


**STATEMENTS OF FINANCIAL POSITION  
AS OF 31 DECEMBER 2014**


(All amounts in LTL thousands unless otherwise stated)

ASSETS	Notes	The Group		The Company	
		31 12 2014	31 12 2013	31 12 2014	31 12 2013
<b>Non-current assets</b>					
Intangible assets	5	661	376	659	368
Property, plant and equipment	5,6	63.160	62.979	54.344	43.213
Investment assets	5,6	600	919	4.244	4.755
Investments into subsidiaries	1	4	4	10.882	10.882
Loans granted	7	16.248	5.535	16.248	5.535
Other financial assets		54	-	54	-
Deferred income tax asset	23	5.011	3.505	4.856	3.366
<b>Total non-current assets</b>		<b>85.738</b>	<b>73.318</b>	<b>91.287</b>	<b>68.119</b>
<b>Current assets</b>					
Inventories	8	86.127	112.720	78.782	99.830
Prepayments		2.493	1.513	2.408	1.482
Trade accounts receivable	9	35.714	28.899	34.246	31.695
Other accounts receivable	10	4.197	5.290	3.696	6.323
Cash and cash equivalents	11	24.233	6.958	21.491	5.153
<b>Total current assets</b>		<b>152.764</b>	<b>155.380</b>	<b>140.623</b>	<b>144.483</b>
<b>TOTAL ASSETS</b>		<b>238.502</b>	<b>228.698</b>	<b>231.910</b>	<b>212.602</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Capital and reserves</b>					
Share capital	12	48.375	48.375	48.375	48.375
Own shares (-)		(4.569)	(4.569)	(4.569)	(4.569)
Legal reserve		4.838	4.838	4.838	4.838
Other reserves		15.764	15.764	15.764	15.764
Retained earnings		111.929	102.713	106.511	96.496
<b>Equity attributable to equity holders of the Company</b>		<b>176.337</b>	<b>167.121</b>	<b>170.919</b>	<b>160.904</b>
Minority interest		2.260	2.371	-	-
<b>Total Equity</b>		<b>178.597</b>	<b>169.492</b>	<b>170.919</b>	<b>160.904</b>
<b>Non-current liabilities</b>					
Grants received	13	7.366	5.929	6.165	3.632
Borrowings	14	-	-	-	-
Obligations under finance lease	15	109	369	109	369
Deferred income tax liability		-	1.203	-	-
Other current liabilities	23	18	38	18	38
<b>Total non-current liabilities</b>		<b>7.493</b>	<b>7.539</b>	<b>6.292</b>	<b>4.039</b>
<b>Current liabilities</b>					
Borrowings	14	-	1.568	-	1.568
Obligations under finance lease	15	260	426	260	426
Trade accounts payable	17	39.880	31.562	42.929	29.726
Income tax payable		842	2.869	841	2.869
Other accounts payable	18	11.430	15.242	10.669	13.070
<b>Total current liabilities</b>		<b>52.412</b>	<b>51.667</b>	<b>54.699</b>	<b>47.659</b>
<b>Total liabilities</b>		<b>59.905</b>	<b>59.206</b>	<b>60.991</b>	<b>51.698</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>238.502</b>	<b>228.698</b>	<b>231.910</b>	<b>212.602</b>

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

The financial statements were approved on 13 March 2015 and signed by:

  
Robertas Pažemeckas  
Acting General Director

  
Dalia Gecienė  
Senior accountant

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

**STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2014**

(All amounts in LTL thousands unless otherwise stated)

	Notes	The Group		The Company	
		Jan-Dec 2014	Jan-Dec 2013	Jan-Dec 2014	Jan-Dec 2013
Sales	19	556.466	529.185	542.275	522.783
Cost of sales		(465.482)	(428.554)	(463.851)	(430.829)
<b>GROSS PROFIT</b>		<b>90.984</b>	<b>100.631</b>	<b>78.424</b>	<b>91.954</b>
Operating expenses	20	(81.106)	(74.811)	(68.625)	(72.423)
Other operating income and expenses	21	1.145	1.053	2.538	2.733
<b>(LOSS) PROFIT FROM OPERATIONS</b>		<b>11.023</b>	<b>26.873</b>	<b>12.337</b>	<b>22.264</b>
Finance costs		(42)	(88)	(42)	(87)
Other financial income and expenses	22	723	345	364	446
<b>(LOSS) PROFIT BEFORE TAX</b>		<b>11.704</b>	<b>27.130</b>	<b>12.659</b>	<b>22.623</b>
Income tax (benefit) expense	23	(2.599)	(3.898)	(2.644)	(3.152)
<b>NET (LOSS) PROFIT</b>		<b>9.105</b>	<b>23.232</b>	<b>10.015</b>	<b>19.471</b>
<b>ATTRIBUTABLE TO:</b>					
Equity holders of the Company		9.216	22.774	10.015	19.471
Minority interest		(111)	458	-	-
		<b>9.105</b>	<b>23.232</b>	<b>10.015</b>	<b>19.471</b>
<b>Basic and diluted earnings per share (LTL)</b>	25	<b>0,19</b>	<b>0,47</b>	<b>0,21</b>	<b>0,40</b>

