

The image features a rustic scene with a large wedge of Rokiškio Sūris cheese on a wooden board, which is placed on a tree stump. A smaller wedge and a few cubes of cheese are also on the board. A cheese knife with a black handle and a silver blade is positioned next to the cheese. The background shows a green field and a stone building with white window frames. The Rokiškio Sūris logo is prominently displayed at the top, consisting of the word 'ROKIŠKIO' in a red, arched banner and 'SŪRIS' in black text below it.

**ROKIŠKIO**  
SŪRIS

# CONSOLIDATED ANNUAL REPORT

2011

ROKISKIS MARCH 2012

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## 1. Reporting term of the prepared report.

The consolidated annual report is prepared for the year 2011.

## 2. Key information of the issuer:

Name of the issuer: Joint stock company "Rokiskio suris".

Legal base: Joint Stock Company.

Address – Pramones str. 3, LT 42150 Rokiskis, Republic of Lithuania.

Telephone: +370 458 55 200, fax +370 458 55 300.

E-mail address: [rokiskio.suris@rokiskio.com](mailto:rokiskio.suris@rokiskio.com)

Website: [www.rokiskio.com](http://www.rokiskio.com)

Registered in on 28<sup>th</sup> February 1992 by the Authorities of Rokiskis region.

Re-registered in on 28<sup>th</sup> November 1995 by the Ministry of Economy of the Republic of Lithuania.

Company code 173057512.

Manager of registry of legal entities – State company "Registru centras".

The authorized capital of AB "Rokiskio suris" equals to LTL 35 867 970.

There are 35 867 970 shares. Nominal value per share equals to LTL 1 (one litas).

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

As at 31<sup>st</sup> December 2011, the consolidated group (hereinafter the "Group") consists of the Parent Company AB "Rokiskio suris", two branches, four subsidiaries and one joint venture. The following tables introduce the subsidiaries and branches:

	Actively performing as at 31st December 2011			Share of the group (%) as at 31st December 2011	
	2011	2010		2011	2010
<b>Branches</b>			<b>Subsidiaries</b>		
Utenos pienas	Yes	Yes	UAB „Rokiškio pienas“	100,00	100,00
Ukmergės pieninė	Yes	Yes	PK „Žalmargė“	100,00	100,00
			UAB „Skirpstas“	-	100,00
			SIA Jekabpils piena kombinats	100,00	50,05
			SIA Kaunata*	60,00	60,00
			<b>Joint venture</b>		
			UAB „Pieno upės“	50,00	50,00

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

**Subsidiaries of AB "Rokiškio sūris":**

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

UAB „Skirpstas“ legal address: Mindaugo g.38, LT-82001 Radviliškis. Company code: 171344353. Dairy cooperative „Žalmargė“ legal address: Kalnalaukio g.1, Širvintos. Company code: 178301073.

Latvian company SIA Jekabpils piena kombinats (company code 45402008851, legal address: Akmenu iela 1, Jekabpils, Latvija LV-5201).

SIA „Kaunata“ was acquired on May 11<sup>th</sup>, 2010. The company is not consolidated in the financial account of the Group of AB „Rokiškio sūris“ due to its insignificance, furthermore SIA Kaunata is not directly subordinate to AB „Rokiškio sūris“ (there are no transactions between the companies).

**Co-controlled company:**

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

**Branches of AB "Rokiškio sūris":**

AB „Rokiškio sūris“ branch Utenos pienas (Company code: 110856741, Pramonės g. 8, LT-28216 Utena);

AB „Rokiškio sūris“ branch Ukmergės pieninė (Company code: 182848454, Kauno g. 51, LT-20119, Ukmergė).

**4. Characterization of the issuer's basic business.**

Basic business of the group of "Rokiškio sūris":

- Dairying and cheese production (EVRK 10.51);

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

**Daughter enterprises:**

Basic business of UAB „Rokiškio pienas“ production and sales of fresh dairy products (fluid milk, kefir, sour milk, butter, curds, fresh cheese, sour cream, chocolate coated curds dessert, desserts).

Basic business of UAB „Skirpstas“ is purchase of raw milk.

Basic business of KB „Žalmargė“ is purchase of raw milk.

Basic business of SIA Jekabpils piena kombinats – production of fermented cheese and purchase of raw milk.

Basic business of SIA Kaunata – purchase of raw milk and transportation.

**Co-controlled company:**

Basic business of UAB „Pieno upės“ is purchase of raw milk.

### **Branches of AB "Rokiškio sūris":**

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

### **5. Contracts with financial brokers**

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

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

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

AB "Rokiškio sūris" shares are traded on Vilnius Stock Exchange NASDAQ OMX Vilnius are the shares are listed on the Official Trading List. The Company was included on the trading lists on 25<sup>th</sup> July 1995.

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

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

### **7. Authorized capital of the issuer:**

As at 31<sup>st</sup> December 2011, the Authorized capital of AB "Rokiškio sūris":

Type of shares	Number of shares	Nominal value, LTL	Total nominal value, LTL	Share of authorized capital (%)
Ordinary registered shares	35 867 970	1	35 867 970	100,00

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

### **8. Limitation on transference of securities:**

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



## 9. Shareholders.

Total number of shareholders (as at 31.12.2011) – 5.752 shareholders.

The shareholders having or owning over 5 percent of the issuer's authorized capital (as at 31.12.2011):

Name, surname Name of company	Address	Proprietary rights			With associated persons	
		Number of shares	Share of the capital %	Share of votes %	Share of the capital %	Share of votes %
UAB "Pieno pramonės investicijų valdymas"	Pramonės g. 3, Rokiškis Lietuva	13 937 173	38,86	39,75	64,92	66,41
Antanas Trumpa	Sodų 41a, Rokiškis Lietuva	6 978 370	19,46	19,90	64,92	66,41
Skandinaviska Enskilda Banken AB clients	Sergels Torg 2, 10640 Stockholm, Sweden	3 303 047	9,21	9,42	-	-
Swedbank clients	Liivalaia 8, Tallinn Estonia	2 514 108	7,01	7,17	-	-
AB „Rokiškio sūris“	Pramonės g.3, Rokiškis, Lietuva	802 094	2,24	-	-	-

## 10. Shareholders' rights

### Shareholders have the following non-economic rights:

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

6) other non-economic rights established by the Lithuanian Laws.

**Shareholders have the following property rights:**

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

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

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

There are no shareholders with special control rights.

## **12. Overall limitations of voting rights.**

As at 31<sup>st</sup> December 2011, AB „Rokiškio sūris“ owns 802 094 units of own shares. The shares are without voting right. It makes 2,24% of the Authorized capital of AB “Rokiškio sūris”. There are no other shares with limited voting rights.

## **13. Overall agreements between shareholders.**

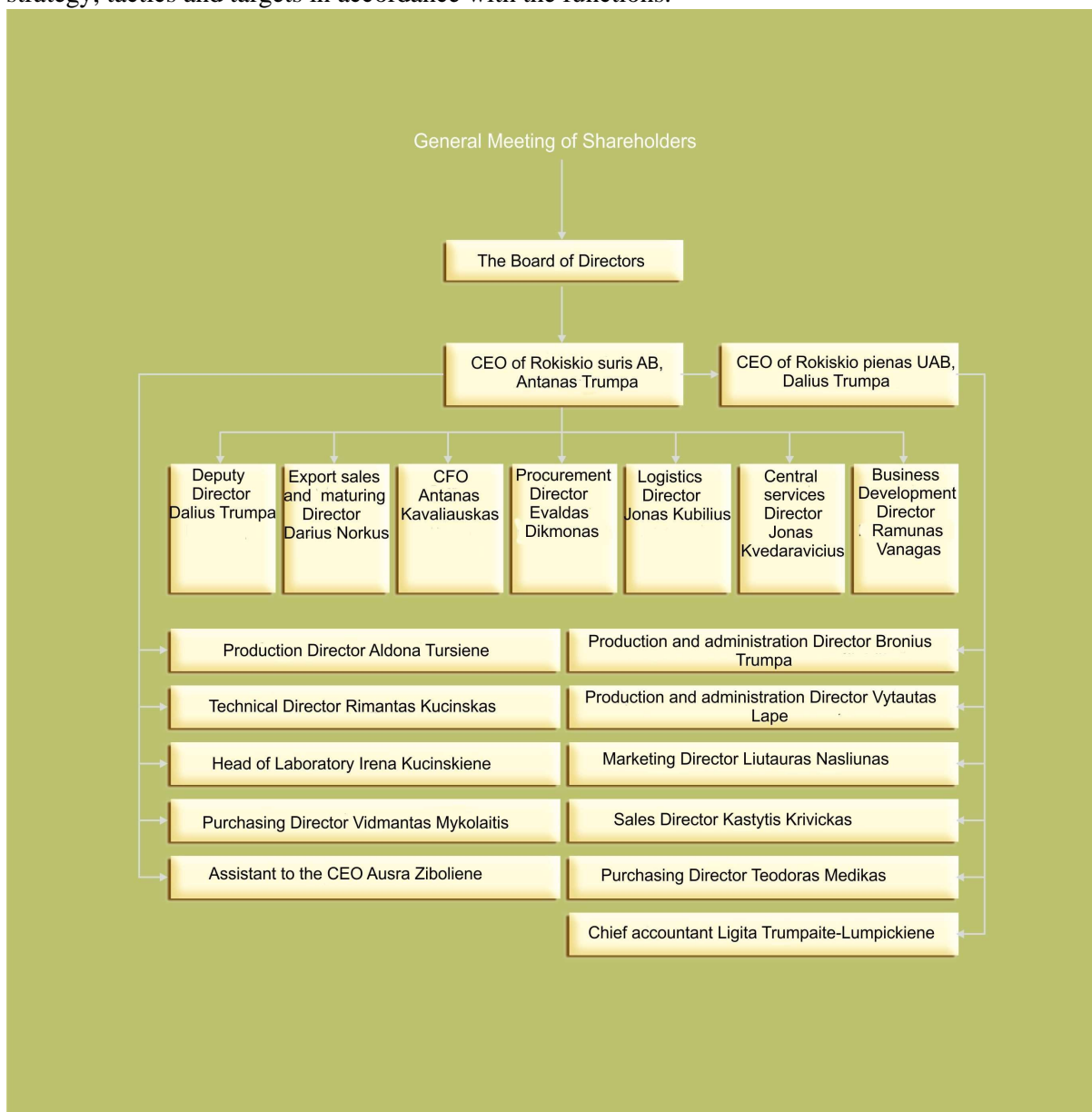
The issuer is not aware of any agreements between shareholders which would restrict transference of securities and (or) voting rights.

## **14. Employees**

### **Management structure of the Group of AB „Rokiškio sūris“**

AB „Rokiškio sūris“ Group's (hereinafter The Group) management structure is formed in line with the key functions such as Sales, Production, Finance management, Milk procurement, Logistics,

Central services, and Development. The Functional Directors condition and develop the Group's strategy, tactics and targets in accordance with the functions.



The employees of AB „Rokiškio sūris“ are provided with wide opportunities to deepen their knowledge and improve their skills in various trainings. In order to obtain higher financial resources to be used for this purpose, on April 15<sup>th</sup> 2009 it was signed a trilateral agreement between the Ministry of Social Security and Labour, Support Foundation European Social Fund Agency and AB „Rokiškio sūris“ for the administration and support of the human resources development project. Total size of the project is up to LTL 2 million. The main target of the project is to enable a group of employees of AB „Rokiškio sūris“ and UAB „Rokiškio pienas“ to improve their essential competencies, helpful in implementation of the innovative technologies as well as their application in dairy processing sector. In the beginning of 2010, the Company signed a contract with a training company “OVC mokymai”. In June 2011, it was signed an agreement with UAB “Divine training”



for additional training which was financed from the accumulated resources of the project. Within 2010-2011, the trainings were attended by 187 employees. As intended, the training was organized in two directions: development of general skills and specific trainings to improve production technology knowledge. The project ends in April 2012. The budget will be used by 100 per cent. Benefits are reflected by higher quality of products and operations, new knowledge and competencies.

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

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

There is a Trade-Union Committee established at AB "Rokiškio sūris" which protects the economical and social rights and interests of its members in light of employment, social guarantees, training, professional improvement as well as establishment of professional ethics, and aim to increase income of the food industry employees.

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

In accordance with the corporate strategy approved by the Board of Directors the Company's key operational targets cover all functional areas such as finance, marketing, procurement, production and control of human resources and their achievements. In order to reach the set targets the company has established an internal control system as well as the Audit Committee. The main functions include analyzing and evaluation, also providing recommendations for improvement of the Company's operational performance. The findings of Audit Committee are presented to the Company's management, and an action plan is prepared accordingly in order to eliminate identified weaknesses. The Company's accounting and financial reports are made in accordance with the International Accounting Standards applied in the European Union.

The Company's performance is managed and controlled in assistance with the informational technologies. Security of the data on the Company's information system is ensured by document copying.

As at 31<sup>st</sup> December 2011, the number of employees working for the group of AB „Rokiškio sūris“ amounted to 1599 (average number pf employees).

The table shows average number of employees of Rokiškio sūris group and variation of average salaries in 2010:

Average number of employees	2011.12.31	2010.12.31
Total:	1599	1607
Incl. Managers	10	10
Specialists	315	310
Workers	1274	1287

Average monthly salary, Lt	2011.12.31	2010.12.31
<b>Total:</b>	<b>2319</b>	<b>2082</b>
managers	4784	4648
specialists	2093	1933
workers	2143	2098

#### Education of the employees working for Rokiskio suris

Education	2011.12.31	2010.12.31
University degree	142	139
Vocational school	735	753
High school	677	670
Unfinished high school	45	45

### **15. Procedure for amendments of the Articles of association**

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

### **16. Transactions with related parties and significant agreements**

1. The Group is controlled by UAB „Pieno pramonės investicijų valdymas“ (established in Lithuania) and Antanas Trumpa (Director of the Company) who altogether own 58,31 per cent of the Company's Authorized Capital. The Closed Joint stock Company „Pieno pramonės investicijų valdymas“ is controlled by Antanas Trumpa (as a major shareholder). The rest part of 41,69 per cent of the company's shares belongs to various minor shareholders in Lithuania and foreign countries. The company has acquired 802 094 own shares (2,24 per cent). The major shareholders of AB Rokiskio suris owning more than 5 per cent of the company's authorized capital are identified at point 9 of the report.

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

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

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

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

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

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

As at 31<sup>st</sup> December 2011, it was launched to the public trading 35 867 970 (thirty five million eight hundred sixty seven thousand nine hundred seventy) ordinary registered shares. Nominal value equals to LTL 1 (one litas) per share, total nominal value of shares is LTL 35 867 970 (thirty five million eight hundred sixty seven thousand nine hundred seventy litas).

### 18. Securities listed on the official trading list

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

The Company has not issued any debt securities for the public stock trading.

The Company has not issued nor registered any debt securities for the non-public stock trading.

There are no securities which would not participate as a part of the Authorized Capital and be regulated by the Law on Securities.

