

I. GENERAL INFORMATION ABOUT THE ISSUER

1. Reporting period covered by the Report

This consolidated annual report is prepared and submitted for the 2013 financial year.

2. The Issuer and its contact details

Name	AB Žemaitijos Pienas
Legal – organizational form	Joint Stock Company
Incorporated	The Joint Stock Company registered on 23 June, 1993
Company code:	180240752
VAT payer's code:	LT802407515
Authorized capital	LTL 48,375,000, divided into 48,375,000 ordinary registered shares, a par value per share LTL 1
Legal address	Sedos Str. 35, LT-87101 Telšiai
Phone	8 (444) 22201
Fax	8 (444) 74897
E-mail	info@zpienas.lt
Website	www.zpienas.lt

3. Information about the Company's branches and representative offices

On 31 December 2013, Žemaitijos Pienas Company Group consisted of the parent company Žemaitijos Pienas and its subsidiaries. The subsidiaries controlled by the Company were as follows:

ABF Šilutės Rambynas, company code 277141670

Authorized capital – LTL 8,596,650; AB Žemaitijos Pienas owns 87.82% of the authorized capital.

Legal address – Klaipėdos Str.3, Šilutė.

Nature of business activity is production of fermented cheeses.

Associated company SIA Muižas Piens, company code 40003786632

AB Žemaitijos Pienas owns 32 % of the authorized capital.

Legal address – Skaistkalnes 1, Riga, Latvia

Nature of business activity is retail and wholesale trade.

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

- Vilnius Branch, Algirdo Str.40/13, Vilnius
- Kaunas Branch, Kėdainių Str.8A, Kaunas
- Klaipėda Branch, Šilutės Rd. 33, Klaipėda 33, Klaipėda
- Panevėžys Branch, J. Janonio Str. 9, Panevėžys
- Telšiai Branch, Sedos Str.35, Telšiai

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

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

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

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

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

Type of shares – ordinary registered shares

Number of shares – 48,375,000

Total par value – LTL 48,375,000

Securities ISIN code – LT0000121865

VSE symbol – ZMP1L

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

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

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

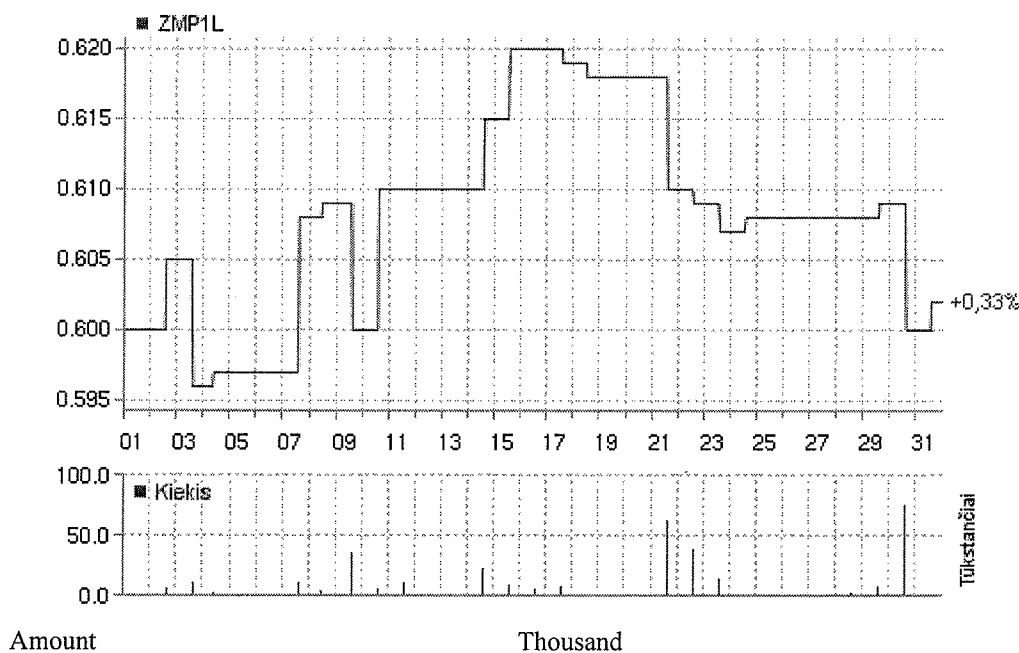
Only securities of AB Žemaitijos Pienas are traded on a regulated market – 48.375.000 ordinary registered shares are included in the Vilnius NASDAQ OMX Stock Exchange Baltic additional stock listing (VSE symbol – ZMP1L). A par value of 1 (one) share is LTL 1. Total par value of shares amounts to LTL 48,375,000.

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

Trading in other stock exchanges or other organized markets are not and have not been carried out.

