 14:05:16	VLN	Žemaitijos pienas	Concerning the purchase (acquisition) of own shares
19.10.2012 12:56:33	VLN	Žemaitijos pienas	Concerning the transaction Attachments:
14.09.2012 14:59:43	VLN	Žemaitijos pienas	Concerning the change in the Company's General Director position
29.08.2012 13:47:13	VLN	Žemaitijos pienas	2012 six month intermediate information Attachments:
24.08.2012 15:18:34	VLN	Žemaitijos pienas	Concerning the audit service agreement
02.08.2012 16:26:04	VLN	Žemaitijos pienas	Shareholder meeting project
20.07.2012 14:40:17	VLN	Žemaitijos pienas	Concerning the calling of the shareholder meeting
29.06.2012 13:56:16	VLN	Žemaitijos pienas	Concerning the secession of the Board members from the Company's Board
31.05.2012 08:12:07	VLN	Žemaitijos pienas	AB "Žemaitijos pienas" 2012 three-month preliminary operating result Attachments:
30.04.2012 08:57:57	VLN	Žemaitijos pienas	AB "Žemaitijos pienas" 2011 annual information Attachments:
27.04.2012 16:21:55	VLN	Žemaitijos pienas	Decisions of AB "Žemaitijos pienas" shareholder meeting, held on 27 April 2012 Attachments:
06.04.2012 08:56:45	VLN	Žemaitijos pienas	The Board of AB "Žemaitijos pienas" suggests the following resolution projects for the meeting to be held 27 April 2012 Attachments:
28.03.2012 14:47:05	VLN	Žemaitijos pienas	The call for the general routine shareholder meeting
29.02.2012 08:48:24	VLN	Žemaitijos pienas	Preliminary unaudited 2011 operating results of AB "Žemaitijos pienas" group Attachments:

Source:
http://www.nasdaqomxbaltic.com/market/?issuer=ZMP&market=&legal%5B%5D=main&legal%5B%5D=firstnorth&start_d=1&start_m=1&start_y=2012&end_d=31&end_m=6&end_y=2012&keyword=&pg=news&lang=lt

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

AB "Žemaitijos Pienas" 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

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

Preliminary unaudited 2012 operating results of AB "Žemaitijos pienas" group, according to data of 28 February 2013:

Unaudited 2012 consolidated turnover of AB "Žemaitijos pienas group" – 500,5 million Litas (144,9 million Euro); as compared to 2011, turnover has increased 1.23%.

Unaudited 2012 net profit of AB "Žemaitijos pienas" group constitutes 4,8% of the turnover.

On 31 January 2013, ŽUK "Tarpučių Pienas", which was considered as Company's subsidiary company, was liquidated and removed from the Registry of Legal Entities.

It should also be noted, that AB "Ūkio bankas" operation restrictions as well as posterior decisions with respect to this entity did not and will not have any impact on the Company's business activities as well as its associated companies.

37. Auditing data

On 31 December 2012, 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 March 2013.

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 AB "ŽEMAITIJOS PIENAS" on following Corporate Governance Codex by the Companies listed by Vilnius Stock Exchange

AB "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	Company's management bodies are: shareholders, Company Board and the Manager, supervisory bodies: Supervisory Council and Audit Committee.

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 supervision of actions of regulatory bodies of the Company.	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 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	Company's Supervisory Council constitutes of 3 (three) members. Company Board constitutes of 5 (five) *de jure* members, 3 (three) *de facto* members Company believes that such number of Board members is sufficient for the effective operation of the Company.
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.	Yes	At the Company, Company Manager and Chairman of the Company Board are two different persons; the same applies to Company Manager and Chairman of the Supervisory Council.

[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.
3.2. 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.
3.3. 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.
3.4. 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.

3.5. 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.
3.6. 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.
3.7. 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	Pursuant to the provided recommendations, current members of the Company Board are not fully independent.

[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.		
3.8. 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.
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.
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 1 January 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 18 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.