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

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

#### Trade on central market:

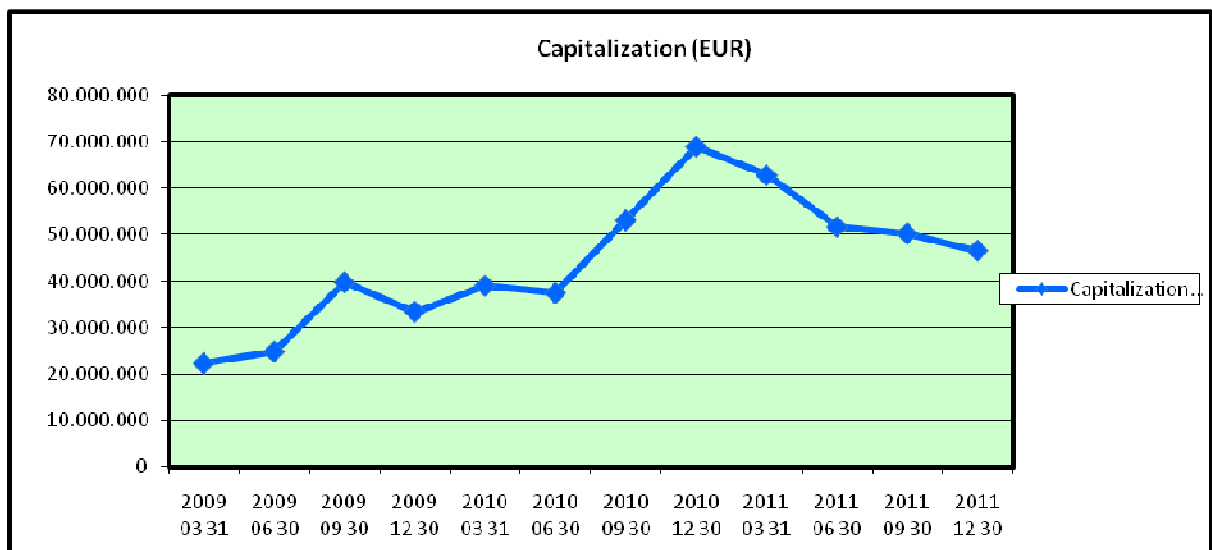
Reporting period		Price (Eur)				Turnover (Eur)			
from	to	max.	min.	avver.	Last session	Date od last trade session	max.	min	Last session
2009.01.01	2009.03.31	0,640	0,507	0,543	0,521	2009.03.31	417 209,22	0	2 409,87
2009.04.01	2009.06.30	0,626	0,492	0,576	0,579	2009.06.30	149 201,99	0	3 125,00
2009.07.01	2009.09.30	1,086	0,579	0,696	0,930	2009.09.30	132 685,79	0	1 152,80
2009.10.01	2009.12.31	1,060	0,814	0,893	0,869	2009.12.31	213 725,45	0	1 216,40
2010.01.01	2010.03.31	1,043	0,840	0,987	1,014	2010.03.31	135 646,90	0	14 822,98
2010.04.01	2010.06.30	1,054	0,970	1,026	0,973	2010.06.30	508 303,30	0	3 932,55

2010.07.01	2010.09.30	1,437	0,959	1,231	1,381	2010.09.30	368 253,90	0	13 667,75
2010.10.01	2010.12.31	1,830	1,410	1,735	1,792	2010.12.30	740 490,00	0	0
2011.01.01	2011.03.31	1,789	1,505	1,696	1,750	2011.03.31	92 633,76	0	0
2011.04.01	2011.06.30	1,807	1,410	1,574	1,440	2011.06.30	118 496,02	0	118 496,02
2011.07.01	2011.09.30	1,485	1,370	1,404	1,400	2011.09.30	223.147,30	0	14 035,60
2011.10.01	2011.12.30	1,478	1,205	1,256	1,298	2011.12.30	644 770,74	0	3 595,46

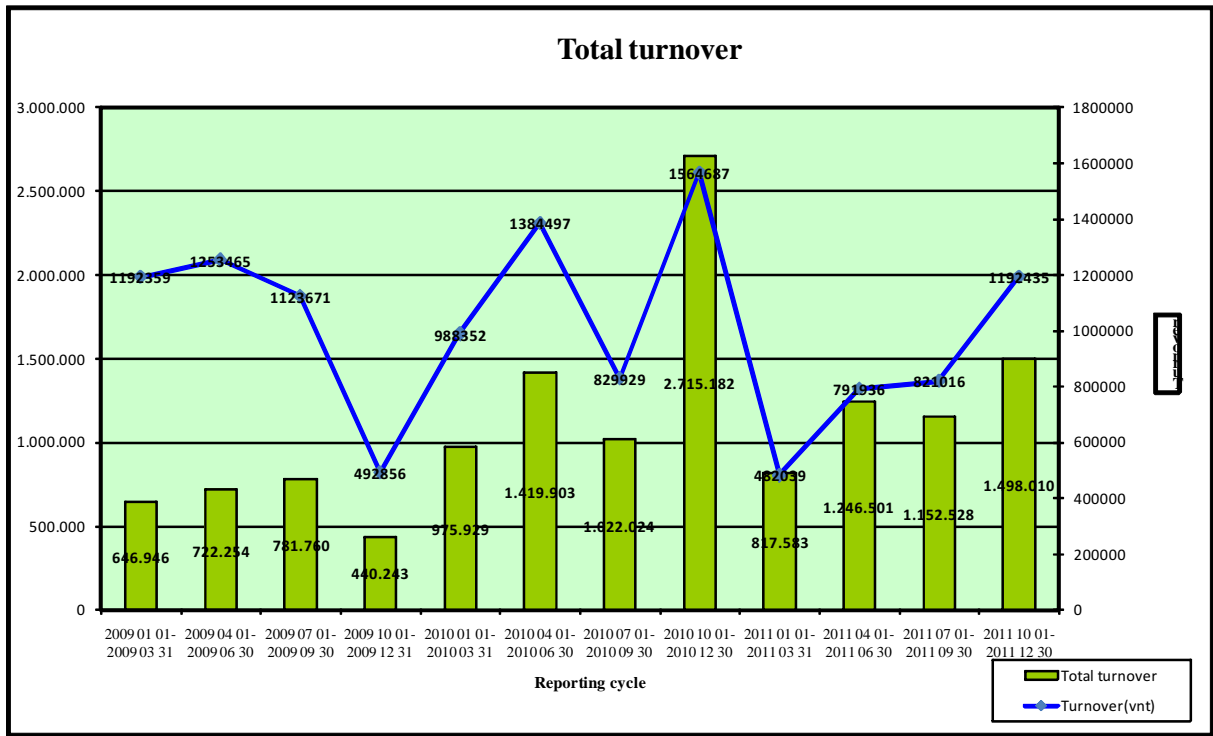
## 19. Capitalisation of securities.

Reporting period		Total turnover		Date of last trade session	Capitalization (Eur)
from	to	(items)	(Eur)		
2009.01.01	2009.03.31	1 192 359	646 946	2009.03.31	22 268 812
2009.04.01	2009.06.30	1 253 465	722 254	2009.06.30	24 743 124
2009.07.01	2009.09.30	1 123 671	781 760	2009.09.30	39 712 715
2009.10.01	2009.12.31	492 856	440 243	2009.12.30	33 403 233
2010.01.01	2010.03.31	988 352	975 929	2010.03.31	38 983 123
2010.04.01	2010.06.30	1 384 497	1 419 903	2010.06.30	37 406 882
2010.07.01	2010.09.30	829 929	1 022 024	2010.09.30	53 092 399
2010.10.01	2010.12.31	1 564 687	2 715 182	2010.12.30	68 893 250
2011.01.01	2011.03.31	482 039	817 582,95	2011.03.31	62 768 948
2011.04.01	2011.06.30	791 936	1 246 500,83	2011.06.30	51 649 877
2011.07.01	2011.09.30	821 016	1 152 527,70	2011.09.30	50 215 158
2011.10.01	2011.12.30	1 192 435	1 498 010,23	2011.12.30	46 556 625

### Capitalization of the company's securities within 2009-2011, Eur



**Turnover of the company's securities within 2009-2011, (items and Eur)**



**Indices of the Baltic markets:  
(2011.01.01-2011.12.31)**





Data of diagram:

Indeksas/Akcijos	01.01.2011	30.12.2011	+/-%
OMX Baltic Benchmark GI	533,99	431,94	-19,11
OMX Vilnius	409,65	298,78	-27,06
OMX Baltic Benchmark PI	355,06	279,54	-21,27
RSU1L	1,79 EUR	1,30 EUR	-27,57

**Share price DIAGRAM:** OMX Vilnius and AB „Rokiškio sūris(RSU1L), AB „Pieno žvaigždės“ (PZV1L), AB „Žemaitijos pienas“ (ZMP1L) ir AB „Vilkyškių pieninė“ (VLP1L):

Indices of the Baltic markets:  
(2011.01.01-2011.12.31)

### Indices of the Baltic markets



Data of the diagram:

Indeksas/Akcijos	01.01.2011	30.12.2011	+/-%
OMX Vilnius	409,65	298,78	-27,06
RSU1L	1,79 EUR	1,30 EUR	-27,57
ZMP1L	0,70 EUR	0,68 EUR	-2,86
PZV1L	1,48 EUR	1,69 EUR	14,12
VLP1L	1,72 EUR	1,20 EUR	-30,23

## 20. The Group's and parent company audited consolidated financial accounts for the year 2011

See attached Annex: The consolidated audited financial accounts of AB „Rokiškio sūris“ group and parental company for the year 2011.

## 21. Information on purchase of issuer's own shares

During the financial year 2011, AB „Rokiškio sūris“ bought 802 094 ordinary registered shares of AB “Rokiškio sūris“ at par value of LTL 1 (one litas) via Stock Exchange NASDAQ OMX Vilnius, which is affecting the submarket of official tender offer, for LTL 3 868 000. It made 2,24 per cent of the company's authorized capital.

The company does not have the right to employ property and non-property rights using the own shares as stated by the Law on Joint Stock Companies.

## 22. Legal grounds of the issuer's performance

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

## 23. Belonging to the associated organizations

AB “Rokiškio sūris“ is a member of the Lithuanian Dairymen Association “Pieno centras“. Moreover, it participates in the activities of the Chamber of Commerce, Industry and Trade of Panevezys.

The activities of the Lithuanian Dairymen Association are regulated by the Law on Associations of the Republic of Lithuania and by the Confederation Regulations.

On 20<sup>th</sup> February 2010 AB „Rokiskio suris“ established an association together with other processors of agricultural production. The activities of the Association are regulated by the Law on Associations of the Republic of Lithuania, articles of association and other legal acts.

## 24. Brief description of the issuer's history



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

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

In 1992, the state-owned enterprise "Rokiškio sūrio gamykla" was privatized and reorganized into a joint stock company "Rokiškio sūris". In 1993 the remaining governmental enterprise shares were sold. Following the decisions of the Government, in 1994 the company indexed its property. During the period from 1993 to 2002 the company's share capital increased 7 times with the help of additional contributions, 2 times thanks to own means and 3 times due to reorganization. In 2000, after affiliation of AB "Utenos pienas", and in 2002, after affiliation of "Eišiškių pieninė" the authorized capital was no longer increased.

In 1997, 150 000 of nominal equity were distributed in the form of international depository notes (GDR).

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

In the months of November and December, 2000 AB "Rokiškio sūris" increased the share portfolio of AB "Švenčionių pieninė" up to 90,6%.

In December, 2000 AB "Rokiškio sūris" acquired 49,9% of AB "Eišiškių pieninė" share portfolio, whereas in March, 2002 AB "Rokiškio sūris" increased the share portfolio of AB "Eišiškių pieninė" up to 100% of authorized capital and votes.

In March, 2001 AB "Rokiškio sūris" purchased 49,9% of AB "Varėnos pieninė" share portfolio.

In October, 2001 AB "Rokiškio sūris" purchased 49,9% of AB "Ignalinos pieninė" and 100% UAB "Jonavos pieninė" share portfolio.

On 1st of June, 2005 AB "Rokiškio sūris" sold the share portfolio of AB "Varėnos pieninė" and AB "Ignalinos pieninė".

On 26th of April, 2002 at the general shareholder meeting of AB "Rokiškio sūris" the decision to reorganize the enterprises was made. It was decided to affiliate AB "Eišiškių pieninė" and UAB "Jonavos pieninė"; that is, the enterprises stopped functioning as legal persons.

On 4th of July, 2002 AB "Rokiškio sūris" Board decided to stop the activities of AB "Rokiškio sūris" subsidiary company "Šalčininkų pieninė" and to sign it out from the Enterprises' Register.

On 30th of December, 2002 the subsidiary company of AB "Rokiškio sūris" "Šalčininkų pieninė" was signed out from the Enterprises' Register of the Republic of Lithuania.

On 6th of September, 2002 at the general meeting of AB "Rokiškio sūris" shareholders the following decisions were made: reorganization of AB "Rokiškio sūris", AB "Eišiškių pieninė" and UAB "Jonavos pieninė" was terminated; AB "Eišiškių pieninė" and UAB "Jonavos pieninė" property, rights and responsibilities acceptance and transfer acts were confirmed. AB "Eišiškių pieninė" and UAB "Jonavos pieninė" terminated their activities as legal persons and they were signed out from the Enterprises' Register.

On 14th of November, 2002 AB "Rokiškio sūris" Board decided to establish a subsidiary company "Eišiškių pieninė". On 6th of December, 2002 AB "Rokiškio sūris" subsidiary company "Eišiškių pieninė" was registered into the Enterprises' Register. On 29th October, 2005 AB "Rokiškio sūris" Board decided to terminate the subsidiary company's activities. In April, 2006 the subsidiary company "Eišiškių pieninė" was signed out from the register of legal persons.

On 14th of February, 2003, following the decision of AB "Rokiškio sūris" Board, the activities of AB "Rokiškio sūris" subsidiary company "Zarasų pieninė" were terminated. On 26th of June, 2003 "Zarasų pieninė" was signed out from the Enterprises' Register of the Republic of Lithuania.

On 20th of August, 2003 AB "Rokiškio sūris" bought 12 units of UAB "Kalora" nominal equity, which composed 100% of UAB "Kalora" authorized capital. In October, 2005 AB "Rokiškio sūris" sold these shares.

On 18th of February, 2005 an insolvency case with creditors, without the court process, was raised against AB "Švenčionių pieninė". On 29th of April, 2005, due to its bankruptcy, AB "Švenčionių pieninė" was signed out from the register of legal persons.

On 14th of June, 2005 AB "Rokiškio sūris" sold 410 330 units of AB "Žemaitijos pieno investicija" shares, that is, 11,63% of AB "Žemaitijos pieno investicija" authorized capital.

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

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

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

In January 2008, AB „Rokiškio sūris“ acquired 50,05 per cent of block of shares of Latvian company SIA Jekabpils piena kombinats. SIA Jekabpils piena kombinats specializes in production of fermented cheese and sales of raw milk.

Also, in July 2008 the company acquired UAB "Europienas". Business of the company is purchase of raw milk. In 2009, UAB "Europienas" was liquidated and registered out from Registry of Legal Entities.

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

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

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



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

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

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

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

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

The systems are reviewed on the constant basis and improved in order to maintain high product quality, satisfy customer needs and have wide product range for the market.

### AB „Rokiškio sūris“

The key activity of AB Rokiskio suris is production fermented cheese.

The cheese produced by the company is divided into semi-hard and hard cheese. The group of fress cheese includes „Cagliata“ (various fat content and weighth), „Mozzarella“. The group of semi-hard cheese includes the following products: “Rokiškio sūris“ (various fat content and weighth), Saulės sūris, Lietuviškas, „Gouda“, Edamo sūris, Sūris „Visiems“, „Žaloji karvutė“ etc, whereas Kietasis suris (various fat, moisture content and weighth), “Montecampo“ and “Gojus“ belong to the hard cheese type.

In order to satisfy customer needs, in 2011 it was started production of cheese product with high quality vegetable oils.



Besides the main production of fermented cheese, AB "Rokiškio sūris" produces melted cheese, whey protein concentrate (WPC) and milk sugar (lactose), processed cheese, and smoked cheese. In 2011, production of milk sugar exceeded quantities of any previous periods.

Production of AB „Rokiškio sūris“:

Production / Year	2009	2010	2011
Fermented cheese, t	25.392	28.142	29.508
Cream 35% fat, t	10.679	10.099	10.642
Whey cream 35% fat, t	1.464	1.542	1.347
Whey protein concentrate, t	3.923	5.339	5.810
Milk sugar, t	8.297	10.190	11.039
Processed cheese, t	767	708	749
Smoked cheese, t	132	81	71

#### UAB „Rokiškio pienas“

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



Specialization of Utena production plant – fresh dairy products for the local market, whey protein concentrate, milk powder and butter production.

The line of yogurt production was modernized, consequently a new yogurt packaging equipment was installed. It allows production of wide range of yogurts, and desserts, also it prolongs shelf life of the products.

In 2011, it was mounted a new automatic equipment „Elopak“ for packing 2 liter packs.