Hereunder is presented graphic information on the transactions (trade) in shares of AB Žemaitijos Pienas at Vilnius Stock Exchange during January – December, 2013. The graphs are taken from the website of AB NASDAQ OMX Vilnius:

http://www.nasdaqomxbaltic.com/market/?instrument=LT0000121865&list=3&pg=details&tab=historical&lang=lt¤cy=0&downloadcsv=0&date=&start_d=1&start_m=1&start_y=2013&end_d=31&end_m=1&end_y=2013



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

Securities trading history

Indicator	2010	2011	2012	2013	2014
The opening price	0.301	0.699	0.679	0.600	0.816
The highest price	0.745	0.770	0.735	0.833	0.888
The lowest price	0.295	0.555	0.536	0.596	0.788
The last price	0.699	0.679	0.600	0.774	0.855
Turnover (shares)	7,623,027	4,945,124	1,514,200	2,864,080	280,987
Turnover (million)	EUR 3.40	EUR 3.22	EUR 0.96	EUR 2.09	EUR 0.23
Market capitalization (million)	EUR 33.81	EUR 32.85	EUR 29.03	EUR 37.44	EUR 41.36

8. Capitalization of securities

During 2009–2013, the Company's share capitalization rates in EUR was as follows:

Indicator	2010	2011	2012	2013
Market capitalization (million)	EUR 33.81	EUR 32.85	EUR 29.03	EUR 37.44

Change in AB Žemaitijos Pienas securities capitalization during 2010–2013 (in %) was as follows:

ZMP1L	LTL 29,025,000.00	LTL 100,217,520.00	+245.28%
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9. Authorized capital of the Issuer

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

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

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

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

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

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

Consulting with the best European and USA companies, focusing on introducing new technologies, using the most advanced membrane technology of milk purification *Bactocatch* allowed increasing the variety of products offered by the Company and improving their quality.

Impeccable work is the face of the company, which testifies the reliability and solidity of AB Žemaitijos Pienas in anchoring the market of the country by its products and proclaiming the Samogitia region and Lithuania in the world. Currently, the Company employs over 1205 professional and creative employees. Their significant contribution, optimism, and intelligence allow the AB Žemaitijos Pienas to achieve ambitious goals and overcome new challenges in the national and international markets.

Today, the Company produces dairy products over 200 different names; both new and already favoured by the consumers, e.g. a new group of organic dairy products *DOBILAS*. The products bearing *MAGIJA* trademark earned the trust of consumers from the moment they were introduced and became strikingly popular. The consumers favour the fermented and processed cheeses, as well as non-ripened peelable cheese sticks *PIK-NIK*, which are one-of-the-kind in Lithuania. On 8 March, a cheerful celebration of the 10th anniversary of manufacturing this exceptional product was organised, where it was remembered that *PIK-NIK* was winning awards at international and national exhibitions almost every year.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

11. Description of principal risks and uncertainties facing the Company

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

Since a large part of production is exported, but the Company on the level of Europe or other states is not a big market player, who would be able to dictate the market price of cheese, changes in commodity prices of dry milk and cheese products, intervention balances and other aspects of global trade could have a significant impact on performance. The political-legal and commercial aspects of trade in the Russian market have a significant impact on the Company's actual results for the year 2013.

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

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

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

The Company specializes in the production of fresh dairy products and various kinds of cheese. A major part of its income comes from the sale of these products. Due to these reasons negative changes in

the market demand and price of these products could have negative effects on the Company's income, profit and general financial status. The fresh milk products segment is mainly affected by Lithuanian market, and the cheese segment – by export markets.

Very significant impact on the efficiency of milk production and use of equipment has raw milk seasonality, which is predominant in Lithuania. As the seasonality of raw materials in terms of quantities retained trend of previous years, there were justified expectations regarding seasonality trends of the raw material price, but in 2013 price of raw material fluctuated slightly, and the constant rise in the price of raw materials was observed to such an extent that was unable to offset using the pricing decisions and changes.

12. Analysis of financial and non-financial performance results, as well as environmental and personnel-related issues

12.1. Financial performance analysis

Below are presented key financial indicators reflecting Group's and the Company's activities in 2012–2013 (in thousand LTL):

85Financial indicators	According to International Accounting Standards			
	2013		2012	
	Group	Company	Group	Company
Turnover	529.185	522.783	500.515	489.659
Gross profit	100.631	91.954	96.271	88.652
Profit before taxes, interests, and depreciation	42.260	35.555	45.064	41.010
Profit before taxes	27.130	22.624	27.195	25.173
Amount of investments in the long-term assets	14.979	12.821	11.285	9.302

Comparison of raw milk procurement tonnage and price in 2013, 2012, and 2011:

Procured raw milk (recalculated into base richness)	2013	2012	2011
Volume of milk procured, in thousand of tones	332	334	345
Price for the milk procured, LTL/t	937	769	850

In 2013 the Company procured 276 thousand tons of natural milk, in 2012 – 276 thousand tons, and in 2011 – 285 thousand tons.

Below is presented distribution of **AB Žemaitijos Pienas** products sold in Lithuanian and export markets during the the year 2012 and the year 2013 is as follows (thousand LTL):

Product group	Turnover, in thousand LTL		Change, when compared 2013 to 2012 %
	2013	2012	
Fermented cheeses	227.196	208.725	9%
Fresh dairy products	147.972	154.391	-4%
Butter and spreadable fat mixes	42.798	43.128	-1%
Dry milk products	37.078	33.181	12%
Ice cream	72	70	2%
Other	67.667	50.164	35%
In total	522.783	489.659	6.936%

Group's sales by geographical segment (secondary segment) during 2013 and 2012 (in thousand LTL):

Sales by geographic segments	2013	2012
Lithuania	272.304	272.778
Other Baltic States and CIS countries	141.132	128.260
Other European countries	110.919	94.746
Other	4.830	4.731
Total	529.185	500.515

12.2. Environment protection

AB Žemaitijos Pienas, as a dairy product manufacturing and marketing company, according to the specific criteria is assigned to the Equipment group specified in Annex 1 to the environmental permit Integrated Pollution Prevention and Control (IPPC) rules. The activity of AB Žemaitijos Pienas is conducted in compliance with the unlimited permit of IPPC issued on 29 December 2006, which could be corrected according to any changes. The Company continuously seeks to reduce and prevent any negative impact resulting from its activity on environment as well as implement innovative technologies, but it is continuously concerned with and involved in improvement of its environmental protection status, keeps tracking its performance indicators. We are always ready to solve arising environmental issues in together with the society.