4.8. Main aim of the Committees is to increase effectiveness of the actions of collegial body and to warrant the decisions as being taken after proper consideration; to help organize activities in such way, that general conflicts of the interests couldn't make influence to decisions of collegial body. The Committees should act independently and generally as to submit recommendations to collegial body regarding the decision of collegial body, nevertheless, final decision should be taken by collegial body itself. Recommendation to form committees is not the aim to restrict the abilities of collegial body or to transfer it to committees. Collegial body remains as fully responsible for taking decisions within the range its own abilities.	No	Elected Audit committee is guided by the Rules of Audit committee; it observes the process of preparation of financial reports and also processing of the audit. Collegial bodies remain fully responsible for decisions taken within the range of their abilities and take final decisions.
4.9. The committees as created by collegial body should consist at least of three members. These Companies that have few members of collegial body can form the committees of two members only, as by exclusive order. The majority of the members of each committee should consist of independent members of collegial body. In case when Council of beholders is not formed by the Company, the committees of the wages and auditing should be formed exceptionally of consulting directors. While deciding, what persons should be appointed as chairman and the members of the committee, the consideration should be taken on fact that the membership of the committee should be renewed and not to rely on certain people.	Yes	Audit Committee consists of 3 members and 1 member among them is independent.
4.10. The authorities of each created committee should be stated by collegial body itself. Each committee should exercise its individual duties as under stated authorities and regularly inform collegial body on its activities and results. Authorities of each of the committees as defining its role with pointing out its rights and liabilities should be declared at least once a year (as part of the information on management structure and practice, which the Company declares yearly). The Company by annual report, as provided yearly, should declare the reports of present committees concerning consistence, number of sessions, participations of the members at sessions during last year as well as main trends of its own activities. Audit committee should justify being satisfied with independence of processing the audit and briefly describe actions that were taken in order to draw such conclusion.	Yes	The Rules of Audit Committee were approved by General meeting of the shareholders. As mentioned the committee shall inform General meeting of the shareholders on its processing and the results.
4.11. In order to warrant self-sufficiency and impersonality of the committees, the members of collegial body, which are not members of the committee, should have ordinary right to participate at sessions of the committee only if invited by it. The committee can invite or request proper employees or the experts to participate at the session. The Chairman of each committee should have possibilities to communicate with the shareholders. The cases, when it should be done so, need to be included to Rules that regulate activities of the committee.	Yes	If necessary, the employees of the Company those are responsible for fields of activities being in consideration can participate at session of Audit committee. Necessary information is also submitted by them.
4.12. Appointment committee. 4.12.1. Main function of the Appointment committee are the following: 1) selects the candidates to vacant positions of the members of collegial body and recommends the collegial body to treat them. Appointment committee should valuate the	No	Appointment committee is not formed at the Company (description: see 4.7).

balance of knowledge, skills and experience inside collegial body, to prepare description of functions and abilities that is necessary for the actual post, also to estimate the time that required for accomplishment of the undertaking. The Appointment committee also is able to valuate the candidates that are offered by the shareholders to be the members of collegial body; 2) valuates structure, amount, consistence and processing of regulatory bodies regularly and submits recommendations to collegial body for striving them required changes; 3) valuates knowledge, skills and experience of several directors regularly and inform collegial body on the following; 4) pays proper attention to planning the succession; 5) reviews the policy of regulatory bodies regarding election or appointment of supreme authority. 4.12.2. The Appointment committee should consider offers provided by other persons including administration and the shareholders. When the questions are solved that concerned with Managing directors or the members of the Board (if collegial body as elected by General meeting of the shareholders is the Board), or supreme authority, the consultancies should be taken with Chief-executive of the Company, who has the right to submit proposals to Appointment Committee.		
4.13. Wages committee. 4.13.1. Main functions of Wages committee are the following: 1) submits to collegial body for considering the offers regarding policy of the wages of the members of regulatory bodies and Managing directors. Such policy should include all forms of the wages, including fixed wage, systems of wages as dependent on results of labour, pensions' models and redundancy pay. The offers that concerned with systems of wages as dependent on results of the labour should be submitted herewith the recommendations in relation with intensions and valuating criterions, the aim of which is to match properly the wages of the members of regulatory bodies and managing directors of the Company with interests and long-term objectives of the shareholders as stated by collegial body of the Company; 2) submits offers to collegial body regarding individual wages for Managing directors and the members of regulatory bodies of the Company in order they match the policy of the wages of the Company and appreciation these as persons. In order to process such functions, the committee should be fully informed on common **rate** that is received by managing directors and the members of regulative bodies of other related Companies; 3) should warrant that individual wage settled for Managing director or for the member of regulatory bodies of the Company is well-proportioned with the wages of other Managing directors or members of regulatory bodies of the Company as well as of other employees of the Company; 4) regularly supervises the policy of settling and members of regulatory bodies of the Company (as well as policy as grounded on actions); 5) submits proposals to collegial body regarding proper	No	Wages committee is not formed at the Company (description: see 4.7).