Production / Year	2009	2010	2011
Fresh dairy products, t	47.530	54.770	61.880
Butter and spreadable fat blends, t	4.775	3.084	2.865

<b>Dry milk products, t</b>	9.967	4.657	7.360
<b>Exported cream, t</b>	5.213	5.355	8.212

In 2011, UAB „Rokiškio pienas“ started implementation of a new Standard of social responsibility SA8000. The Standard covers requirements for a company which employs expertise in order to demonstrate its socially responsible attitude to employment conditions.

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

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

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

Politics of the company:

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

Fundamentals of social responsibility:

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

### **Subsidiary of UAB „Rokiškio pienas“ Ukmergės pieninė**

Specialization of Ukmergė production plant – curd and curd cheese production. It is one of the biggest curd production plants in Lithuania.

Modern technologies and equipment, as well as compliance with sanitary and hygiene requirements allow maintenance of all best nourishment and energetic values of curd products, and it ensures longer shelf life of the product. It is highly important to ensure stability of product quality.

The plant continuously change the assortment as new products are created.

Production, t/year	2009	2010	2011
<b>Curd</b>	2943	2789	3.389
<b>Cheese</b>	592	646	760
<b>Curd bars</b>	1060	724	647
<b>Processed products</b>	334	332	298

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

Significant achievements were reached in the production of 9 % curds "NAMINĖ", which is packed in exclusive brand packaging in 500g and 200g:

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

- curd cheese, 13% fat, **NAISIŲ VASARA**, in vacuum packaging
- curd, 9% fat 500g, **NAISIŲ VASARA**, exclusive packaging

The assortment was enlarged by the brand PASAULIO SŪRIŲ KOLEKCIJA (WORLD CHEESE COLLECTION) which was highly evaluated by the customer:

- Fresh cheese **BRAZILIŠKAI 45 %** fat in dm, vacuum packaging;
- Fresh cheese with spices **BRAZILIŠKAI 45 %** fat in dm, vacuum packaging;
- Fresh cheese produced in Italian tradition **ITALIŠKAI** Mozzarella 45 % fat in dm, vacuum packaging;
- Fresh cheese with Mexican spices **MEKSIKIETIŠKAI 45%** fat in dm, vacuum packaging;
- Baked curd cheese with Lithuanian spices **LIETUVIŠKAI 22 %** fat in dm, vacuum packaging;
- Baked curd cheese with Caucasian spices **KAUKAZIETIŠKAI 22 %** fat in dm, vacuum packaging;

Qualitative and safe product is the main target.

## 26. Sales and marketing

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

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



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

Rokiškis group is one of the dairy leaders on the local market with market share of 20-25 per cent. The company produces around 200 products of high quality and reasonable price for the final customer. In Lithuania Rokiškis is famous for its cheese and also other fresh dairy products such as kefir, full milk, sour cream, butter, curd products, yogurts, chocolate coated curd bars...

In accordance with the Lithuanian trade association the most popular goods in 2011 it was **Rokiškio „Naminis“ milk, Rokiškio „Naminis“ kefir, Rokiškio „Naminė“ curd and Rokiškio „Visiems“ processed cheese.**

The company owns a range of strong brands targeted to various customer groups, the brands are perceived as high quality products. The product assortment produced by the group's companies is added with new qualitative products every year.

In spite of rather weak market situation, the sales of Rokiškio group in Lithuania in 2011 reached LTL 226 million and was by 11 per cent higher compared to 2010.

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

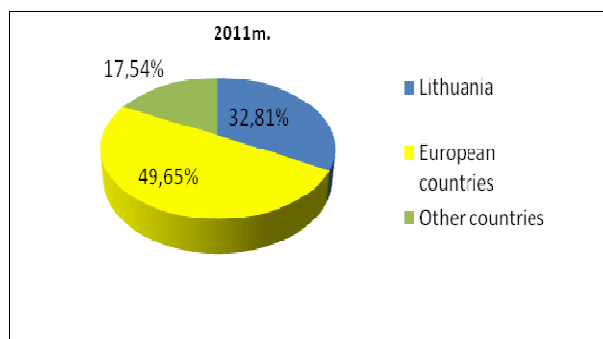
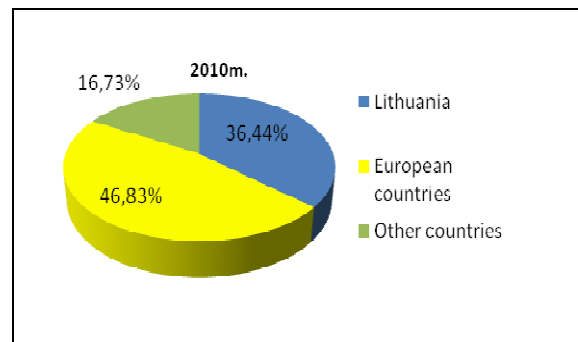
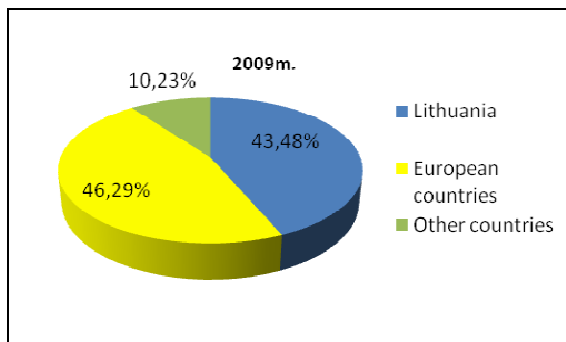
**Brands as follows:**



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

### Sales markets in 2009-2011 (the Group)

Names of countries	Sold					
	2009		2010		2011	
	LTL, thou	%	LTL, thou	%	LTL, thou	%
Lithuania	243 679	43,48	201 784	36,44	225 725	32,81
European countries	259 383	46,29	259 351	46,83	341 615	49,65
Other countries	57 333	10,23	92 625	16,73	120 685	17,54
<b>Total</b>	<b>560 395</b>	<b>100</b>	<b>553 760</b>	<b>100</b>	<b>688 025</b>	<b>100</b>



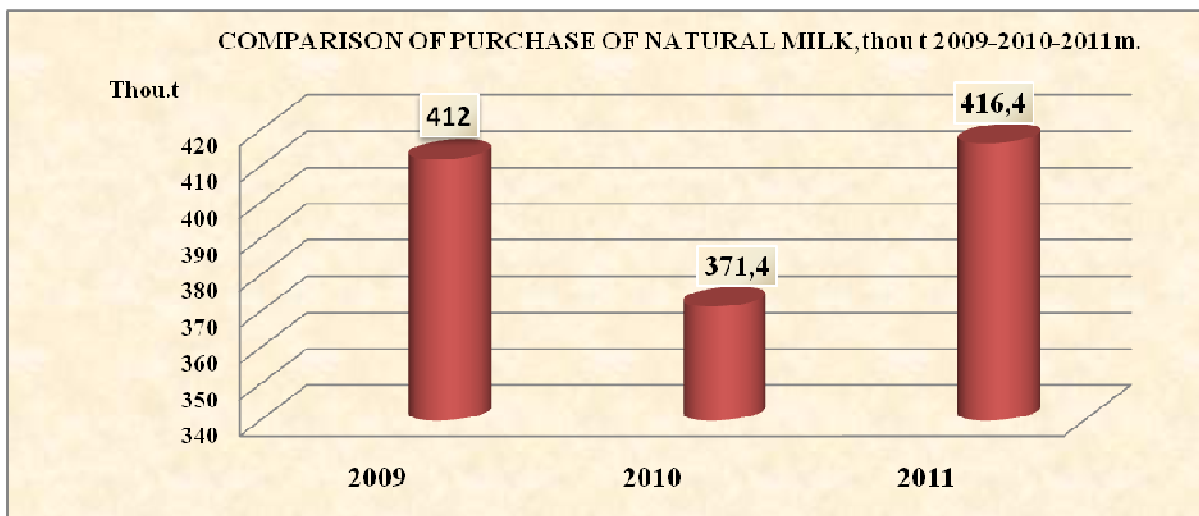


## 27. Purchase of raw material

In 2011, in Lithuania it was purchased 1317,22 thousand tons of natural milk which is by 3.1 per cent more than in 2010 (1278,13 thousand tons). The average price of natural raw milk was LTL/ t 985,5 and it was by 14.1 % higher compared to 2010 (LTL/t 863,7).

During the ten months of quota period, i.e. 2011-2012, the amount of total national raw milk for processing reached 68,19 per cent (last year – 67,10 per cent).

In total it was purchased 416,4 thousand tons of natural milk (average fat content of 4,08 per cent and 3,26 per cento f proteins) or 12,1 per cent more than in 2010.



## 28. Risk factors related with the issuer's performance.

### Economic factors:

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

- a) lowering purchasing power of Lithuanian residents;
- b) cheaper Polish products on Lithuanian market;
- c) high competition;
- d) high concentration of producers;
- e) substitution of dry milk products with cheaper ingredients for further production;
- f) uncontrollable increase of prices for fuel/power;
- g) abolishment of EU export subsidies to third countries;
- h) bureaucratic restrains;
- i) volatility in export prices;
- j) inadequate attention of the government in regards with business;

- k) volatility in the Russia market;
- l) unflexible politics in regards with VAT and excise taxes.
- m) Volatile competition due to instabile currency ration between euro and Russian ruble.

Lithuania is dominated by small milk farms. Such a high number of raw milk suppliers causes increase of costs for raw milk quality testing and raw milk collection costs. In addition, small farms cannot ensure sufficient and consistent raw milk quality, and impede investment into milk farms. Average dairy farm in Lithuania is the least in EU, moreover it is smaller thirteen times as much compared to the average figure in EU.

Raw milk production in Lithuania is heavily influenced by seasonality: collection of raw milk in summer period is twice as much compared to winter period. It has a negative impact on the effectiveness of milk processing, utilization of equipment capacities and cut of work places during the low session period.

Low productivity of milking cows:

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

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

**Social factors:**

During the past few years, emigration of residents of Lithuania increased. Now it is experienced lack of qualified work power. Decrease in reimbursement system. Low birthrate. The people lose their trust in the government, and there is no certainty in the future. Passive residents.

The farming is dominated by older farmers. Community of villages is getting older also. High unemployment. Bankruptcy of companies. Consumption decrease due to higher taxes applied to residents. Uncontrolled rise in the prices for fuel and power resources strongly influences decrease of consumption and lower satisfaction of customer needs.

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

**Technical – technological factors:**

Technical-technological risk factors of AB „Rokiškio sūris“ are determined by HACCP program.

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

The company has the following Pre-requisites:

1. Raw milk quality;
2. Maintenance of buildings and premises;
3. Sanitary;

4. Training of personnel;
5. Supply of water, steam and electricity. Water control;
6. Supply of water, steam and electricity. Water control;
7. Purchase and storage of additional materials;
8. Maintenance of equipment. Calibration of measurement devices;
9. Maintenance of equipment. Calibration of measurement devices;
10. Product traceability and recall;
11. Monitoring of logistics;
12. Pest control.

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

### **Ecological:**

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

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

The environment protection politics of AB "Rokiškio sūris" covers continuous decrease of negative impact on environment, ensuring minimal consumption of resources, and strengthening waste treatment in order to minimize negative impact on air, water and earth. In 2011, during the external and internal audit it was identified 11 remarks and 1 non-compliance which were corrected. The remarks were taken into account and the management system was improved. The targets are set for every year in order to improve the system and reduce ecological risks. The evaluation and analysis of performance is made periodically.

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

In 2011, 13 stationary air pollution resources discharged 7.74 t of pollutants. The transport department consisted of 290 vehicles: 203 trailers, 81 automobiles, 6 other vehicles. The mobile resources of contamination discharged 668.6 t of pollutants.

The company has constructed its own waste water treatment plant in order to target loads for pollutants as required by the EU standards. The effectiveness of waste treatment is equal to 96-99%. The treated dairy waste is processed into bio-gas and electricity. In 2011, it was processed 7779 t of dairy waste, produced 190 499 kWh of electricity which was used for the internal consumption. 5462 t of sludge was used for field fertilizing. In 2011, the facilities of AB Rokiskio suris treated 978 thousand m<sup>3</sup>, and 6,5 % of waste was transferred to the municipality waste water treatment plant.

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

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

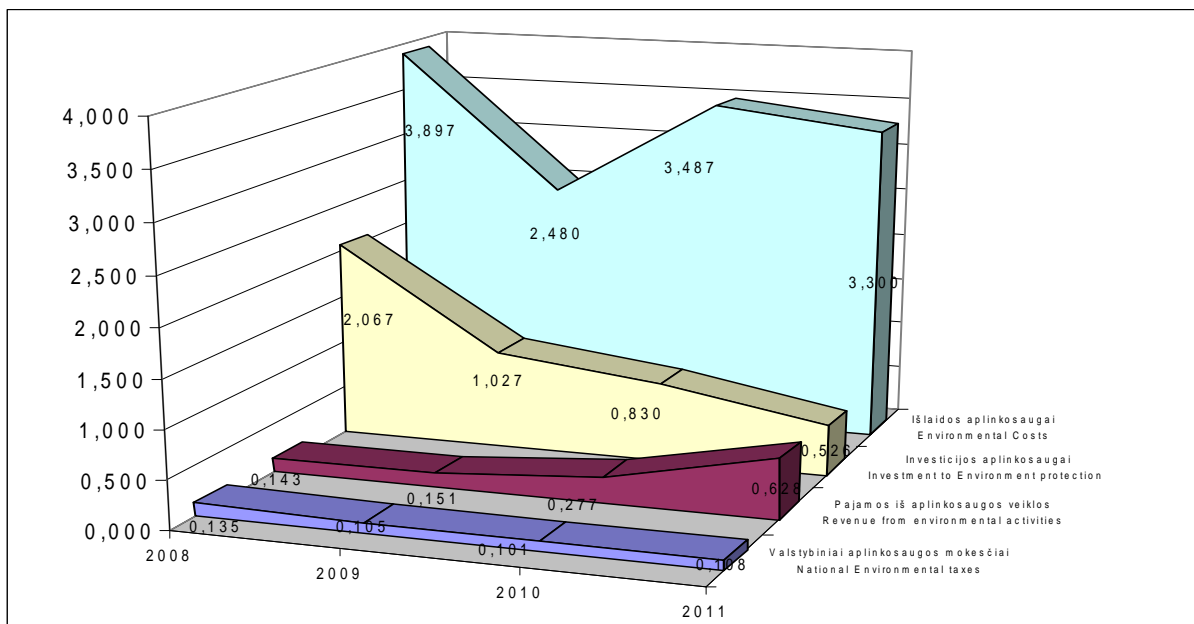
#### Key environmental indices:

	2010	2011	GPGB –ES*
Quantity of issued waste per ton of raw material	0,005	0,002	-
Fee for pollution per ton of raw material	0,07	0,07	-
Quantity of waste pollutants according to BDS7 in kg per ton of raw material	0,37	0,26	-
Quantity of waste per ton of raw material, m <sup>3</sup>	1,39	1,31	<b>0,7-6</b>
Consumption of chemical materials in kg per ton of raw material	1,79	1,9	<b>1,1-10,7</b>
Power consumption in kWh per ton of raw material	38,82	39,6	<b>60-208</b>
Thermo-power consumption in kWh per ton of raw material	<b>67,75</b>	<b>66,2</b>	<b>60-820</b>

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

#### Environmental activities, LTL million

Year	2008	2009	2010	2011
Taxes for environment pollution	0,135	0,105	0,101	0,108
Income from the environmental operations	0,143	0,151	0,277	0,628
Investment into environment protection	2,067	1,027	0,830	0,526
Expenditure for environment	3,897	2,480	3,487	3,300



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

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

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

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

Subsidiaries are all entities (including special purpose entities) over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases. The group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognizes any non-controlling interest in the acquirer

either at fair value or at the non-controlling interest's proportionate share of the acquirer's net assets.

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

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

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

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

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

### **30. Information about the authorization given by the Board members**

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

### **31. Key ratios of the company performance, their dynamics**



The table shows consolidated figures of the Group.