In 2008, the Company implemented an Integrated Quality Management and Food Safety Management System, basically in line with the requirements of ISO 9001:2008 and ISO 22000:2005 standards, and currently plans to implement the ISO 14000 Environmental Management System.

The Company does not have a significant negative impact on the environment. Contaminated waste water is released for cleaning in the city treatment facilities, which in 2010 were fully reconstructed implementing the Venta–Lielupė River Basin Investment Program Project, amounting to LTL 44.43 million. After reconstruction of Telšiai City waste water treatment facilities, nitrogen and phosphorus now is also removed from waste waters. In 2014, UAB *Telšių vandenys*, in order to comply with EU directives for waste water treatment, is launching a project “Construction of Telšiai Sludge Treatment Plants”, total value of which exceeds LTL 24.4 million.

At present, the Company’s boiler room uses natural gas. During 2013–2014 the Company implements a boiler modernization project “Construction of 10 MW Steam Boilers Using Fuel Wood in

Telšiai” changing the type of fuel used from gas to renewable energy. The Company is not included in the ETS trading system under the National Allocation Plan for 2013-2020.

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

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

All the waste and packages are handled in accordance with environmental requirements. AB Žemaitijos Pienas carries out segregation of the secondary raw materials out of the overall waste flow and systematically sends these waste to waste recycling and collecting facilities. In the territory of the Company, hazardous and non-hazardous waste is stored and handled in a way that does not negatively impact the environment; the storage areas are marked accordingly. The waste is timely transported to waste disposing companies.

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

On 12 June 2012, AB Žemaitijos Pienas presented to the Lithuanian Environmental Investment Fund (LEIF) a project information form for an investment project “AB Žemaitijos Pienas Acid Whey Processing Line Installation, Reducing the Amount of Waste”.

12.3. The Human Resources Policy

In carrying out its human resources policy, the Company aims to create and develop long-term relationships with its employees. The employees are given all the opportunities to improve their skills and enhance knowledge in workshops and otherwise. The following types of training programmes are available for personnel: training for production workers, production machinery operators, production operators, production locksmiths-operators, production foreman, and sales staff.

Vocational training during the reporting period

Item No.	Work / training title	Average number of trained employees	Notes
1.	New employees trained in accordance with an introduction training program	263	
2.	Production workers, certified and trained in accordance with a continuing education program	11	
3.	Production workers, trained (training continues) in accordance with a continuing education program	20	
4.	Company's specialists trained other employees during internal staff training sessions	27	
5.	Employees, trained during internal staff training sessions (purchased service)	152	
6.	Certified new craftsmen and foremen	-	
7.	Employees trained on health and safety issues	263	
8.	Employees trained to work with new equipment	21	
9.	Employees, who participated in external training (courses, seminars, conferences)	104	

10.	Developed training programs	-	
	In total	861	

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

12.4. Employees

According to the data of 31 December 2013, the total number of employees in AB Žemaitijos Pienas was 1205, which insignificantly decreased compared with 31 December 2012, i.e. number of employees compared to the corresponding period of the previous year fell by 1.94 percent.

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

	31/12/2013	31/12/2012
Average number of employees	1205	1231

Grouping of the personnel according to the educational background:

Employee group	31/12/2013	31/12/2012
Master degree	22	20
Higher education	196	180
Higher-vocational education	306	344
Vocational education	242	203
Secondary education	404	403
Uncompleted secondary education	35	81
In total:	1205	1231

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

Employee group	31/12/2013		31/12/2012		31/12/2011	
	Number of employees	Average monthly wage, LTL	Number of employees	Average monthly wage, LTL	Number of employees	Average monthly wage, LTL
Managers	22	7100	54	6961	65	6103
Specialists	304	3310	256	3206	244	2492
Workers	881	2080	921	2016	985	1878
In total:	1205		1231		1294	

Employees' rights and obligations are provided for in their job descriptions. Employment contracts do not provide for special rights or obligations.

According to the data of 31 December 2013, the total number of employees in Šilutės Rambynas, ABF was 176 employees, i. e. compared with 31 December, 2012 the number of employees during the reporting period fell by 4.86 % or 9 employees.