forms of the work agreements with Managing directors and the members of regulatory bodies of the Company; 6) helps the collegial body to supervise, whether the Company follows the Rules being in force regarding airing of information as concerned with the wages (particularly regarding policy of the wages being in effect and individual wages paid to directors); 7) submits generic recommendations to Managing directors and the members of regulatory bodies regarding amount and structure of the wages for supreme authority (as accentuated by collegial body itself), studies the amount and structure of the wages of supreme authorities, according to relevant information that is provided by Managing directors and the members of regulatory bodies. 4.13.2. In case when stimulation questions are necessary to be solved concerning transactions for assortment of the shares or other stimulating means concerned with the shares being applicable to directors or to other employees, the committee should do as follows: 1) discuss general policy of application such stimulation means by paying most attention to such stimulation that is concerned with transactions for assortment of the shares and submitting proposals to collegial bodies in respect to it; 2) analyse information on the concerned question that is provided by annual report of the Company and other documents intended for General meeting of the shareholder; 3) submit proposals to collegial body regarding alternative to assortment transactions by signing the shares or to assortment transactions by purchasing the shares, by pointing out reasons and the results of such alternative provision. 4.13.3. The Wages committee, while solving questions ascribed to its ability, should be interested in opinion at least of the Chairman of collegial body and (or) in opinion of Chief-executive of the Company, as concerns the wages of other Managing directors or the members of regulatory bodies of the Company. 4.13.4. The Wages committee should inform the shareholders on processing its functions and participate at annual General meeting of the shareholders with the mentioned aim.		
4.14. Audit committee. 4.14.1. Main functions of the Audit committee should be the following: 1) watches integrity of financial information provided by the Company by paying most attention to availability and consistency of the methods of recording that used by the Company and its group (including criterions for consolidating the suits of financial reports of group of the Companies); 2) reviews systems of inner control and management of risks at least once a year in order to warrant the main risks (including the risk as concerning following legislation and the rules being in effect) are stated and managed duly and information concerning them is disclosed; 3) warrants effectiveness of the inner audit, alter alia, submits recommendations regarding selection, appointment, re-appointment or retirement of the manager of subdivision and	Yes	The Company follows these general recommendations. Main aim of Audit committee is supervising of the performance of audit of financial accountability of the Company and the order of submission of financial reporting and other financial information to concerned persons. Main function of the committee is systematically and comprehensively evaluation and stimulation of the effectiveness of management of the risks,

regarding subdivision's budget; watches the state of reaction of administration of the Company in respect to conclusions and recommendations submitted by subdivision. If the Company has none function of inner audit, the need to set such function should be evaluated by the committee at least once a year. 4) submits recommendations to collegial body regarding selection, appointment, re-appointment or retirement (such is exercised by General meeting of the shareholders) of outer audit undertaking and regarding agreement conditions with it. The committee should analyze situations, on the ground of which audit undertaking or the auditor should be retired as well as submit recommendations for actions as necessary in such case; 5) watches the independence and impersonality of outer audit undertaking as it particularly important to inspect, whether the audit undertaking considers requirements regarding rotation of auditing partners; moreover, the amount of remuneration, which is paid by the Company to audit undertaking and similar matters should be checked. In order to prevent general conflicts of the interests, the committee, according to inter alia data concerning all wages that are paid by the Company and its group to audit undertaking and its system, that are declared by outer audit undertaking, should regularly maintain the character and scope of services meant as non-auditing. On the ground of principles and guidelines of recommendation of Commission 2002/590/EEC of 16 May 2002, the committee should settle and process official policy that defines types of non-auditing services, purchasing of which of auditing undertaking is: a) not allowable; b) allowable after analysis of the committee and 3) allowable without calling to committee; 6) inspects effectiveness of processing outer audit and the state of reactions in respect to recommendations that are submitted by audit undertaking as by letter to authorities of the Company. 4.14.2. All members of the committee should be provided by information regarding specific reporting financial and processing peculiarities. Administration of the Company should inform audit committee on accounting methods of important and odd transactions, when the accounting might be performed as by various means. In this case main attention should be paid to activities of the Company at offshore centres and (or) to activities being processed though bodies (organization) of special purpose as well as to justification of such activities.		control and supervision processing as well as submission of the conclusions to General meeting of the Shareholders, Council of the beholder and to the Board for development of the objectives and tasks, risk management procedures and functioning of inner control
4.14.3. Audit committee should decide, whether the Chairman of collegial body, Chief-executive of the Company, Chief-financier (or supreme employees that are responsible for finance and for reporting) inner or outer auditors should participate at sessions (if yes, then when). The committee should have possibility to meet relevant persons, if necessary, without participating of Managing directors and the members of regulatory bodies. 4.14.4. Effective working relations with administration should be assured to inner and outer auditors as well as absolute possibilities to communicate with collegial body. For 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	The meetings of the Company's Supervisory Council are conducted by the Chairman of the Supervisory Council or another authorized member of the Supervisory Council. Company Board meetings are conducted by the Chairman of the Board or another authorized member of the Board.
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.

[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.

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 the General meeting of the shareholders is obtained for very important transactions, which criteria are set in the Law on Companies of the Republic of Lithuania, other legal acts and Company statute.
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 21 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.

[13] 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 specified means will require inadequate costs compared to likely benefits. On the other hand, Company provides possibilities to use certain technologies to express ones opinion without directly participating in the meetings.
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	Yes	

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.		
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 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	No	Under previously mentioned conditions the wages' policy, according to which wages' report should be prepared, is not approved by the Company.

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 about benefits and loans is publically provided to the members of the Company's Supervisory Council and Board in an annual as well as semi-annual announcements.
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; 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	No	Company does not publish the salaries, because it is not required by law. However, average salaries of individual Company employee categories are published in semi-annual and annual announcements.

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 because of unsatisfactory work results, dismissal pay is not paid or is adequately reduced.
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 was stated. The information should include data, if applicable, regarding authority	No	

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	Company provides information, which is required by the requirements of the *Law on Securities Market of the Republic of Lithuania* and/or other legal acts.
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 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	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.

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.