No.	Ratio		2007	2008	2009	2010	2011
1.	Net profit %	<u>Net profit</u> Sales and services	5	(3)	3	4	4
2.	Average return on assets	<u>Net profit</u> Average assets	0,10	(0,05)	0,04	0,07	0,07
3.	Debt ratio	<u>Liabilities</u> Assets	0,34	0,52	0,47	0,40	0,35
4.	Debt-to-equity ratio	<u>Liabilities</u> Equity	0,57	1,08	0,88	0,66	0,55
5.	General liquidity ratio	<u>Current assets</u> Current liabilities	1,70	0,94	1,42	1,10	1,85
6.	Assets turnover ratio	<u>Revenues</u> Assets	1,99	1,89	1,61	1,72	1,54
7.	Book value per share, Lt	<u>Equity</u> Number of ordinary shares	4,97	4,07	4,82	5,06	8,07
8.	Net earnings per share, Lt	<u>Net profit</u> Number of ordinary shares	0,81	(0,45)	0,38	0,65	0,78

No	Ratio	2007	2008	2009	2010	2011
1.	Income (thousand litas)	664 962	681 821	560 395	553 760	688 025
2.	EBITDA (thousand litas)	76 225	12 785	52 272	55 413	58 771
3.	EBITDA margin (%)	11,46	1,88	9,33	10,01	8,54
4.	Operational profit (thousand litas)	48 785	(14 995)	22 358	29 663	35 141
5.	Operational profit margin (%)	2,82	(2,20)	3,99	5,36	5,11
6.	Return on equity ROE (%)	16,11	(10,55)	8,08	12,65	9,56
7.	Profitability margin (EBT margin) (%)	6,99	(3,08)	3,59	5,18	4,83

### 32. Investment projects implemented during the last 3 fiscal years:

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

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

During 2003-2005, following the first priority sector ‘Milk and Dairy Products’ of the SAPARD rural development programme ‘Development of Agricultural and Fishery Product Processing and Marketing’, AB “Rokiškio sūris” received financial support, equal to 12,5 million litas, for production modernization. The BPD program was used for improvement of whey collection and treatment. The financial support reached LTL 3,45 million.

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

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

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

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

In general, AB Rokiskio suris investments are organized in the way to ensure food safety requirements in terms of raw milk processing, production of produce and delivery of produce to the customer.

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

A part of investment was directed into improvement of raw milk quality. In 2007-2010, the main investments were made in accordance with KPP program for the period of 2007-2013. The investments were used not only for the parent company AB Rokiskio suris but for the subsidiary UAB Rokiskio pienas also. The subsidiary prepared four business plans to employ the support. Total sum of the investment plans amounts to LTL 13,81 million.

In 2007, AB „Rokiškio sūris“ and its subsidiary UAB Rokiskio pienas prepared business plans according to 2007-2013 KPP measure „Processing of agricultural products and increase of added value“ first section „Marketing of agricultural products“. In 2008, a part of the investment was made from the fund and the other part from own resources. In 2007, the Group invested LTL 19,6 million.

In 2008, the group's allocation to investment amounted up to 34,7 million litas, in 2009 it was 8,5 million litas.

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

In 2010, AB Rokiskio suris prepared two business plans in accordance with 2007-2013 program. They are „Modernization, of raw milk processing by AB Rokiskio suris in order to increase competitive ability of the company“ and „Modernization, of raw milk processing by AB Rokiskio pienas in order to increase competitive ability of the company“. Total investment of the Group in 2010 amounted to LTL 6,5 million.

Total investment of the Group in 2011 amounted to LTL 16,4 million.

The main directions of the investment in 2011:

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

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

### **33. Future plans, forecasts and investments envisaged in 2012**

In 2012, the group of AB „Rokiškio sūris“ is going to make investments amounting to LTL 9 million. The investments will be used for modernization of production procedures in whole chain of production (cheese pre-presses, robot for cheese packaging, decentralized cleaning systems, internal transport, modernization of heating system, integrated management system, sanitary maintenance equipment, i.e. floor cleaning machine, high pressure cleaning equipment, as it is provided by the contracts of the KPP 2007-2013 programme, as well as completion of the projects in progress in order to ensure smooth and stable operations of the equipment and creation of new products. A part of investments will be directed to creation of new packaging of products.

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

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

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

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

The up-to-date and safe equipment would secure the improved work conditions of employees as well as precision of technological parameters. The employees will have more time for product quality, and control and monitoring of technological parameters.

It should increase the company's competitiveness, as well as improved employment of production facilities by implementing additional equipment and considering environment protection.

### 34. Dividends paid

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

Type of shares	2005		2006		2007	
	Sum, LTL	Per share	Sum, LTL	Per share	Sum, LTL	Per share
Ordinary registered share	10.275.966,28	2,36 Lt (23,60%)	10.081.101,08	2,36 Lt (23,60%)	9.902.131,20	0,24 Lt (24,00%)

Table continued

Type of shares	2008		2009		2010	
	Sum, LTL	Per share	Sum, LTL	Per share	Sum, LTL	Per share
Ordinary registered share	Dividends were not paid		3 844 483,40	0,10 Lt (10,00%)	3 586 797	0,10 Lt (10,00%)

Considering the company's results, the company's management intends to continue the dividend policy as before.

### 35. Management bodies of the issuer

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

#### **General meeting of shareholders:**

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

General meeting of shareholders have the following exclusivity rights:

1. to amend the articles of association;
2. to change the company's legal address;

3. to elect a supervisory body, yet if this is not formed then to elect the management board members. In case both bodies are not formed, then to elect the company's executive manager;
4. to recall the supervisory body or its members, as well as the elected board of directors and the company's executive manager;
5. to elect and recall the company's auditor executing annual financial reports, determine its payment module;
6. to establish the class, number, nominal value and minimal price of share emission;
7. to convert of one type of shares into the shares of another type, approval of exchange procedure of the Company's shares;
8. to approve annual financial reports;
9. to adopt resolution regarding distribution of profit (loss);
10. to form, use, decrease or cancel reserves;
11. to approve interim financial accounting prepared on purpose to accept resolution regarding dividends payout for the period shorter than a financial year;
12. to accept resolution regarding dividends payout for the period shorter than a financial year;
13. to resolve regarding emission of convertible bonds;
14. to resolve regarding cancellation of prerogative right to all shareholders to acquire the Company's shares of a certain emission;
15. to resolve regarding increase of the authorised capital;
16. to resolve regarding decrease of the authorised capital;
17. to resolve regarding purchase of the company's shares;
18. to resolve regarding reorganization or segregation of the Company and approval of terms for reorganization or segregation;
19. to resolve regarding reformation of the Company;
20. to resolve regarding or restructurization of the Company;
21. to resolve regarding liquidation of the Company or cease of liquidation unless the Law on Joint Stock Companies provides differently;
22. to elect and recall the company's liquidator unless the Law on Joint Stock Companies provides differently;

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

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

### **36. Committees formed in the Company**

#### **Audit Committee of AB Rokiskio suris:**

The company's Audit Committee is made of 3 members one of which is independent. The cadency of the Audit Committee is four years. Upon recommendation of the company's Board of Directors

the members of Audit Committee are elected by the general meeting of shareholders. The members of Audit Committee were elected by the 24th April 2009 general meeting of shareholders.

**Members of Audit Committee:**

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

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

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

**Key functions of Audit Committee include the following:**

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

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

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

Cadency periodo f the Audit Committee ends in April 2013.

There are no other committees formed in the company.

## **37. Management bodies**

**Management of the company:**

Chief Executive Officer - Antanas Trumpa

Deputy CEO - Dalius Trumpa

Chief Financial Officer - Antanas Kavaliauskas

Development Director – Ramūnas Vanagas

Central Services Director – Jonas Kvedaravičius

Logistics Director – Jonas Kubilius

Procurement Director – Evaldas Dikmonas

Sales and Marketing Director – Darius Norkus



### **System of bonuses for the management:**

As the management of the company consists of the same members as the Board of Directors, they receive tantjemes in accordance with the company's performance results.

## **38. Members of collegial bodies**

### **The Board of Directors of AB "Rokiskio suris"**

The Board of Directors is a collegial management body comprised of 9 (nine) members. The Board members are elected and recalled by the general shareholders' meeting pursuing the procedure set by the Law on Joint Stock Companies.

### **Members of managing bodies:**

Dalius Trumpa (Chairman), Antanas Kavaliauskas (Deputy Chairman), Antanas Trumpa, Andrius Trumpa, Ramūnas Vanagas, Jonas Kubilius, Jonas Kvedaravičius, Evaldas Dikmonas and Darius Norkus.

The members were elected by the 25<sup>th</sup> April 2008 general meeting of shareholders AB „Rokiškio sūris“. Cadency of the Board of Directors is 4 years.

### **Board of Directors:**

(as at 31-12-2011)



**Dalius Trumpa** – Board Chairman (elected by the 25<sup>th</sup> April 2008 General meeting of shareholders). Owns 994 787 ordinary registered shares. i.e. 2,77% of the Authorized capital and 2,84% of votes of AB „Rokiškio sūris“. Education – university degree. Works for the company since 1991. As from 2002 in the capacity of production director. As from 2007 appointed a deputy director. Also the director of UAB Rokiskio pienas from 2007.

Participation in the activities of other companies:

Shareholder of UAB "Pieno pramonės investicijų valdymas", having 3,91 % of the company's shares and votes;

Chief executive officer of UAB „Rokiškio pienas“, having no shares;

Director of UAB "Rokvalda", having 100% of shares and votes;



**Antanas Kavaliauskas** - Deputy Chairman (elected by the 25<sup>th</sup> April 2008 General meeting of shareholders), the Chief Financial Officer of AB „Rokiškio sūris“, having no ownership of AB „Rokiškio sūris“.

Works for the company since 2002 in the capacity of finance director. Education – university degree. In 1997, obtained a master degree of finance management in Kaunas technology university. As from 2002, a certified member of international accountants association ACCA.

Participation in the activities of other companies: Shareholder of UAB "Pieno pramonės investicijų valdymas" owning 3,91% of shares of UAB "Pieno pramonės investicijų valdymas".  
 Board Chairman of Latvian company SIA Jekabpils piena kombinats, having no shares;  
 Director of Lithuanian dairy association "Pieno centras", having no shares.



**Antanas Trumpa** - Board member (elected by the 25<sup>th</sup> April 2008 General meeting of shareholders), Chief Executive Officer of AB „Rokiškio sūris“, owning 6 978 370 ordinary registered shares of AB „Rokiškio sūris“, i.e. 19,46% of the authorized capital of AB “Rokiškio sūris“ and 19,90% of votes.

Education – university degree. Works for the company as from 1966. In 1979, prepared a dissertation "Organizing the work of vacuum apparatus" in Riga Politechnical Institute, consequently on 12th October 1994 was granted a doctor degree by Lithuanian Science Council.

Participation in the activities of other companies:

Shareholder of UAB "Pieno pramonės investicijų valdymas" with 7 546, i.e. 74,86% of the shares and votes of UAB "Pieno pramonės investicijų valdymas".



**Ramūnas Vanagas** - Board member (elected by the 25<sup>th</sup> April 2008 General meeting of shareholders), Development Director of AB „Rokiškio sūris“, having no ownership of shares of AB „Rokiškio sūris“.

Education – university degree. Works for the company since 2005 in the capacity of business development director.

Participation in the activities of other companies:

He does not participate in the performance and capital of any other companies.



**Andrius Trumpa** - Board member (elected by the 25<sup>th</sup> April 2008 General meeting of shareholders). Education – university degree. Works in Vilnius Gedimino Technikos University in the capacity of lecturer, owns 298 820 shares, i.e. 0,78% of the Authorized capital and 0,83% votes of AB „Rokiškio sūris“.

He does not participate in the performance and capital of any other companies.



**Jonas Kvedaravičius** – Board member, (elected by the 25<sup>th</sup> April 2008 General meeting of shareholders), Central services director of AB „Rokiškio sūris“, having 24 630 shares of AB „Rokiškio sūris“, i.e. 0,06 % of the company’s authorized capital and 0,07% of votes.

Education – university degree. Works for the company since 1994 in the capacity of the central services director.

Participation in the activities of other companies:

Shareholder of UAB ”Pieno pramonės investicijų valdymas”, having 3,91 % of the company’s shares and votes;

Director of UAB ”Pieno pramonės investicijų valdymas”.



**Jonas Kubilius** – Board member, (elected by the 25<sup>th</sup> April 2008 General meeting of shareholders), Logistics director of AB „Rokiškio sūris“, having 19 930 shares of AB „Rokiškio sūris“, i.e. 0,05 % of the company’s authorized capital and 0,06% of votes.

Education – university degree. Works for the company since 1995 in the capacity of the head of transport department. As from 2002 appointed the logistics director.

Participation in the activities of other companies:

Shareholder of UAB ”Pieno pramonės investicijų valdymas”, having 3,91 % of the company’s shares and votes;



**Evaldas Dikmonas** - Board member, (elected by the 25<sup>th</sup> April 2008 General meeting of shareholders), Procurement director of AB „Rokiškio sūris“, having 2 165 shares of AB „Rokiškio sūris“, i.e. 0,01 % of the company’s authorized capital and votes.

Education – university degree. Works for the company since 2001 in the capacity of the procurement director.

Participation in the activities of other companies:

Shareholder of UAB ”Pieno pramonės investicijų valdymas”, having 3,91 % of the company’s shares and votes;

Board member of Latvian company SIA Jekabpils piena kombinats, having no shares.



**Darius Norkus** - Board member, (elected by the 25<sup>th</sup> April 2008 General meeting of shareholders), Sales and Marketing director of AB „Rokiškio sūris“, having no shares of the company.

Education – university degree. Works for the company since 2001 in the capacity of the sales and marketing director.

Participation in the activities of other companies:

Shareholder of UAB "Pieno pramonės investicijų valdymas", having 3,91 % of the company's shares and votes; Cadence period of the Board of Directors is 4 years. The cadence ends on 25<sup>th</sup> April 2012.

### **Manager of the Company:**

The Chief Executive Officer is a one-man management body who organizes everyday activities of the company, discusses and solves the company's long term strategic objectives as well as issues of business plans. Within relationship between the company and other persons, the Chief Executive Officer acts determinatively on behalf of the company.

### **Information on the company's manager (director):**

For more information about the **Chief Executive Officer Antanas Trumpa** see point 38.

### **Information on the company's finance director:**

For more information about the **Chief Financial Officer Antanas Kavaliauskas** see point 38.

### **Data on the allocated funds**

In 2011 it was allocated the following sums to the members of the Board of Directors of AB „Rokiškio sūris“, manager of the Company and the chief finansist, average amounts are calculated falling on one member of managemen bodies, as well as transfered property and guarantees:

<b>Members of collegial bodies</b>	<b>Number of people</b>	<b>Total allocated sums, (salary and tantjemes) LTL, thou</b>	<b>Average amount per person, (salary and tantjemes) LTL, thou</b>	<b>Transferred property, Lt</b>	<b>Guarantees given, Lt</b>
<b>Members of the Board of Directors</b>	9	1 784	198	4	-
<b>Manager of the company and chief finansist</b>	2	144*	72*	-	-

\* only salary

### **39. Information on observance of the Company management codex.**

#### **Annex to the Consolidated annual report**

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

### **40. Information on the publicly announced data**

1. Disposal of treasury shares of AB „Rokiskio suris“

The company was disposed of its treasury shares (2 576 924 shares) when they were withdrawn. On March 8th 2011 a new wording of the Articles of Association of AB „Rokiskio suris“ was registered in the Register of Legal Entities regarding decrease of the authorized capital due to the withdrawal of treasury shares. The resolution to decrease the authorized capital in the course of share withdrawal was accepted on 23rd December 2010 general meeting of shareholders.

The company has no shares in treasure after annulment of 2 576 924 shares.

2. Resolutions of the 29th April 2011 general meeting of shareholders of AB "Rokiskio suris".

-The Company's annual report for the year 2010.

Debriefed with the consolidated annual report of AB "Rokiškio sūris" for the year 2010 after its approval by the Board of Directors and evaluation by auditors.