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

	31/12/2013	31/12/2012	19-11-2012 06 31
Average number of employees	176	185	207

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

Number of employees according to their education	31/12/2013	31/12/2012	30/06/2012
Master degree	7	5	3
Higher education	20	22	23
Higher-vocational education	25	28	30
Vocational education	71	75	77
Secondary education	35	36	49
Uncompleted secondary education	18	19	25
In total:	176	185	207

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

Employee group	31/12/2013		31/12/2012		30/06/2012	
	Number of employees	Average monthly wage, LTL	Number of employees	Average monthly wage, LTL	Number of employees	Average monthly wage, LTL
Managers	6	5983.25	6	6023.85	4	5080.44
Specialists	69	2698.13	49	2653.36	49	2403.69
Workers	101	1823.30	130	2049.45	154	1875.81
In total:	176		185		207	

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

13. Additional notes on the data provided for in the Annual Financial Statements

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

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

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

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

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

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

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

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

In 2013 received awards:

- A winner at the Most Popular Good 2012 award ceremony, arranged by the Association of Lithuanian Trade Enterprises on 5 March 2013: *MAGIJA* was nominated as the most popular glazed curd cheese of 2012 (a diploma granted to AB Žemaitijos Pienas).
- A winner at the Most Popular Good 2012 award ceremony, arranged by the Association of Lithuanian Trade Enterprises on 5 March 2013: hard cheese *Džiugas Mild* was nominated as the most popular hard cheese of 2012 (a diploma granted to AB Žemaitijos Pienas).
- At the International Food Exhibition PRODEKSPO 2013, hard cheese *DŽIUGAS* 40% fat in dry matted was granted a gold medal (Moscow, 11-15 February 2013);
- Hard cheese *DŽIUGAS* produced by AB *Žemaitijos Pienas* was awarded two stars out of three in the Superior Taste Award competition organised by the International Taste and Quality Institute (iTQi) in Brussels on 8 May, 2013. ★ ★
- GRAND PRIX award to *DŽIUGAS* hard cheese, 40 percent fat in d. m., produced by AB *Žemaitijos Pienas* went at the International Food Exhibition SIAL CHINA 2013 (Shanghai, China, in 7–9 May, 2013).
- Cheese Awards Nantwich International Exhibition (the 116th Cheese Exhibition held in Nantwich, UK) 2013, EST.1897:
 - In the “Processed Cheese” category gold award was given to AB Žemaitijos Pienas for natural sliced processed cheese *Mildutė*.
 - 24-month-ripened hard cheese *Džiugas*, crumbled, in 100 g package, was best assessed in category “The most Practical Package”.
 - 24-month-ripened hard cheese *Džiugas* was awarded a silver medal in the Continent-Region Cheese Category.

- Natural sliced processed cheese *Mildutė* with Provence herbs won a silver medal as processed cheese with additives.
- Natural sliced processed cheese with black pepper won a silver medal as processed cheese with additives.
- Special Bradbury Trading Network Award in the category of cheese produced in the UK went to 12-month-ripened hard cheese Džiugas.
- At the International Food and Beverage Exhibition World Food 2013 – Product of the Year, 12, 18, 24, 36-month-ripened hard cheese Džiugas was awarded a gold medal (Moscow, September, 2013).
- AB Žemaitijos Pienas was granted a certificate for participation in the exhibition Riga Food 2013 (4–7 September, 2013).
- At the 5th Lithuanian Producers Exhibition “Choose the Lithuanian Product” *Dobilas* organic yoghurt with vanilla won a medal. (Kaunas, 04/10/2013).
- At Anuga Dairy Taste 13 Nomination “The Most Innovative Product” a winner was a souvenir box containing 12, 18, 24-month-ripened hard cheese Džiugas with honey and a clay bowl (Cologne, 04/10/2013).
- *Dobilas* natural organic yoghurt produced by AB Žemaitijos Pienas. Lithuanian Confederation of Industrialists. Lithuanian Product of the Year 2013 (Gold Medal) (20/12/2012).
- *Magija* glazed curd cheese with cocoa and chocolate-flavoured chips, produced by AB Žemaitijos Pienas. Lithuanian Confederation of Industrialists. Lithuanian Product of the Year 2013 (Gold Medal) (20/12/2013).
- Yoghurt sour cream *Žemaitijos*, 10 % fat, produced by AB Žemaitijos Pienas. Lithuanian Confederation of Industrialists. Lithuanian Product of the Year 2013 (Gold Medal) (20/12/2013).
- *Dobilas* organic curd cheese with vanilla, AB Žemaitijos Pienas Lithuanian Confederation of Industrialists. Lithuanian Product of the Year 2013 (silver medal) (20/12/2013).

IN 2013 RECEIVED ACKNOWLEDGEMENTS

- GRATITUDE of Special Coffee Association to AB Žemaitijos Pienas for their help in organizing the Coffee Culture Days 2013 (17/02/2013).
- GRATITUDE of Sporting Events Association to AB Žemaitijos Pienas for their help in organizing the General Financing Trakai Half-marathon (12/05/2013).
- GRATITUDE of MTB Cycling Club to AB Žemaitijos Pienas and *PIK NIK* peelable cheese sticks for their assistance in the preparation the amateur mountain bike race MTB Amateur Cup 2013 (Vilnius, 09/06/2013).
- GRATITUDE of Lithuanian Society of the Friends of the Bath to staff of AB Žemaitijos Pienas for their help and support in organizing the first festival Žemaitijos Bath Day 2013 (Kūlio dauba, Telšiai Region, 22/09/2013).

- GRATITUDE of the Ministry of Economy of the Republic of Lithuania to AB Žemaitijos Pienas for support and sincere cooperation in organizing the 12th European Tourism Forum (Vilnius 22/10/2013).
- GRATITUDE of Telšiai Germantas Primary School to AB Žemaitijos Pienas for support and cooperation in the project “I Grow Healthy and Smart” (22/11/2013).