-Auditor's findings regarding the consolidated financial reports and annual report.

Resolution:

To endorse the auditor's report

-The Audit Committee report.

Resolution:

To endorse the report of the Audit Committee

-Approval of the company's consolidated financial accounting for the year 2010.

Resolution:

To approve the consolidated financial reports for the year 2010

-Allocation of the Company's profit of 2010.

Resolution:

To approve allocation of the Company's profit (loss) of 2010.

	Titlyte	Thou LTL	Thou EUR
1.	Non-distributable profit (loss) at beginning of year	83 741	24 253
2.	Approved by shareholders dividends related to the year 2009	3 884	1 124
3.	Transfers to reserves provided by law	359	104
4.	Profit share transferred to reserves for acquisition of own shares	15 000	4 344
5.	Non-distributable profit (loss) at beginning of year after dividend payout and transfer to reserves	64 498	18 680
6.	Net profit (loss) of fiscal year	24 561	7 113
7.	Distributable profit (loss)	89 059	25 793
8.	Profit share for mandatory reserve	-	-
9.	Profit share for acquisition of treasury shares	20 000	5 792
10.	Profit share for other reserves	-	-
11.	Profit share for dividend payout	3 587	1 039
12.	Profit share for annual payments (tantiemes) to the Board of Directors, employee bonuses and other	4 900	1 419
13.	Non-distributable profit (loss) at end of year	60 572	17 543

Allotted for the dividends related to 2010 – LTL 3 586 797 (EUR 1 038 808) i.e. LTL 0,10 (EUR 0,029) per share (before taxes).

The Law on Companies of the Republic of Lithuania provides that dividends shall be paid to the shareholders who at the end of the tenth business day following the Annual General Meeting that adopts a decision on dividend payment (rights accounting day) will be on the Shareholders' List of the Company, i.e. the shareholders of AB Rokiskio suris on 13 May 2011.

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

-Election of the Company's auditor and establishment of payment conditions

Resolution:

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

-Regarding purchase of own shares.



Resolution:

- 1). To purchase up to 10 per cent of own shares.
- 2). Purpose of acquisition of own shares – maintain and increase the price of the company’s shares.
- 3). Period during which the company may purchase own shares - 18 months from the approval of resolution.
- 4). Maximal purchase price per share set as – EUR 3,475 (LTL 12,00) minimal purchase price per share is set equally to nominal value of share – EUR 0,290 ( LTL 1,00).
- 5). Minimal sales price per share of the treasury shares is equal to the price at which the shares were purchased.

When selling treasury shares it should be established equal opportunities for all shareholders to acquire the company’s shares. Also, it shall be provided the opportunity to annul treasury shares.

- 6). To authorize the Board of Directors to organize purchase and sales of the own shares, establish an order for purchase and sales of the own shares, as well as their price and number, and also complete all other related actions pursuing the resolutions and requirements of the Law on Joint Stock Companies.

-Regarding compounding the reserve to acquire own shares.

Resolution:

To compound a LTL 20 000 thousand (twenty million) litas reserve. The total reserve for acquisition of own shares including the reserve already accumulated amounts up to LTL 40 287 thousand.

3. AB Rokiskio suris increased the block of shares of Latvian company

On 31<sup>st</sup> May 2011, AB Rokiskio suris has additionally acquired 49,95 per cent of shares of Latvian company SIA Jekabpils piena kombinats and increased the controlled block of shares up to 100 per cent.

The value of share transaction of acquired 49,95 per cent equals to EUR 416 thousand. The share acquisition will not have any significant influence on the company’s operations and financial state.

SIA Jekabpils piena kombinats operates in the field of raw milk purchase.

4. Regarding purchase of own shares

Considering the fluctuation of share price and pursuing resolution of the 29<sup>th</sup> April 2011 general meeting of shareholders of AB "Rokiskio suris", the 2<sup>nd</sup> September 2011 Board of Directors of AB „Rokiskio suris“ resolved:

1. Purchase up to 3.586.700 (three million five hundred eighty six thousand seven hundred) units of ordinary registered shares of AB "Rokiskio suris" LTL 1 (one) litas par value. It makes 10 % of the Authorized Capital of AB "Rokiskio suris".
2. The price for purchase of own shares is set at EUR 1,40 per ordinary registered share of AB „Rokiskio suris“.

3. Duration of purchase of own shares - 14 days. The shares will be purchased as from September 7<sup>th</sup>, 2011 until September 20<sup>th</sup>, 2011 via the official tender submarket of Securities Exchange NASDAQ OMX Vilnius.
4. In case the quantity of shares offered for purchase is greater than it is intended to buy, the amount of offered for purchase shares will be proportionally decreased.

5. Acquisition of own shares by AB „Rokiskio suris“

In the course of purchase of own shares started from 07/09/2011 to 20/09/2011 AB „Rokiskio suris“ purchased 788 804 units of own shares, and it makes 2,20 % of the Company's Authorised Capital. Purchase price per share equals to EUR 1,40.

6. Regarding purchase of own shares

Considering the fluctuation of share price and pursuing resolution of the 29<sup>th</sup> April 2011 general meeting of shareholders of AB "Rokiskio suris", the 28<sup>th</sup> November 2011 Board of Directors of AB „Rokiskio suris“ resolved:

1. Purchase up to 2.797.890 (two million seven hundred ninety seven thousand eight hundred ninety) units of ordinary registered shares of AB "Rokiskio suris" LTL 1 (one) litas par value. It makes 10 % of the Authorized Capital of AB "Rokiskio suris" including 788.804 units own shares in treasure.
2. The price for purchase of own shares is set at EUR 1,20 per ordinary registered share of AB „Rokiskio suris“.
3. Duration of purchase of own shares - 14 days. The shares will be purchased as from December 1<sup>st</sup>, 2011 until December 14<sup>th</sup>, 2011 via the official tender submarket of Securities Exchange NASDAQ OMX Vilnius.
4. In case the quantity of shares offered for purchase is greater than it is intended to buy, the amount of offered for purchase shares will be proportionally decreased.

7. Acquisition of own shares by AB „Rokiskio suris“

As of 14<sup>th</sup> December 2011, AB „Rokiskio suris“ completed purchasing of own shares on the „NASDAQ OMX Vilnius“ stock exchange market, consequently the company acquired 13,290 ordinary registered shares which makes 0.04 % of the Company's Authorised Capital. Purchase price per share equals to EUR 1,200.

Currently, AB „Rokiskio suris“ owns 802,094 units of treasury shares including the previously acquired shares, and it makes 2.24 % of the company's authorized capital.

8. Information about the share issues of AB „Rokiškio sūris“

As of 31<sup>st</sup> December 2011, the authorized capital of AB „Rokiškio sūris“ makes LTL 35,867,970. It compounds of 35,867,970 ordinary registered shares. Nominal value per share equals to LTL1 (one

litas).

The quantity of treasury shares equals to 802,094. Shares with the voting right amounts to 35,065,876.

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

The company publishes its information through the base of Central Public Information, on the website of Vilnius Securities Exchange <http://www.baltic.omxnordicexchange.com> and the company's website [www.rokiskio.com](http://www.rokiskio.com)

#### **41. Information on the publicly announced data after the end of fiscal year**

Other information on the important events after the end of fiscal year is presented with the consolidated financial reports, under Remark 34.

#### **42. Information on audit**

The audit of AB "Rokiškio sūris" (The Group) consolidated balance sheet and related comprehensive income statement as at 31<sup>st</sup> December 2011, as well as cash flow and changes in equity statements were prepared by UAB "PricewaterhouseCoopers".

#### **43. Performance strategy and evaluated changes in the nearest fiscal year**

##### *Mission*

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

##### *Key values:*

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

##### *Long-term Objectives*

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

***Key values and strengths:***

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

In the Baltic region we are:

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



SUPPLEMENT TO THE CONSOLIDATED ANNUAL REPORT  
2011

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

Rokiskio suris AB, following Article 21 paragraph 3 of the Law on Securities of the Republic of Lithuania and item 24.5 of the Trading Rules of the Vilnius Stock Exchange, discloses its compliance with the Governance Code, approved by the VSE for the companies listed on the regulated market, and its specific provisions.

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

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



<p>2.2. A collegial management body is responsible for the strategic management of the company and performs other key functions of corporate governance. A collegial supervisory body is responsible for the effective supervision of the company's management bodies.</p>	<p>Yes</p>	<p>Functions of the collegial management body are carried out by the Board of Directors.</p>
<p>2.3. Where a company chooses to form only one collegial body, it is recommended that it should be a supervisory body, i.e. the supervisory board. In such a case, the supervisory board is responsible for the effective monitoring of the functions performed by the company's chief executive officer.</p>	<p>No</p>	<p>The Company has only one collegial management body and it is the Board of Directors who carry out the functions of the supervisory board.</p>
<p>2.4. The collegial supervisory body to be elected by the general shareholders' meeting should be set up and should act in the manner defined in Principles III and IV. Where a company should decide not to set up a collegial supervisory body but rather a collegial management body, i.e. the board, Principles III and IV should apply to the board as long as that does not contradict the essence and purpose of this body.</p>	<p>Yes</p>	<p>The Company has a collegial management body – the Board of Directors. Principles III and IV of the Code are applied to the Board of Directors.</p>
<p>2.5. Company's management and supervisory bodies should comprise such number of board (executive directors) and supervisory (non-executive directors) board members that no individual or small group of individuals can dominate decision-making on the part of these bodies.</p>	<p>Yes</p>	<p>According to the Articles of Association the Board of Directors consists of 9 members. The Company believes that 9 members are able to ensure productive work of the Board of Directors enabling to adopt resolutions and it is assumed that an individual member or small group do not dominate the decisions of the Board of Directors. Every Board member has one vote.</p>
<p>2.6. Non-executive directors or members of the supervisory board should be appointed for specified terms subject to individual re-election, at maximum intervals provided for in the Lithuanian legislation with a view to ensuring necessary development of professional experience and sufficiently frequent reconfirmation of their status. A possibility to remove them should also be stipulated however this procedure should not be easier than the removal procedure for an executive director or a member of the management board.</p>	<p>Yes</p>	<p>According to the Articles of the Association the Board of Directors is elected for the 4 year period. Cadency number is not limited. A possibility to resign or remove a member of the Board of Directors is regulated by the Lithuanian legislation – a Board member may resign before his/her cadency is ended if the company is informed about it in written not later than 14 days in advance. A Board member may be recalled by the same institution which elected, i.e. general meeting of shareholders.</p>

<p>2.7. Chairman of the collegial body elected by the general shareholders' meeting may be a person whose current or past office constitutes no obstacle to conduct independent and impartial supervision. Where a company should decide not to set up a supervisory board but rather the board, it is recommended that the chairman of the board and chief executive officer of the company should be a different person. Former company's chief executive officer should not be immediately nominated as the chairman of the collegial body elected by the general shareholders' meeting. When a company chooses to depart from these recommendations, it should furnish information on the measures it has taken to ensure impartiality of the supervision.</p>	<p>No</p>	<p>The Company's Board Chairman is not the Chief Executive Officer, but he is a director of daughter company.</p>
<p><b>Principle III: The order of the formation of a collegial body to be elected by a general shareholders' meeting</b></p> <p><b>The order of the formation a collegial body to be elected by a general shareholders' meeting should ensure representation of minority shareholders, accountability of this body to the shareholders and objective monitoring of the company's operation and its management bodies.</b></p>		
<p>3.1. The mechanism of the formation of a collegial body to be elected by a general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure objective and fair monitoring of the company's management bodies as well as representation of minority shareholders.</p>	<p>Yes</p>	<p>Only 2 Members of the Board of Directors of total 9 are shareholders of the Company. Other members are minor shareholders. Minor shareholders are not limited in their right to represent their interests and have their representative on the Board of Directors.</p> <p>Pursuing the resolution of general meeting of shareholders according to the Law on Joint Stock Companies the Board members are provided remuneration in the form of tantiemes</p>
<p>3.2. Names and surnames of the candidates to become members of a collegial body, information about their education, qualification, professional background, positions taken and potential conflicts of interest should be disclosed early enough before the general shareholders' meeting so that the shareholders would have sufficient time to make an informed voting decision. All factors affecting the candidate's independence, the sample list of which is set out in Recommendation 3.7, should be also disclosed. The collegial body should also</p>	<p>Yes</p>	<p>Information about the members of the Board of Directors (names, education, qualifications, professional experience, participation in the activities of other companies, other important professional obligations) is provided in the periodical reports.</p>

<p>be informed on any subsequent changes in the provided information. The collegial body should, on yearly basis, collect data provided in this item on its members and disclose this in the company's annual report.</p>		
<p>3.3. Should a person be nominated for members of a collegial body, such nomination should be followed by the disclosure of information on candidate's particular competences relevant to his/her service on the collegial body. In order shareholders and investors are able to ascertain whether member's competence is further relevant, the collegial body should, in its annual report, disclose the information on its composition and particular competences of individual members which are relevant to their service on the collegial body.</p>	<p>Yes</p>	<p>A candidate to the members of the Board inform general meeting of shareholders about his/ her education, professional performance, position and participation in the activities of other companies. Members of the Board provide information on the participation in qualification programmes related with activities on the Board.</p>
<p>3.4. In order to maintain a proper balance in terms of the current qualifications possessed by its members, the desired composition of the collegial body shall be determined with regard to the company's structure and activities, and have this periodically evaluated. The collegial body should ensure that it is composed of members who, as a whole, have the required diversity of knowledge, judgment and experience to complete their tasks properly. The members of the audit committee, collectively, should have a recent knowledge and relevant experience in the fields of finance, accounting and/or audit for the stock exchange listed companies. At least one of the members of the remuneration committee should have knowledge of and experience in the field of remuneration policy.</p>	<p>Yes</p>	<p>The members of Company's collegial body – the Board of Directors – are the Company's Functional Directors leading some specific areas of the Company's performance, they are competent and qualified to maintain their functions.</p> <p>The Audit Committee consists of 3 members, one of which is independent and has at least 5 year experience in accounting. Other members of the Audit Committee are also qualified to maintain their functions. The Auditing Committee carries out independent and objective activities analyzing, evaluating and consulting the Company in order to improve the Company's performance and increase its added value.</p>

<p>3.5. All new members of the collegial body should be offered a tailored program focused on introducing a member with his/her duties, corporate organization and activities. The collegial body should conduct an annual review to identify fields where its members need to update their skills and knowledge.</p>	<p>No</p>	<p>All new Board members are informed on the Company's performance, organization and changes in the meetings of the Board of Directors.</p>
<p>3.6. In order to ensure that all material conflicts of interest related with a member of the collegial body are resolved properly, the collegial body should comprise a sufficient number of independent members.</p>	<p>No</p>	<p>There are no independent members on the Board of Directors.</p>
<p>3.7. A member of the collegial body should be considered to be independent only if he is free of any business, family or other relationship with the company, its controlling shareholder or the management of either, that creates a conflict of interest such as to impair his judgment. Since all cases when member of the collegial body is likely to become dependant are impossible to list, moreover, relationships and circumstances associated with the determination of independence may vary amongst companies and the best practices of solving this problem are yet to evolve in the course of time, assessment of independence of a member of the collegial body should be based on the contents of the relationship and circumstances rather than their form. The key criteria for identifying whether a member of the collegial body can be considered to be independent are the following:</p> <ol style="list-style-type: none"> <li>1) He/she is not an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) of the company or any associated company and has not been such during the last five years;</li> <li>2) He/she is not an employee of the company or some any company and has not been such during the last three years, except for cases when a member of the collegial body does not belong to the senior management and was elected to the collegial body as a representative of the</li> </ol>	<p>No</p>	<p>As from 1995 until 2006, the greatest part of the Board of the Company was made of independent members. When the structure of shareholders changed, and the Board of Directors resigned, the new members were elected, and they do not comply with the Code's independency criteria.</p>