16. Business plans and forecasts of the Company

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

The main current goals of the Company are as follows:

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

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

AB Žemaitijos pienas continuously makes investments and looks for ways to ensure steady revenue growth and improved operating efficiency. The Company also pays great attention to development of new product collaborating with scientists.

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

To achieve the highest standards of performance, cutting-edge operation and innovative methods of treatment in both the technology and the management of the business and the individual corporate governance and business processes, the Company's specialists constantly raise their qualifications attending various foreign internships, exhibitions, and collaborating with the largest suppliers, performing

horizontal integration of good manufacturing practice methods not only in their own production and logistic processes, but starting the improvement initiatives from industrial processes and products of the suppliers.

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

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

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

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

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

II. OTHER INFORMATION ABOUT THE ISSUER, ITS SHAREHOLDERS, OTHER ISSUERS BODIES

19. Issuer's share capital structure

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

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

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

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

20. All restrictions on transfer of securities

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

21. Shareholders

On 31 December 2013, the Company had 3,198 shareholders. All the shares issued provide their owners with equal rights, laid down in the Law on Companies of the Republic of Lithuania and in the Articles of Association of the Company.

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

No.		2013		2012	
		Number of shares	Part in ownership, %	Number of shares	Part in ownership, %
1	Pažemeckas Algirdas	21,589,380	44.63%	21,589,380	44.63%
2	SKANDINAVISKA ENSKILDA BANKEN CLIENTS Code 50203290810, SERGELS TORG 2 10640 STOCKHOLM, SWEDEN	-	0.00%	3,643,525	7.53%
3	SEB SA OMNIBUS Luxembourg	3,413,962	7.06%	-	0.00%
4	Klaipėdos Pienas, AB Company code: 240026930 Šilutės Rd. 33, 91107 Klaipėda	2,901,844	6.00%	3,601,844	7.45%
5	Pažemeckienė Danutė	3,025,820	6.25%	3,025,820	6.25%
6	AB Žemaitijos Pienas	2,070,621	4.28%	1,360,010	2.81%
7	Other minority shareholders	15,373,373	31.78%	15,154,421	31.33%
	Total	48,375,000		48,375,000	

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

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

22. Rights of shareholders

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

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

The shareholders of the Company shall have the following non-property rights: to participate in the Meetings of Shareholders; to vote in the Meetings of Shareholders, according to the voting rights determined by the number of shares in possession; to receive non-confidential information on economic activity of the Company; to elect and be elected to the management and supervisory bodies of the Company; to take any position in the Company, if the Law on Companies or the Articles of Association does not provide otherwise; to give specific suggestions with respect to the improvement of financial, economic, organizational, etc. activity of the Company; to appeal against the decisions or actions made in the General Meetings, by the Supervisory Council, Management Board or the Manager of the Company, which are against the Laws of the Republic of Lithuania, the Articles of the Association or interest and non-interest rights of the shareholders. Shareholders, individually or collectively, have a right, without any special commission, to claim for the damages made to shareholders; and other non-property rights provided in the Law of the Republic of Lithuania.

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

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

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

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

24. All restrictions on voting rights

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

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

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

26. Procedures of amendment of the Articles of Association

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

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

27. Issuer's management bodies

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

The Supervisory Board is a collegial management body performing supervisory functions of the Company. The Supervisory Board is run by its Chairman. The Supervisory Board of the Company consists of 3 (three) members, which are elected by the General Meeting for the period of 4 years. The Articles of Association of the Company provide for unlimited number of cadences.

The Board of Directors of the Company is a collegial management body representing the shareholders of the Company during the period between the meetings and making the decision on the most important issues of the Company in the area of economic activity. The procedure of work of the Board of Directors is established in the Regulation of the Work of the Board of Directors. The Board of Directors consists of 5 members. The members of the Board of Directors are elected by the Supervisory Board for the period of maximum four years. The number of cadences is unlimited. The Board of Directors is headed by its Chairman, which is elected by the Board of Directors out of its members. The members of the Board act jointly in the Company, and their positions are not specialized.

The Manager of the Company, i.e., the Chief Executive Officer of the Company is General Director. In his activity, the General Director follows the Articles of Association, resolutions of the General Meeting, decisions made by the Board of Directors, as well as other local acts of the Company; he has no special rights in the Company.

The Manager of the Company arranges the everyday activity of the Company and performs all the actions required for exercising his functions, implementing the decisions made by the management bodies of the Company, and ensuring the activity of the Company. The General Director of the Company is directly accountable to and regularly reports to the Board of Directors.

The General Meeting of Shareholders does not have any special rights.

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

The management bodies are not entitled to any exclusive or/and special rights for determining the regulation on issuing or buying of securities of the Issuer; in this area they are entitled only to the rights provided by the legislation.

General Meeting of Shareholders and its rights

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

28. Issuer's management and supervisory bodies

Issuer's management bodies are the Board of Directors (collegial) and the Manager (sole –General Director). The Supervisory Board is a collegial supervision body performing supervisory functions of the

Company, which also has an Audit Committee. The management bodies include the Board of Directors and the Manager.