<p>employees;</p> <p>3) He/she is not receiving or has been not receiving significant additional remuneration from the company or associated company other than remuneration for the office in the collegial body. Such additional remuneration includes participation in share options or some other performance based pay systems; it does not include compensation payments for the previous office in the company (provided that such payment is no way related with later position) as per pension plans (inclusive of deferred compensations);</p> <p>4) He/she is not a controlling shareholder or representative of such shareholder (control as defined in the Council Directive 83/349/EEC Article 1 Part 1);</p> <p>5) He/she does not have and did not have any material business relations with the company or associated company within the past year directly or as a partner, shareholder, director or superior employee of the subject having such relationship. A subject is considered to have business relations when it is a major supplier or service provider (inclusive of financial, legal, counseling and consulting services), major client or organization receiving significant payments from the company or its group;</p> <p>6) He/she is not and has not been, during the last three years, partner or employee of the current or former external audit company of the company or associated company;</p> <p>7) He/she is not an executive director or member of the board in some other company where</p>		
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<p>executive director of the company or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) is non-executive director or member of the supervisory board, he/she may not also have any other material relationships with executive directors of the company that arise from their participation in activities of other companies or bodies;</p> <p>8) He/she has not been in the position of a member of the collegial body for over than 12 years;</p> <p>9) He/she is not a close relative to an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) or to any person listed in above items 1 to 8. Close relative is considered to be a spouse (common-law spouse), children and parents.</p> <p>3.8. The determination of what constitutes independence is fundamentally an issue for the collegial body itself to determine. The collegial body may decide that, despite a particular member meets all the criteria of independence laid down in this Code, he cannot be considered independent due to special personal or company-related circumstances.</p>		
<p>3.9. Necessary information on conclusions the collegial body has come to in its determination of whether a particular member of the body should be considered to be independent should be disclosed. When a person is nominated to become a member of the collegial body, the company should disclose whether it considers the person to be independent. When a particular member of the collegial body does not meet one or more criteria of independence set out in this Code, the company should disclose its reasons for nevertheless considering the member to be independent. In addition, the company</p>	<p>No</p>	<p>At present, there are no members who comply with the independency criteria.</p>

<p>should annually disclose which members of the collegial body it considers to be independent.</p>		
<p>3.10. When one or more criteria of independence set out in this Code has not been met throughout the year, the company should disclose its reasons for considering a particular member of the collegial body to be independent. To ensure accuracy of the information disclosed in relation with the independence of the members of the collegial body, the company should require independent members to have their independence periodically re-confirmed.</p>	<p>No</p>	<p>At present, there are no members who comply with the independency criteria.</p> <p>No other group of shareholders having no relations with the company's management have not raised a will to have their member on the Company's Board, so they didn't offer a candidacy.</p> <p>The Company's attempt to incorporate an independent member didn't serve the purpose (such a member was Alvydas Miliunas – chairman of agricultural company Kubiliai).</p>
<p>3.11. In order to remunerate members of a collegial body for their work and participation in the meetings of the collegial body, they may be remunerated from the company's funds. The general shareholders' meeting should approve the amount of such remuneration.</p>	<p>No</p>	<p>At present, there are no members who comply with the independency criteria.</p>
<p><b>Principle IV: The duties and liabilities of a collegial body elected by the general shareholders' meeting</b></p> <p><b>The corporate governance framework should ensure proper and effective functioning of the collegial body elected by the general shareholders' meeting, and the powers granted to the collegial body should ensure effective monitoring of the company's management bodies and protection of interests of all the company's shareholders.</b></p>		
<p>4.1. The collegial body elected by the general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure integrity and transparency of the company's financial statements and the control system. The collegial body should issue recommendations to the company's management bodies and monitor and control the company's management performance.</p>	<p>Yes</p>	<p>The Board of Directors approves and submits reciprocations and recommendations to a general meeting of shareholders regarding annual accountability of the Company, distribution of the profit, annual report of the Company, as well as carries out other functions.</p>



<p>4.2. Members of the collegial body should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders with due regard to the interests of employees and public welfare. Independent members of the collegial body should (a) under all circumstances maintain independence of their analysis, decision-making and actions (b) do not seek and accept any unjustified privileges that might compromise their independence, and (c) clearly express their objections should a member consider that decision of the collegial body is against the interests of the company. Should a collegial body have passed decisions independent member has serious doubts about, the member should make adequate conclusions. Should an independent member resign from his office, he should explain the reasons in a letter addressed to the collegial body or audit committee and, if necessary, respective company-not-pertaining body (institution).</p>	<p>Yes</p>	<p>By the Company's information, all Board members act in good will <i>vis-a-vis</i> the Company. They are guided by the Company's interests but not their own or any third parties seeking to maintain their independency when accepting decisions.</p>
<p>4.3. Each member should devote sufficient time and attention to perform his duties as a member of the collegial body. Each member of the collegial body should limit other professional obligations of his (in particular any directorships held in other companies) in such a manner they do not interfere with proper performance of duties of a member of the collegial body. In the event a member of the collegial body should be present in less than a half of the meetings of the collegial body throughout the financial year of the company, shareholders of the company should be notified.</p>	<p>Yes</p>	<p>Each member of the collegial body fulfills his/ her functions properly: actively participates at the meetings of collegial body, and devotes sufficient time to perform his/ her duties as a member of the collegial body. The quorum of each meeting was regulated so the Board of Directors would be enabled to accept decisions constructively. During the reporting period there was not a meeting which would have been attended by less than a half of the Board members.</p>
<p>4.4. Where decisions of a collegial body may have a different effect on the company's shareholders, the collegial body should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed on the company's affairs, strategies, risk management and resolution of conflicts of interest. The company should have a clearly established role of members of the collegial body when communicating with and committing to shareholders.</p>	<p>Yes</p>	<p>The Company acts honestly and without bias with its shareholders. The shareholders are informed on the Company's activities in accordance with the Lithuanian legislation by announcing the information in annual reports, through the Central information base and the company's website.</p>

<p>4.5. It is recommended that transactions (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions), concluded between the company and its shareholders, members of the supervisory or managing bodies or other natural or legal persons that exert or may exert influence on the company's management should be subject to approval of the collegial body. The decision concerning approval of such transactions should be deemed adopted only provided the majority of the independent members of the collegial body voted for such a decision.</p>	<p>Yes</p>	<p>The Company's collegial body conclude transactions according to the Articles of Association of the Company and Work regulations of the collegial body.</p>
<p>4.6. The collegial body should be independent in passing decisions that are significant for the company's operations and strategy. Taken separately, the collegial body should be independent of the company's management bodies. Members of the collegial body should act and pass decisions without an outside influence from the persons who have elected it. Companies should ensure that the collegial body and its committees are provided with sufficient administrative and financial resources to discharge their duties, including the right to obtain, in particular from employees of the company, all the necessary information or to seek independent legal, accounting or any other advice on issues pertaining to the competence of the collegial body and its committees. When using the services of a consultant with a view to obtaining information on market standards for remuneration systems, the remuneration committee should ensure that the consultant concerned does not at the same time advise the human resources department, executive directors or collegial management organs of the company concerned.</p>	<p>No</p>	<p>The Company's Board members are not independent from the Executive management of the Company. Eight of nine board members are the company's employees. The Board of Directors pursue the Work Regulations of the Board in order to pass decisions. They work for benefit of the Company, and ensure continuous rise of shareholder value.</p> <p>The Company ensures that the collegial body – the Board of Directors – is provided with sufficient resources (including financial) to discharge their duties, including the right to obtain, in particular from employees of the company, all the necessary information or to seek independent legal, accounting or any other advice on issues pertaining to the competence of the collegial body and its committees.</p> <p>The Remuneration Committee is not formed at the Company.</p>

<p>4.7. Activities of the collegial body should be organized in a manner that independent members of the collegial body could have major influence in relevant areas where chances of occurrence of conflicts of interest are very high. Such areas to be considered as highly relevant are issues of nomination of company's directors, determination of directors' remuneration and control and assessment of company's audit. Therefore when the mentioned issues are attributable to the competence of the collegial body, it is recommended that the collegial body should establish nomination, remuneration, and audit committees. Companies should ensure that the functions attributable to the nomination, remuneration, and audit committees are carried out. However they may decide to merge these functions and set up less than three committees. In such case a company should explain in detail reasons behind the selection of alternative approach and how the selected approach complies with the objectives set forth for the three different committees. Should the collegial body of the company comprise small number of members, the functions assigned to the three committees may be performed by the collegial body itself, provided that it meets composition requirements advocated for the committees and that adequate information is provided in this respect. In such case provisions of this Code relating to the committees of the collegial body (in particular with respect to their role, operation, and transparency) should apply, where relevant, to the collegial body as a whole.</p>	<p>Yes/No</p>	<p>Pursuing the Law on Audit Article 52 part 1, the Company established the Audit Committee complying with the 21<sup>st</sup> August 2008 Resolution No. 1K-18 of the Securities Commission. Following the above requirements, the 24<sup>th</sup> April 2009 general meeting of shareholders approved Regulations of establishment and performance of the Audit Committee, also it elected an independent member of the committee, and approved full composition of the Audit Committee.</p> <p>The Audit Committee is an independent, and objective committee carrying out the functions of supervision, analyzing, evaluation and consultation in order to improve general organization and create value added. The main function of the Committee is systematic and versatile evaluation, as well as encouragement of better risk management, and sufficient control and maintenance procedures resulting in submission of recommendations to the Board of Directors and management.</p> <p>The nomination and remuneration committees are not formed at the Company.</p>
<p>4.8. The key objective of the committees is to increase efficiency of the activities of the collegial body by ensuring that decisions are based on due consideration, and to help organize its work with a view to ensuring that the decisions it takes are free of material conflicts of interest. Committees should exercise independent judgment and integrity when exercising its functions as well as present the collegial body with recommendations concerning the decisions of the collegial body. Nevertheless the final decision shall be adopted by the</p>	<p>No</p>	<p>The elected Audit Committee pursues the Regulations of the Audit Committee, including supervision of preparation of financial accounts, as well as functional internal control of the company, risk management and internal audit system, consequently the Committee will submit recommendations to the general meeting of shareholders in relation with the company's annual financial accounting and related matters. The collegial body remains fully responsible for the decisions made within its competence and adopts final decisions.</p>

<p>collegial body. The recommendation on creation of committees is not intended, in principle, to constrict the competence of the collegial body or to remove the matters considered from the purview of the collegial body itself, which remains fully responsible for the decisions taken in its field of competence.</p>		
<p>4.9. Committees established by the collegial body should normally be composed of at least three members. In companies with small number of members of the collegial body, they could exceptionally be composed of two members. Majority of the members of each committee should be constituted from independent members of the collegial body. In cases when the company chooses not to set up a supervisory board, remuneration and audit committees should be entirely comprised of non-executive directors. Chairmanship and membership of the committees should be decided with due regard to the need to ensure that committee membership is refreshed and that undue reliance is not placed on particular individuals..</p>	<p>Yes</p>	<p>The Audit Committee consists of 3 members, one of which is an independent member.</p>
<p>4.10. Authority of each of the committees should be determined by the collegial body. Committees should perform their duties in line with authority delegated to them and inform the collegial body on their activities and performance on regular basis. Authority of every committee stipulating the role and rights and duties of the committee should be made public at least once a year (as part of the information disclosed by the company annually on its corporate governance structures and practices). Companies should also make public annually a statement by existing committees on their composition, number of meetings and attendance over the year, and their main activities. Audit committee should confirm that it is satisfied with the independence of the audit process and describe briefly the actions it has taken to reach this conclusion.</p>	<p>Yes</p>	<p>The Audit Committee pursue its duties following the work regulations approved by the general meeting of shareholders. The Committee is accountable to the general meeting of shareholders providing the information on the independency of auditing procedure.</p>

<p>4.11. In order to ensure independence and impartiality of the committees, members of the collegial body that are not members of the committee should commonly have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or demand participation in the meeting of particular officers or experts. Chairman of each of the committees should have a possibility to maintain direct communication with the shareholders. Events when such are to be performed should be specified in the regulations for committee activities.</p>	Yes	The Audit Committee will invite the CEO of the Company as well as other employees related with the discussed issues to their meetings. Also, the Chairman of the Committee is provided with the right to communicate with shareholders.
<p>4.12. Nomination Committee.</p> <p>4.12.1. Key functions of the nomination committee should be the following:</p> <ul style="list-style-type: none"> <li>• Identify and recommend, for the approval of the collegial body, candidates to fill board vacancies. The nomination committee should evaluate the balance of skills, knowledge and experience on the management body, prepare a description of the roles and capabilities required to assume a particular office, and assess the time commitment expected. Nomination committee can also consider candidates to members of the collegial body delegated by the shareholders of the company;</li> <li>• Assess on regular basis the structure, size, composition and performance of the supervisory and management bodies, and make recommendations to the collegial body regarding the means of achieving necessary changes;</li> <li>• Assess on regular basis the skills, knowledge and experience of individual directors and report on this to the collegial body;</li> <li>• Properly consider issues related to succession planning;</li> <li>• Review the policy of the management bodies for selection and appointment of senior management.</li> </ul> <p>4.12.2. Nomination committee should consider proposals by other parties, including management and shareholders. When dealing with issues related to executive directors or members of the board (if a collegial body elected by the</p>	No	There is not a Nomination Committee in the Company.

<p>general shareholders' meeting is the supervisory board) and senior management, chief executive officer of the company should be consulted by, and entitled to submit proposals to the nomination committee.</p>		
<p>4.13. Remuneration Committee.  4.13.1. Key functions of the remuneration committee should be the following:  1) Make proposals, for the approval of the collegial body, on the remuneration policy for members of management bodies and executive directors. Such policy should address all forms of compensation, including the fixed remuneration, performance-based remuneration schemes, pension arrangements, and termination payments. Proposals considering performance-based remuneration schemes should be accompanied with recommendations on the related objectives and evaluation criteria, with a view to properly aligning the pay of executive director and members of the management bodies with the long-term interests of the shareholders and the objectives set by the collegial body;  2) Make proposals to the collegial body on the individual remuneration for executive directors and member of management bodies in order their remunerations are</p>	<p>No</p>	<p>There is not a Remuneration Committee in the Company.</p>

<p>consistent with company's remuneration policy and the evaluation of the performance of these persons concerned. In doing so, the committee should be properly informed on the total compensation obtained by executive directors and members of the management bodies from the affiliated companies;</p> <p>3) Ensure that remuneration of individual executive directors or members of management body is proportionate to the remuneration of other executive directors or members of management body and other staff members of the company.</p> <p>4) Periodically review the remuneration policy for executive directors or members of management body, including the policy regarding share-based remuneration, and its implementation.</p> <p>5) Make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies;</p> <p>6) Assist the collegial body in overseeing how the company complies with applicable provisions regarding the remuneration-related information disclosure (in particular the remuneration policy applied and individual remuneration of directors);</p> <p>7) Make general recommendations to the executive directors and members of the management bodies on the level and structure of remuneration for senior management (as defined by the collegial body) with regard to the respective information provided by the executive directors and members of the management bodies.</p> <p>4.13.2. With respect to stock options and other share-based incentives which may be granted to directors or other employees, the committee should:</p> <p>1) Consider general policy regarding the granting of the above mentioned schemes, in particular stock options, and make any related proposals to the collegial body;</p> <p>2) Examine the related information that is given in the company's annual report and documents intended for the</p>		
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<p>use during the shareholders meeting;</p> <p>3) Make proposals to the collegial body regarding the choice between granting options to subscribe shares or granting options to purchase shares, specifying the reasons for its choice as well as the consequences that this choice has.</p> <p>4.13.3. Upon resolution of the issues attributable to the competence of the remuneration committee, the committee should at least address the chairman of the collegial body and/or chief executive officer of the company for their opinion on the remuneration of other executive directors or members of the management bodies.</p> <p>4.13.4. The remuneration committee should report on the exercise of its functions to the shareholders and be present at the annual general meeting for this purpose.</p>		
<p>4.14. Audit Committee.</p> <p>4.14.1. Key functions of the audit committee should be the following:</p> <ul style="list-style-type: none"> <li>• Observe the integrity of the financial information provided by the company, in particular by reviewing the relevance and consistency of the accounting methods used by the company and its group (including the criteria for the consolidation of the accounts of companies in the group);</li> <li>• At least once a year review the systems of internal control and risk management to ensure that the key risks (inclusive of the risks in relation with compliance with existing laws and regulations) are properly identified, managed and reflected in the information provided;</li> <li>• Ensure the efficiency of the internal audit function, among other things, by making recommendations on the selection, appointment, reappointment and removal of the head of the internal audit department and on the budget of the department, and by monitoring the responsiveness of the management to its findings and recommendations. Should there be no internal audit authority in the company, the need for one should be reviewed at least</li> </ul>	<p>Yes</p>	<p>The Audit Committee is independent, objective committee carrying out the functions of supervision, analyzing, evaluation and consultation in order to improve general organization and create value added. The key function of the Committee is systematic and versatile evaluation, as well as encouragement of better risk management, and sufficient control and maintenance procedures resulting in submission of recommendations to the general meeting of shareholders and the board of directors in order to implement set objectives.</p> <p>The Audit Committee analyses the consolidated financial information and provide their recommendations for the integrity of such information, the Committee make their recommendations regarding selection of the external auditor and inspects effectiveness of the external auditor's performance as well as the reaction of the Company's management to their recommendations which are provided by the letter to the management.</p> <p>All members of the committee are furnished with complete information on particulars of accounting, financial and other operations of the company.</p>