The Supervisory Board is a collegial supervision body performing supervisory functions of the Company. The Supervisory Board is run by its Chairman. The Supervisory Board of the Company consists of three (3) members, who are elected by the General Meeting for the period of 4 years. The Articles of Association of the Company provide for unlimited number of cadences.

The Supervisory Board's powers and responsibilities are to elect members of the Board of Directors and remove them from office. If the Company is operating at a loss, the Supervisory Board must consider the suitability of the Board members for their office. The Supervisory Board shall also supervise the activities of the Board and the Manager of the Company; submit its proposals and comments to the General Meeting of Shareholders on the Company's business strategy, annual financial statements, draft of the profit distribution and the report on the activities of the Company, as well as the activities of the Board and the Manager of the Company; set (approve) the monthly/quarterly limits of production to be supplied for the free tasting to the customers for the market research and/or development and approve them at the end of the quarter; submit its proposals to the Board and the Manager of the Company and revoke their decisions, which are not in conformity with laws and regulations, the Articles of Association of Company, or the decisions of General Meeting of Shareholders; address other issues assigned within its power by the Articles of Association of the Company, as well as by the decisions of the General Meeting regarding supervision of the activities of the Company and its managing bodies, fix the salary of the Manager if the Company, if he is a member of the Board on the request of the Board of Directors and the decide on termination of the employment agreement of a member of the Supervisory Board employed by the Company.

The Board of Directors of the Company is a collegial management body representing the shareholders of the Company during the period between the meetings and making the decision on the most important issues of the Company in the area of economic activity. The procedure of work of the Board of Directors is established in the Regulation of the Work of the Board of Directors. The Board of Directors consists of five (5) members (in accordance with the Articles of Association); currently the Board of Directors *de facto* consists of four (4) members. The Board shall be elected by the Supervisory Board for a term, which may not exceed 4 years; no special rules for the election or removal of members of the Board are provided. The number of cadences is unlimited. The Board of Directors is headed by its Chairman, which is elected by the Board of Directors out of its members.

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

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

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

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

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

The Board, without the approval of the General Meeting shall adopt decisions on the following issues: decisions for the Company to become an incorporator or a member of other legal entities; decisions on the opening of branches and representative offices of the Company; decisions on the investment, disposal or lease of the fixed assets the book value whereof exceeds 1/20 of the authorised capital of the company; decisions on the pledge or mortgage of the fixed assets the book value whereof exceeds 1/20 of the authorised capital of the company; decisions on offering of surety or guarantee for the discharge of obligations of third parties the amount whereof exceeds 1/20 of the authorised capital of the Company; decisions on the acquisition of the fixed assets the price whereof exceeds 1/20 of the authorised capital of the Company; decisions and projects on restructuring and reorganisation of the Company in the cases laid down by the Law on Restructuring of Enterprises; accession of the Company to associations, concerns, and/or consortia and resignation from them; allocation of funds for charity, health, culture, science, physical education and sports, as well as for natural disasters and emergency liquidation, determine the maximum amount of funds used by the Manager; other decisions assigned to the scope of powers of the Board by the Articles of Association or the decisions of the General Meeting of Shareholders.

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

The Manager of the Company arranges the everyday activity of the Company and performs all the actions required for exercising his functions, implementing the decisions made by the management bodies of the Company, and ensuring the activity of the Company. General Director of the Company is directly accountable to and regularly reports to the Board of Directors.

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

The Manager and Administration: the Manager of the Company is the General Director, who in his activity follows the Articles of Association, decisions of the General Meeting, decisions made by the Management Board, and Administration Work Regulations. The General Director shall be elected and removed from office by the Board of the Company. For election of the General Director a competition may be organized. The contract with the General Director of the company shall be signed by the Chairman of the Board. If the General Director of the Company is the Chairman of the Board, the employment contract with him shall be signed by the member of the Board authorised by the Board. The General Director of the Company shall participate in the Board meetings in an advisory capacity, if he is not a Board member.

The Manager (General Director) shall organise daily activities of the Company, within his competence shall enter into transactions on behalf of the Company and represent it in relations with third parties and before a court or an arbitration. The General Director becomes entitled to represent the Company the from the day specified in his Employment Agreement; he opens and closes Company's accounts with banking institutions, prepares and submits to the Board for approval the management structure of the Company, job descriptions, salary and promotion systems, prepares a draft of a share

subscription agreement, hires and dismisses employees, concludes and terminates employment agreements therewith, assesses their performance results, imposes disciplinary sanctions and provides incentives to employees, including the material sanctions and incentives, determines internal work procedures, approves regulations of the sub-divisions of the Company and Administration Working Regulations, issues authorizations to carry out the functions that are within his competence; in cases stipulated by the Law on Companies convenes a General Meeting, organizes, prepares drafts of the necessary documents for the General Meeting of Shareholders, ensures protection of the Company's property and trade secrets, and performs other functions stipulated laws, Articles of Association, manages the Company's assets, including monetary funds.