<p>annually;</p> <ul style="list-style-type: none"> <li>• Make recommendations to the collegial body related with selection, appointment, reappointment and removal of the external auditor (to be done by the general shareholders' meeting) and with the terms and conditions of his engagement. The committee should investigate situations that lead to a resignation of the audit company or auditor and make recommendations on required actions in such situations;</li> <li>• Monitor independence and impartiality of the external auditor, in particular by reviewing the audit company's compliance with applicable guidance relating to the rotation of audit partners, the level of fees paid by the company, and similar issues. In order to prevent occurrence of material conflicts of interest, the committee, based on the auditor's disclosed inter alia data on all remunerations paid by the company to the auditor and network, should at all times monitor nature and extent of the non-audit services. Having regard to the principals and guidelines established in the 16 May 2002 Commission Recommendation 2002/590/EC, the committee should determine and apply a formal policy establishing types of non-audit services that are (a) excluded, (b) permissible only after review by the committee, and (c) permissible without referral to the committee;</li> <li>• Review efficiency of the external audit process and responsiveness of management to recommendations made in the external auditor's management letter.</li> </ul> <p>4.14.2. All members of the committee should be furnished with complete information on particulars of accounting, financial and other operations of the company. Company's management should inform the audit committee of the methods used to account for significant and unusual transactions where the accounting treatment may be open to different approaches. In such case a special consideration should be given to company's operations in offshore centers and/or activities</p>	<p>Company's management informs the Audit Committee of the methods used to account for significant and unusual transactions.</p> <p>The Audit Committee has a right to demand that the Board Chairman, Chief Executive Officer of the company, Chief Financial Officer would participate at its meetings. The committee is also entitled, when needed, to meet with any relevant person without executive directors and members of the management bodies present.</p> <p>The Audit Committee will present its performance report for the general meeting of shareholders, when the annual financial reports are being approved.</p>
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<p>carried out through special purpose vehicles (organizations) and justification of such operations.</p> <p>4.14.3. The audit committee should decide whether participation of the chairman of the collegial body, chief executive officer of the company, chief financial officer (or superior employees in charge of finances, treasury and accounting), or internal and external auditors in the meetings of the committee is required (if required, when). The committee should be entitled, when needed, to meet with any relevant person without executive directors and members of the management bodies present.</p> <p>4.14.4. Internal and external auditors should be secured with not only effective working relationship with management, but also with free access to the collegial body. For this purpose the audit committee should act as the principal contact person for the internal and external auditors.</p> <p>4.14.5. The audit committee should be informed of the internal auditor's work program, and should be furnished with internal audit's reports or periodic summaries. The audit committee should also be informed of the work program of the external auditor and should be furnished with report disclosing all relationships between the independent auditor and the company and its group. The committee should be timely furnished information on all issues arising from the audit.</p> <p>4.14.6. The audit committee should examine whether the company is following applicable provisions regarding the possibility for employees to report alleged significant irregularities in the company, by way of complaints or through anonymous submissions (normally to an independent member of the collegial body), and should ensure that there is a procedure established for proportionate and independent investigation of these issues and for appropriate follow-up action.</p>		
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<p>4.14.7. The audit committee should report on its activities to the collegial body at least once in every six months, at the time the yearly and half-yearly statements are approved.</p>		
<p>4.15. Every year the collegial body should conduct the assessment of its activities. The assessment should include evaluation of collegial body's structure, work organization and ability to act as a group, evaluation of each of the collegial body member's and committee's competence and work efficiency and assessment whether the collegial body has achieved its objectives. The collegial body should, at least once a year, make public (as part of the information the company annually discloses on its management structures and practices) respective information on its internal organization and working procedures, and specify what material changes were made as a result of the assessment of the collegial body of its own activities.</p>	<p>No</p>	<p>There is no practice of collegial body assessment.</p>
<p><b>Principle V: The working procedure of the company's collegial bodies</b></p> <p><b>The working procedure of supervisory and management bodies established in the company should ensure efficient operation of these bodies and decision-making and encourage active co-operation between the company's bodies.</b></p>		

<p>5.1. The company's supervisory and management bodies (hereinafter in this Principle the concept 'collegial bodies' covers both the collegial bodies of supervision and the collegial bodies of management) should be chaired by chairpersons of these bodies. The chairperson of a collegial body is responsible for proper convocation of the collegial body meetings. The chairperson should ensure that information about the meeting being convened and its agenda are communicated to all members of the body. The chairperson of a collegial body should ensure appropriate conducting of the meetings of the collegial body. The chairperson should ensure order and working atmosphere during the meeting.</p>	<p>Yes</p>	<p>The Company's Board of Directors is chaired by the Board Chairman acting in accordance with the approved Work Regulations. The Board Chairman is responsible for sufficient information about the meeting being convened and its agenda communication to all members of the body. He/ she also ensures order and working atmosphere during the meeting.</p>
<p>5.2. It is recommended that meetings of the company's collegial bodies should be carried out according to the schedule approved in advance at certain intervals of time. Each company is free to decide how often to convene meetings of the collegial bodies, but it is recommended that these meetings should be convened at such intervals, which would guarantee an interrupted resolution of the essential corporate governance issues. Meetings of the company's supervisory board should be convened at least once in a quarter, and the company's board should meet at least once a month.</p>	<p>Yes</p>	<p>The company's collegial bodies should be carried out according to the schedule approved in advance at certain intervals of time, i.e. not less than once per three month period.</p> <p>5 (five) days prior a meeting each Board member is provided with the announcement of the meeting to be convened and its agenda. Planned Board meetings are convened by the Board Chairman, in his absence – the Deputy Board Chairman.</p>
<p>5.3. Members of a collegial body should be notified about the meeting being convened in advance in order to allow sufficient time for proper preparation for the issues on the agenda of the meeting and to ensure fruitful discussion and adoption of appropriate decisions. Alongside with the notice about the meeting being convened, all the documents relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body are present or certain issues of great importance to the company require immediate resolution.</p>	<p>Yes</p>	<p>5 (five) days prior a meeting each Board member is provided with the announcement of the meeting to be convened and its agenda. Planned Board meetings are convened by the Board Chairman, in his absence – the Deputy Board Chairman.</p> <p>The agenda might be supplemented only if all members of the Board of Directors present at he meeting, and they all agree that the item is important enough to be put on the agenda.</p>

<p>5.4. In order to co-ordinate operation of the company's collegial bodies and ensure effective decision-making process, chairpersons of the company's collegial bodies of supervision and management should closely co-operate by co-coordinating dates of the meetings, their agendas and resolving other issues of corporate governance. Members of the company's board should be free to attend meetings of the company's supervisory board, especially where issues concerning removal of the board members, their liability or remuneration are discussed.</p>	<p>No</p>	<p>The Company does not have a Supervisory Board and this statement is not applied.</p>
<p><b>Principle VI: The equitable treatment of shareholders and shareholder rights</b></p> <p><b>The corporate governance framework should ensure the equitable treatment of all shareholders, including minority and foreign shareholders. The corporate governance framework should protect the rights of the shareholders.</b></p>		
<p>6.1. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all their holders.</p>	<p>Yes</p>	<p>As at 31<sup>st</sup> December 2011, the authorized capital of AB Rokiskio suris amounted up to 35 867 970 ordinary registered shares. Nominal value of the shares amounts to LTL 1. All company's owners have the same property and non-property rights, except treasury shares are not entitled to enjoy these rights. The company had bought 802 094 treasury shares which made 2.24 per cent of the company's authorized capital. The shares with voting right equals to 35 065 876.</p>
<p>6.2. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.</p>	<p>Yes</p>	<p>Investors have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance.</p>
<p>6.3. Transactions that are important to the company and its shareholders, such as transfer, investment, and pledge of the company's assets or any other type of encumbrance should be subject to approval of the general shareholders' meeting. All shareholders should be furnished with equal opportunity to familiarize with and participate in the decision-making process when significant corporate issues, including approval of transactions referred to above, are discussed.</p>	<p>No</p>	<p>According to the Articles of Association of the Company, important transactions, i.e. the decisions regarding investment, transference, lease or mortgage of non-current assets whose book value makes over 1/20 of the Company's Authorized Capital, as well as the decisions regarding execution, warranty or pledge of other bodies' liabilities whose total sum is over 1/20 of the Company's Authorized Capital, and the decisions to acquire non-current assets whose price is over 1/20 of the Company's Authorized Capital, do not require approbation by shareholders. Such resolutions</p>

		(according to the Articles of Association) are approved by the Board of Directors.
<p>6.4. Procedures of convening and conducting a general shareholders' meeting should ensure equal opportunities for the shareholders to effectively participate at the meetings and should not prejudice the rights and interests of the shareholders. The venue, date, and time of the shareholders' meeting should not hinder wide attendance of the shareholders. Prior to the shareholders' meeting, the company's supervisory and management bodies should enable the shareholders to lodge questions on issues on the agenda of the general shareholders' meeting and receive answers to them.</p>	Yes	<p>The documents prepared for General meeting of shareholders including draft resolutions of the meeting are available not later than 21 day prior the date of general meeting of shareholders as required by the Law on Joint stock companies. The documents placed on the website of NASDAQ OMX security exchange and the company website are available in Lithuanian and English languages.</p> <p>Resolutions accepted by the general meeting of shareholders including financial reports, the audit report, annual report, amendments of articles of association etc are announce in Lithuanian and English languages are announced via the central base of regulated information of NASDAQ OMX security exchange and the company website <a href="http://www.rokiskio.com">www.rokiskio.com</a></p>
<p>6.5. If is possible, in order to ensure shareholders living abroad the right to access to the information, it is recommended that documents on the course of the general shareholders' meeting should be placed on the publicly accessible website of the company not only in Lithuanian language, but in English and /or other foreign languages in advance. It is recommended that the minutes of the general shareholders' meeting after signing them and/or adopted resolutions should be also placed on the publicly accessible website of the company. Seeking to ensure the right of foreigners to familiarize with the information, whenever feasible, documents referred to in this recommendation should be published in Lithuanian, English and/or other foreign languages. Documents referred to in this recommendation may be published on the publicly accessible website of the company to the extent that publishing of these documents is not detrimental to the company or the company's commercial secrets are not revealed.</p>	Yes	<p>Shareholders of the company have the right to participate at general meeting of shareholders personally or appoint a representative if there is a proper Power of Attorney or Agreement to pass votes according to the applicable legislation. Also, the Company provides its shareholders with the right to fill in a common voting bulletin as it is required by the Law on Joint Stock Companies.</p>



<p>6.6. Shareholders should be furnished with the opportunity to vote in the general shareholders' meeting in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.</p>	<p>No</p>	<p>This statement is not followed by the Company because there is not an opportunity to secure safety of the transmitted information and it is impossible to identify personality of the participator and voter.</p>
<p>6.7. With a view to increasing the shareholders' opportunities to participate effectively at shareholders' meetings, the companies are recommended to expand use of modern technologies by allowing the shareholders to participate and vote in general meetings via electronic means of communication. In such cases security of transmitted information and a possibility to identify the identity of the participating and voting person should be guaranteed. Moreover, companies could furnish its shareholders, especially shareholders living abroad, with the opportunity to watch shareholder meetings by means of modern technologies.</p>	<p>No</p>	
<p><b>Principle VII: The avoidance of conflicts of interest and their disclosure</b></p> <p><b>The corporate governance framework should encourage members of the corporate bodies to avoid conflicts of interest and assure transparent and effective mechanism of disclosure of conflicts of interest regarding members of the corporate bodies.</b></p>		
<p>7.1. Any member of the company's supervisory and management body should avoid a situation, in which his/her personal interests are in conflict or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory and management body should, within reasonable time, inform other members of the same collegial body or the company's body that has elected him/her, or to the company's shareholders about a situation of a conflict of interest, indicate the nature of the conflict and value, where possible.</p>	<p>Yes</p>	<p>A member of the company's management body may make a transaction with the company whose member he appears to be, however he/ she shall not inform the other members of the same body or the company's body having elected him/ her as well as shall not inform the company's shareholders.</p>

7.2. Any member of the company's supervisory and management body may not mix the company's assets, the use of which has not been mutually agreed upon, with his/her personal assets or use them or the information which he/she learns by virtue of his/her position as a member of a corporate body for his/her personal benefit or for the benefit of any third person without a prior agreement of the general shareholders' meeting or any other corporate body authorized by the meeting.	Yes	
7.3. Any member of the company's supervisory and management body may conclude a transaction with the company, a member of a corporate body of which he/she is. Such a transaction (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions) must be immediately reported in writing or orally, by recording this in the minutes of the meeting, to other members of the same corporate body or to the corporate body that has elected him/her or to the company's shareholders. Transactions specified in this recommendation are also subject to recommendation 4.5.	No	The company follows the recommendation. A Board member abstains from voting, when discussing the transactions or other issues in which he/ she has certain interests.
7.4. Any member of the company's supervisory and management body should abstain from voting when decisions concerning transactions or other issues of personal or business interest are voted on.	Yes	The company follows the recommendation. A Board member abstains from voting, when discussing the transactions or other issues in which he/ she has certain interests.
<p><b>Principle VIII: Company's remuneration policy</b></p> <p><b>Remuneration policy and procedure for approval, revision and disclosure of directors' remuneration established in the company should prevent potential conflicts of interest and abuse in determining remuneration of directors, in addition it should ensure publicity and transparency both of company's remuneration policy and remuneration of directors.</b></p>		
8.1. A company should make a public statement of the company's remuneration policy (hereinafter the remuneration statement) which should be clear and easily understandable. This remuneration statement should be published as a part of the company's annual statement as well as posted on the company's website.	No	The company does not announce any information on the remuneration system.

<p>8.2. Remuneration statement should mainly focus on directors' remuneration policy for the following year and, if appropriate, the subsequent years. The statement should contain a summary of the implementation of the remuneration policy in the previous financial year. Special attention should be given to any significant changes in company's remuneration policy as compared to the previous financial year.</p>	No	As from 2004 and up to date, the Company applies a remuneration system which conforms all the statements of this point. The system is approved by the Company's manager, but it is not announced publicly.
<p>8.3. Remuneration statement should leastwise include the following information:</p> <ol style="list-style-type: none"> <li>1) Explanation of the relative importance of the variable and non-variable components of directors' remuneration;</li> <li>2) Sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration;</li> <li>3) An explanation how the choice of performance criteria contributes to the long-term interests of the company;</li> <li>4) An explanation of the methods, applied in order to determine whether performance criteria have been fulfilled;</li> <li>5) Sufficient information on deferment periods with regard to variable components of remuneration;</li> <li>6) Sufficient information on the linkage between the remuneration and performance;</li> <li>7) The main parameters and rationale for any annual bonus scheme and any other non-cash benefits;</li> <li>8) Sufficient information on the policy regarding termination payments;</li> <li>9) Sufficient information with regard to vesting periods for share-based remuneration, as referred to in point 8.13 of this Code;</li> <li>10) Sufficient information on the policy regarding retention of shares after vesting, as referred to in point 8.15 of this Code;</li> <li>11) Sufficient information on the composition of peer groups of companies the remuneration policy of which has been examined in relation to the establishment of the remuneration policy of the company concerned;</li> <li>12) A description of the main characteristics of</li> </ol>	No	As there is not a Remuneration Committee, the statements are not determined.