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

Structure of the Supervisory Board:

Full name	Position within the Issuer	Number of shares under ownership and percentage of the authorized capital, %	Beginning of the cadence	End of the cadence	Start of the service at Žemaitijos Pienas
Romusas Jarulaitis	Chairman of the Supervisory Board	1,105,510 2.29	08/04/2011	07/04/2015	26/01/1988
Robertas Pažemeckas	Member of the Supervisory, Acting General Director	-	08/04/2011	07/04/2015	26/08/2002
Algirdas Bladžinauskas	Member of the Supervisory Board	-	08/04/2011	07/04/2015	20/08/1996

Structure of the Board of Directors:

Full name	Position within the Issuer	Number of shares under ownership and percentage of the authorized capital, %	Beginning of the cadence	End of the cadence	Start of the service at Žemaitijos Pienas
Algirdas Pažemeckas	Chairman of the Board, Consultant	21,589,380 44.63	01/05/2011	30/04/2015	26/12/1986
Marius Dromantas	Member of the Board, Director of Logistics	-	01/05/2011	30/04/2015	01/12/2003
Vygantas Sliesoraitis	Member of the Board	-	28/04/2011	28/04/2015	11/05/2011

Administration:

Full name	Position	Number of shares in possession within the Issuer	Share of the authorized capital in possession, %
Robertas Pažemeckas	Acting General Director	-----	-----
Natalija Vainikevičiūtė	Chief Financial Officer	-	-

During the reporting period, to the Company's manager and CFO were calculated and paid amounts related to their employment only; these individuals were not given guarantees or sureties, transfers of assets or other property rights.

During the year 2013, no monetary amounts were calculated or paid to the members of management bodies for their activities in the Board of Directors and the Supervisory Board.

During the year 2013, neither the Company's management bodies (the Board of Directors, the Supervisory Board, the General Director) nor the Chief Financial Officer were granted by the Issuer any bonuses, dividends or other payments from the Issuer's operating profits. These individuals do not have significant material obligations towards the Issuer, and the Issuer has not significant material obligations for the mentioned individuals.

No guarantees or sureties nor/or other obligation collateral means on the management or supervisory bodies regarding assurance of completion of these individuals' obligations have been given on behalf of the Issuer during 2013; also, the Issuer did not give loans to these individuals.

Company's Audit Committee

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

Full name	Workplaces, position authorization	Number of shares in possession within the Issuer	Beginning of cadence in Committee	End of cadence in the Committee
Angelė Taraškevičienė	The Head of UAB Vertybių Auditas	-----	26/04/2013	Until withdrawn from the position by the Company's management body that elected the member
Stanislava Vaičienė	AB Žemaitijos Pienas Accountant	-----	26/04/2013	Until withdrawn from the position by the Company's management body that elected the member
Daiva Katarskienė	Accountant-bookkeeper of AB Žemaitijos Pienas	-----	26/04/2013	Until withdrawn from the position by the Company's management body that elected the member

The main function of the Audit Committee is to be an advisory body to the Company's Supervisory Board, and its main task is to increase the efficiency of the Supervisory Board's work in the field of the company's financial supervision, to help ensure that decisions are fair and based on due consideration.

The Audit Committee, when performing its functions provides recommendations to the Board of Directors in relation to the selection of external audit firm, its appointment, reappointment and removal, monitors the external audit process and assesses how the external auditor and the audit firm shall comply with the principles of independence and objectivity, monitors the Company's financial reporting process, carries out other functions provided for by other laws of the Republic Lithuania and recommendations specified in the Code of Management of the Companies listed at the Vilnius Stock Exchange.

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

III. OTHER INFORMATION RELATED TO THE ISSUER

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

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

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

The Issuer has not come into any agreements providing for the compensations for the members of the management bodies or for the employees in case they are dismissed, or fired without any reasonable reason, or their service is terminated due to changes in the control mechanism of the Issuer.

31. Issuer's transactions

No significant transactions or transactions atypical to the Issuer's regular activity have been made on behalf of the Issuer with related parties or other entities during the year 2013.

The Issuer has not come into any transactions, where significant changes related to the Issuer would occur, and/or negative consequences would arise due to the occurred changes related to the Issuer's control mechanism.

The Issuer has not come into any agreements providing for the compensations for the members of the management bodies or for the employees in case they are dismissed, or fired without any reasonable reason, or their service is terminated due to changes in the control mechanism of the Issuer.

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

32. Information about the compliance with the Corporate Governance Code

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

33. Data on publicly announced information

During the reporting period – the year 2013 – the Company announced a significant part of the material events related to the AB Žemaitijos Pienas.