<p>supplementary pension or early retirement schemes for directors;</p> <p>13) Remuneration statement should not include commercially sensitive information.</p>		
<p>8.4. Remuneration statement should also summarize and explain company's policy regarding the terms of the contracts executed with executive directors and members of the management bodies. It should include, inter alia, information on the duration of contracts with executive directors and members of the management bodies, the applicable notice periods and details of provisions for termination payments linked to early termination under contracts for executive directors and members of the management bodies.</p>	<p>No</p>	<p>The company does not announce any information on remuneration amounts or any other benefits received by the directors because the company believes this is a confidential information.</p>
<p>8.5. Remuneration statement should also contain detailed information on the entire amount of remuneration, inclusive of other benefits, that was paid to individual directors over the relevant financial year. This document should list at least the information set out in items 8.5.1 to 8.5.4 for each person who has served as a director of the company at any time during the relevant financial year.</p> <p>8.5.1. The following remuneration and/or emoluments-related information should be disclosed:</p> <ul style="list-style-type: none"> <li>• The total amount of remuneration paid or due to the director for services performed during the relevant financial year, inclusive of, where relevant, attendance fees fixed by the annual general shareholders meeting;</li> <li>• The remuneration and advantages received from any undertaking belonging to the same group;</li> <li>• The remuneration paid in the form of profit sharing and/or bonus payments and the reasons why such bonus payments and/or profit sharing were granted;</li> <li>• If permissible by the law, any significant additional</li> </ul>	<p>No</p>	

<p>remuneration paid to directors for special services outside the scope of the usual functions of a director;</p> <ul style="list-style-type: none"> <li>• Compensation receivable or paid to each former executive director or member of the management body as a result of his resignation from the office during the previous financial year;</li> <li>• Total estimated value of non-cash benefits considered as remuneration, other than the items covered in the above points.</li> </ul> <p>8.5.2. As regards shares and/or rights to acquire share options and/or all other share-incentive schemes, the following information should be disclosed:</p> <ul style="list-style-type: none"> <li>• The number of share options offered or shares granted by the company during the relevant financial year and their conditions of application;</li> <li>• The number of shares options exercised during the relevant financial year and, for each of them, the number of shares involved and the exercise price or the value of the interest in the share incentive scheme at the end of the financial year;</li> <li>• The number of share options unexercised at the end of the financial year; their exercise price, the exercise date and the main conditions for the exercise of the rights;</li> <li>• All changes in the terms and conditions of existing share options occurring during the financial year.</li> </ul> <p>8.5.3. The following supplementary pension schemes-related information should be disclosed:</p> <ul style="list-style-type: none"> <li>• When the pension scheme is a defined-benefit scheme, changes in the directors' accrued benefits under that scheme during the relevant financial year;</li> <li>• When the pension scheme is defined-contribution scheme, detailed information on contributions paid or payable by the company in respect of that director during the relevant financial year.</li> </ul> <p>8.5.4. The statement should also state amounts that the company or any subsidiary company or entity included in the consolidated annual financial statements of the company has paid to each person who has served as a director in the company at any time during the relevant</p>		
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financial year in the form of loans, advance payments or guarantees, including the amount outstanding and the interest rate.		
8.6. Where the remuneration policy includes variable components of remuneration, companies should set limits on the variable component(s). The non-variable component of remuneration should be sufficient to allow the company to withhold variable components of remuneration when performance criteria are not met.	Yes	The Company applies the remuneration system according to which compensation for work consists of variable parts. The variable constituents are allocated to every function according to the overall functional management system.
8.7. Award of variable components of remuneration should be subject to predetermined and measurable performance criteria.	Yes	The variable constituents are allocated by the Company's management, taking into account the results of the Company's performance, number of employees, market situation and other factors.
8.8. Where a variable component of remuneration is awarded, a major part of the variable component should be deferred for a minimum period of time. The part of the variable component subject to deferment should be determined in relation to the relative weight of the variable component compared to the non-variable component of remuneration.	Yes	When a variable part of compensation is allocated, the biggest part of the payment of variable part of compensation is reserved to the first quarter.
8.9. Contractual arrangements with executive or managing directors should include provisions that permit the company to reclaim variable components of remuneration that were awarded on the basis of data which subsequently proved to be manifestly misstated.	No	The variable part of compensation is only paid when its validity is fully certain.
8.10. Termination payments should not exceed a fixed amount or fixed number of years of annual remuneration, which should, in general, not be higher than two years of the non-variable component of remuneration or the equivalent thereof.	Yes	Termination payments are paid in accordance with the statements of Work Codex of the Republic of Lithuania article 140, and the statements of Corporate Agreement approved by the Company.

8.11. Termination payments should not be paid if the termination is due to inadequate performance.	Yes	Termination payments are not paid out if the job contract is terminated due to bad performance results.
8.12. The information on preparatory and decision-making processes, during which a policy of remuneration of directors is being established, should also be disclosed. Information should include data, if applicable, on authorities and composition of the remuneration committee, names and surnames of external consultants whose services have been used in determination of the remuneration policy as well as the role of shareholders' annual general meeting.	No	The company doesn't have any other remuneration system designed to the directors except the variable part of salary which depends on the company's performance results, market situation and other factors.
8.13. Shares should not vest for at least three years after their award.	No	Remuneration is not based on share award.
8.14. Share options or any other right to acquire shares or to be remunerated on the basis of share price movements should not be exercisable for at least three years after their award. Vesting of shares and the right to exercise share options or any other right to acquire shares or to be remunerated on the basis of share price movements, should be subject to predetermined and measurable performance criteria.	No	Remuneration is not based on share award.
8.15. After vesting, directors should retain a number of shares, until the end of their mandate, subject to the need to finance any costs related to acquisition of the shares. The number of shares to be retained should be fixed, for example, twice the value of total annual remuneration (the non-variable plus the variable components).	No	See point 8.13.
8.16. Remuneration of non-executive or supervisory directors should not include share options.	No	See point 8.13.
8.17. Shareholders, in particular institutional shareholders, should be encouraged to attend general meetings where appropriate and make considered use of their votes regarding directors' remuneration.	No	Shareholders are encouraged to attend general meetings of shareholders, yet the meetings do not consider issues of the directors' remuneration system. It is considered to be a prerogative of the Board of Directors.



<p>8.18. Without prejudice to the role and organization of the relevant bodies responsible for setting directors' remunerations, the remuneration policy or any other significant change in remuneration policy should be included into the agenda of the shareholders' annual general meeting. Remuneration statement should be put for voting in shareholders' annual general meeting. The vote may be either mandatory or advisory.</p>	No	See point 8.13.
<p>8.19. Schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements should be subject to the prior approval of shareholders' annual general meeting by way of a resolution prior to their adoption. The approval of scheme should be related with the scheme itself and not to the grant of such share-based benefits under that scheme to individual directors. All significant changes in scheme provisions should also be subject to shareholders' approval prior to their adoption; the approval decision should be made in shareholders' annual general meeting. In such case shareholders should be notified on all terms of suggested changes and get an explanation on the impact of the suggested changes.</p>	No	Schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements are not determined at the Company.
<p>8.20. The following issues should be subject to approval by the shareholders' annual general meeting:</p> <ol style="list-style-type: none"> <li>1) Grant of share-based schemes, including share options, to directors;</li> <li>2) Determination of maximum number of shares and main conditions of share granting;</li> <li>3) The term within which options can be exercised;</li> <li>4) The conditions for any subsequent change in the exercise of the options, if permissible by law;</li> <li>5) All other long-term incentive schemes for which directors are eligible and which are not available to other employees of the company under similar terms. Annual general meeting should also set the deadline within which the body responsible for remuneration of directors may award compensations listed in this article to individual directors.</li> </ol>	No	Schemes anticipating remuneration of directors in shares are not determined at the Company.

<p>8.21. Should national law or company's Articles of Association allow, any discounted option arrangement under which any rights are granted to subscribe to shares at a price lower than the market value of the share prevailing on the day of the price determination, or the average of the market values over a number of days preceding the date when the exercise price is determined, should also be subject to the shareholders' approval.</p>	<p>No</p>	<p>There are no share subscription transactions or grants based on share price fluctuation.</p>
<p>8.22. Provisions of Articles 8.19 and 8.20 should not be applicable to schemes allowing for participation under similar conditions to company's employees or employees of any subsidiary company whose employees are eligible to participate in the scheme and which has been approved in the shareholders' annual general meeting.</p>	<p>No</p>	<p>The employees of the company and subsidiaries do not get remuneration with shares.</p>
<p>8.23. Prior to the annual general meeting that is intended to consider decision stipulated in Article 8.19, the shareholders must be provided an opportunity to familiarize with draft resolution and project-related notice (the documents should be posted on the company's website). The notice should contain the full text of the share-based remuneration schemes or a description of their key terms, as well as full names of the participants in the schemes. Notice should also specify the relationship of the schemes and the overall remuneration policy of the directors. Draft resolution must have a clear reference to the scheme itself or to the summary of its key terms. Shareholders must also be presented with information on how the company intends to provide for the shares required to meet its obligations under incentive schemes. It should be clearly stated whether the company intends to buy shares in the market, hold the shares in reserve or issue new ones. There should also be a summary on scheme-related expenses the company will suffer due to the anticipated application of the scheme. All information given in this article must be posted on the company's website.</p>	<p>No</p>	<p>See point 8.19.</p>

**Principle IX: The role of stakeholders in corporate governance**

**The corporate governance framework should recognize the rights of stakeholders as established by law and encourage active co-operation between companies and stakeholders in creating the company value, jobs and financial sustainability. For the purposes of this Principle, the concept "stakeholders" includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interest in the company concerned.**

9.1. The corporate governance framework should assure that the rights of stakeholders that are protected by law are respected.	Yes	The corporate governance framework assures the rights of stakeholders that are protected by law are respected. The company applies a Corporate Contract with employees, and the contract is signed by the CEO and Trade Union. Also it is ensured the interest holders are able to participate in governance. For example, participation of the company's employees and raw milk suppliers in the company governance. The greatest part of shareholders are the company's employees and raw milk suppliers. The interest holders have the right to receive information required.
9.2. The corporate governance framework should create conditions for the stakeholders to participate in corporate governance in the manner prescribed by law. Examples of mechanisms of stakeholder participation in corporate governance include: employee participation in adoption of certain key decisions for the company; consulting the employees on corporate governance and other important issues; employee participation in the company's share capital; creditor involvement in governance in the context of the company's insolvency, etc.		
9.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.		

**Principle X: Information disclosure and transparency**

**The corporate governance framework should ensure that timely and accurate disclosure is made on all material information regarding the company, including the financial situation, performance and governance of the company.**

10.1. The company should disclose information on: <ul style="list-style-type: none"> <li>• The financial and operating results of the company;</li> <li>• Company objectives;</li> <li>• Persons holding by the right of ownership or in control of a block of shares in the company;</li> <li>• Members of the company's supervisory and management bodies, chief executive officer of the company and their remuneration;</li> <li>• Material foreseeable risk factors;</li> <li>• Transactions between the company and connected persons, as well as transactions concluded outside the course of the company's regular operations;</li> <li>• Material issues regarding employees and other</li> </ul>	Yes	The company announces the information immediately via the central base of regulated information in both the Lithuanian and English languages. The information is placed immediately so the information would be accessible to each shareholder simultaneously. In addition, the company when possible provides information before or after trading sessions of NASDAQ OMX Vilnius in order to ensure all shareholders and investors of the Company would have equal opportunities to get the information needed to make appropriate investment decisions. The company does not disclose any information possibly influencing share price prior it is announced publicly via the central
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<p>stakeholders;</p> <ul style="list-style-type: none"> <li>• Governance structures and strategy.</li> </ul> <p>This list should be deemed as a minimum recommendation, while the companies are encouraged not to limit themselves to disclosure of the information specified in this list.</p>		<p>data base of the regulated information.</p>
<p>10.2. It is recommended to the company, which is the parent of other companies, that consolidated results of the whole group to which the company belongs should be disclosed when information specified in item 1 of Recommendation 10.1 is under disclosure.</p>	<p>Yes</p>	
<p>10.3. It is recommended that information on the professional background, qualifications of the members of supervisory and management bodies, chief executive officer of the company should be disclosed as well as potential conflicts of interest that may have an effect on their decisions when information specified in item 4 of Recommendation 10.1 about the members of the company's supervisory and management bodies is under disclosure. It is also recommended that information about the amount of remuneration received from the company and other income should be disclosed with regard to members of the company's supervisory and management bodies and chief executive officer as per Principle VIII.</p>	<p>Yes</p>	<p>The company's annual reports include informatikon about the activities of Board members, participation in the activities of other companies as well as the amount of shares of the company owned by the members. Also, there is informatikon about the average payment amounts.</p>

<p>10.4. It is recommended that information about the links between the company and its stakeholders, including employees, creditors, suppliers, local community, as well as the company's policy with regard to human resources, employee participation schemes in the company's share capital, etc. should be disclosed when information specified in item 7 of Recommendation 10.1 is under disclosure.</p>	<p>Yes</p>	
<p>10.5. Information should be disclosed in such a way that neither shareholders nor investors are discriminated with regard to the manner or scope of access to information. Information should be disclosed to all simultaneously. It is recommended that notices about material events should be announced before or after a trading session on the NASDAQ OMX Vilnius Stock Exchange, so that all the company's shareholders and investors should have equal access to the information and make informed investing decisions.</p>	<p>Yes</p>	<p>In the company's website, the company publishes all its reports which are placed in the central information base in Lithuanian and English.</p>
<p>10.6. Channels for disseminating information should provide for fair, timely and cost-efficient or in cases provided by the legal acts free of charge access to relevant information by users. It is recommended that information technologies should be employed for wider dissemination of information, for instance, by placing the information on the company's website. It is recommended that information should be published and placed on the company's website not only in Lithuanian, but also in English, and, whenever possible and necessary, in other languages as well.</p>	<p>Yes</p>	<p>In the company's website, the company publishes all its reports which are placed in the central information base in Lithuanian and English, including the Company's annual report, a set of financial statements and other periodical reports prepared by the Company, as well as other stock events.</p>
<p>10.7. It is recommended that the company's annual reports and other periodical accounts prepared by the company should be placed on the company's website. It is recommended that the company should announce information about material events and changes in the price of the company's shares on the Stock Exchange on the company's website too.</p>	<p>Yes</p>	<p>In the company's website, the company publishes all its reports which are placed in the central information base in Lithuanian and English, including the Company's annual report, a set of financial statements and other periodical reports prepared by the Company, as well as other stock events.</p>
<p><b>Principle XI: The selection of the company's auditor</b></p>		

<b>The mechanism of the selection of the company's auditor should ensure independence of the firm of auditor's conclusion and opinion.</b>		
11.1. An annual audit of the company's financial reports and interim reports should be conducted by an independent firm of auditors in order to provide an external and objective opinion on the company's financial statements.	Yes	The Board of Directors proposes an auditing firm to the general meeting of shareholders.
11.2. It is recommended that the company's supervisory board and, where it is not set up, the company's board should propose a candidate firm of auditors to the general shareholders' meeting.	Yes	The company's board of directors puts the audit company candidature to voting on the general meeting of shareholders
11.3. It is recommended that the company should disclose to its shareholders the level of fees paid to the firm of auditors for non-audit services rendered to the company. This information should be also known to the company's supervisory board and, where it is not formed, the company's board upon their consideration which firm of auditors to propose for the general shareholders' meeting.	Yes	The Audit Company has been paid for the service to supervise tax management. Such an information shall be provided to the general meeting of shareholders.