Notifications					
Date	Market	Company	Subject	Language	
30/11/2013 07:30:55	VLN	Žemaitijos Pienas	<u>Preliminary Results of AB Žemaitijos Pienas for 9 Months of 2013</u> Attachments:	EN/LT	
09/10/2013 12:45:06	VLN	Žemaitijos Pienas	<u>On sale of goods on the Russian market</u>	EN/LT	
20/09/2013 15:36:20	VLN	Žemaitijos Pienas	<u>Shareholders' resolution: "On Selection of an Audit Firm to Conduct an Annual Audit and Express an Audit Opinion"</u>	EN/LT	
30/08/2013 15:10:31	VLN	Žemaitijos Pienas	<u>Results of Results of Žemaitijos Pienas Group for the 1st half-year of 2013</u> Attachments:	EN/LT	
14/08/2013 10:32:50	VLN	Žemaitijos Pienas	<u>Regarding Convocation of the Extraordinary General Meeting of Shareholders and Proposed Draft Resolutions</u> Attachments:	EN/LT	
31/05/2013 15:39:04	VLN	Žemaitijos Pienas	<u>Preliminary Results of AB Žemaitijos Pienas for 3 Months of 2013</u> Attachments:	EN/LT	
23/05/2013 09:51:19	VLN	Žemaitijos Pienas	<u>Information on Dividend Payment Procedures</u>	EN/LT	
26/04/2013 17:33:01	VLN	Žemaitijos Pienas	<u>AB Žemaitijos Pienas Annual Information for the Year 2012</u> Attachments:	EN/LT	
26/04/2013 17:32:45	VLN	Žemaitijos Pienas	<u>Resolutions of General Meeting of AB Žemaitijos Pienas, held on 26/04/2013</u> Attachments:	EN/LT	
08/04/2013 08:48:21	VLN	Žemaitijos Pienas	<u>Amendment to Agenda of the Ordinary General Meeting of Shareholders</u>	EN/LT	
05/04/2013 12:12:20	VLN	Žemaitijos Pienas	<u>Draft Resolutions of the General Meeting of Shareholders</u> Attachments:	EN/LT	
04/04/2013 17:46:21	VLN	Žemaitijos Pienas	<u>On acquisition of own shares and number of votes attached to the shares</u>	EN/LT	
29/03/2013 09:09:55	VLN	Žemaitijos Pienas	<u>Convocation of the Ordinary General Meeting of Shareholders</u>	EN/LT	
22/03/2013 09:37:24	VLN	Žemaitijos Pienas	<u>CORRECTION: On Purchase (Acquisition) of Own Shares</u>	EN/LT	
22/03/2013 08:16:23	VLN	Žemaitijos Pienas	<u>On Purchase (Acquisition) of Own Shares</u>	EN/LT	
28/02/2013 16:35:57	VLN	Žemaitijos Pienas	<u>Unaudited Preliminary Results of Žemaitijos Pienas Group for the year 2012</u> Attachments:	EN/LT	
13/02/2013 14:02:14	VLN	Žemaitijos Pienas	<u>AB Žemaitijos Pienas Information</u>	EN/LT	

Source: http://www.nasdaqomxbaltic.com/market/?issuer=ZMP&market=&legal%5B%5D=main&legal%5B%5D=firstnorth&start_d=1&start_m=1&start_y=2012&end_d=31&end_m=6&end_y=2012&keyword=&pg=news&lang=lt¹

Information about material events after the reporting period² :

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

² http://www.nasdaqomxbaltic.com/market/?issuer=ZMP&market=&legal%5B%5D=main&legal%5B%5D=firstnorth&start_d=1&start_m=1&start_y=2014&end_d=19&end_m=2&end_y=2014&keyword=&pg=news&lang=lt

Date	Market	Company	Subject	Language
10/02/2014 13:23:01	VLN	Žemaitijos Pienas	<u>On the Company's Board Members</u>	EN/Lt
07/02/2014 16:27:34	VLN	Žemaitijos Pienas	<u>Draft Resolutions for the Extraordinary General Meeting of Shareholders of AB Žemaitijos Pienas</u>	EN/Lt
24/01/2014 11:19:26	VLN	Žemaitijos Pienas	<u>Draft Resolutions for the Extraordinary General Meeting of Shareholders of AB Žemaitijos Pienas (AMENDED / UPDATED)</u>	EN/Lt
17/01/2014 13:34:17	VLN	Žemaitijos Pienas	<u>Draft Resolutions for the Extraordinary General Meeting of Shareholders of AB Žemaitijos Pienas</u>	EN/Lt
09/01/2014 10:44:33	VLN	Žemaitijos Pienas	<u>Convocation of the Extraordinary General Meeting of Shareholders (supplemented)</u>	EN/LT
08/01/2014 10:31:18	VLN	Žemaitijos Pienas	<u>Regarding Convocation of the General Meeting of Shareholders</u>	EN/Lt

Following the procedure laid down in the Articles of Association of the Company and regulations of the Republic of Lithuania, Žemaitijos Pienas AB has informed Vilnius Stock Exchange (AB NASDAQ OMX Vilnius) about all the material events. The notifications have been published in the Central Regulated Information Base and on the website of the Company www.zpienas.lt. The notifications about the General Meetings have been additionally published in the newspaper *Valstiečių laikraštis*. Information on transactions of management members has been announced on the website of Vilnius Stock Exchange.

IV. FURTHER INFORMATION

34. Significant events since the end of the financial year

Unaudited preliminary results of Žemaitijos Pienas Group for the year 2013 on 28 February 2014, were as follows:

In 2013, consolidated turnover (excluding audit) of AB “Žemaitijos pienas” group amounts to 541,9 mln. Lt (156,9 mln. EUR) that, if to be compared with the year 2012, has increased by 8,28 %.

Net profit (as without audit) of AB “Žemaitijos pienas” group in the year 2013, makes 4,3 % of the turnover.

35. Data on audit

Audit of consolidated Balance Sheets on 31 December 2013 and related consolidated Cash Flow Statements, Income Statements and Statements of Changes in Equity for the year ended on 31 December 2013 has been carried out by UAB *Grant Thornton Rimess*. The Auditor's Report was signed on 15 March 2014.

Additional information that should be disclosed under the laws governing corporate activities, other legal acts or the Articles of Association of the Company and which is not disclosed in this Annual Report and the Annual Financial Statements – none.