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**STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2014**


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

The Group	Share capita	Own shares (-)	Legal reserve	Reserves for own shares	Other reserv es	Retaine d earnin gs	Equity	Minorit y interest	Total
<b>Balance as of</b>									
<b>31 December 2012</b>	<b>48.375</b>	<b>(3.002)</b>	<b>4.838</b>	<b>15.000</b>	-	<b>82.985</b>	<b>148.196</b>	<b>1.947</b>	<b>150.143</b>
Dividends	-	-	-	-	-	(2.315)	(2.315)	-	(2.315)
Transfer to other reserves	-	-	-	-	764	(764)	-	-	-
The use of reserves	-	-	-	-	-	-	-	-	-
Acquisitions of own shares	-	(1.567)	-	-	-	-	(1.567)	-	(1.567)
Subsidiary company liquidation result	-	-	-	-	-	33	33	(34)	(1)
Net profits	-	-	-	-	-	22.774	22.774	458	23.232
<b>Balance as of</b>									
<b>31 December 2013</b>	<b>48.375</b>	<b>(4.569)</b>	<b>4.838</b>	<b>15.000</b>	<b>764</b>	<b>102.713</b>	<b>167.121</b>	<b>2.371</b>	<b>169.492</b>
Dividends	-	-	-	-	-	-	-	-	-
Transfer to other reserves	-	-	-	-	-	-	-	-	-
The use of reserves	-	-	-	-	-	-	-	-	-
Acquisitions of own shares	-	-	-	-	-	-	-	-	-
Subsidiary company liquidation result	-	-	-	-	-	9.216	9.216	(111)	9.105
<b>Balance as of</b>									
<b>31 December 2014</b>	<b>48.375</b>	<b>(4.569)</b>	<b>4.838</b>	<b>15.000</b>	<b>764</b>	<b>111.929</b>	<b>176.337</b>	<b>2.260</b>	<b>178.597</b>

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**STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2014**

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

The Company	Share capital	Own shares (-)	Legal reserve	Reserves for own shares	Other reserves	Retained earnings	Total
<b>Balance as of 31 December 2012</b>	<b>48.375</b>	<b>(3.002)</b>	<b>4.838</b>	<b>15.000</b>	-	<b>80.104</b>	<b>145.316</b>
Dividends	-	-	-	-	-	(2.315)	(2.315)
Transfer to reserves	-	-	-	-	764	(764)	-
Reserves used	-	-	-	-	-	-	-
Acquisition of own shares	-	(1.567)	-	-	-	-	(1.567)
Net profit	-	-	-	-	-	19.471	19.471
<b>Balance as of 31 December 2013</b>	<b>48.375</b>	<b>(4.569)</b>	<b>4.838</b>	<b>15.000</b>	<b>764</b>	<b>96.496</b>	<b>160.904</b>
Dividends	-	-	-	-	-	-	-
Transfer to reserves	-	-	-	-	-	-	-
Reserves used	-	-	-	-	-	-	-
Acquisition of own shares	-	-	-	-	-	-	-
Net profit	-	-	-	-	-	10.015	10.015
<b>Balance as of 31 December 2014</b>	<b>48.375</b>	<b>(4.569)</b>	<b>4.838</b>	<b>15.000</b>	<b>764</b>	<b>106.511</b>	<b>170.919</b>

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Acting General Director




Dalia Gečienė  
Senior accountant


**CASH FLOW STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2014**  
(All amounts in LTL thousands unless otherwise stated)

	The Group		The Company	
	Jan-Dec 2014	Jan-Dec 2013	Jan-Dec 2014	Jan-Dec 2013
<b>Cash flow from operating activities</b>				
Profit (loss) for the period	9.105	23.232	10.015	19.471
<b>Adjustments:</b>				
Depreciation and amortization	22.679	14.999	10.330	12.845
Amortization of grants received	(2.638)	(864)	(853)	(515)
Gain (loss) on disposal of non-current assets	(293)	(174)	(276)	(175)
Corporate income tax expenses	(2.715)	(1.236)	(1.490)	(1.268)
Impairment of accounts receivable	285	324	285	324
Impairment of property, plant and equipment	-	-	-	-
Impairment of inventories to net realizable value	(3.782)	8.710	(3.884)	8.094
Net financial expenses (income)	(681)	(257)	(322)	(359)
Elimination of non-cash items	423	(3.073)	1.473	(3.223)
Loss from liquidation of subsidiaries	-	-	-	-
Net cash flows from ordinary activities before changes in working capital	<b>22.383</b>	<b>41.661</b>	<b>15.279</b>	<b>35.194</b>
<b>Changes in working capital:</b>				
(Increase) decrease in inventories	30.375	(23.755)	24.932	(17.690)
(Increase) decrease in trade receivables	(7.100)	3.755	(2.837)	23
(Increase) decrease in prepayments	(980)	227	(926)	215
(Increase) decrease in other receivables	226	1.658	(355)	1.792
(Decrease) increase in trade payables	8.318	4.279	13.203	4.125
(Decrease) increase other accounts payable	(4.254)	120	(3.893)	338
Corporate income tax paid	(2.028)	2.817	(2.028)	2.817
<b>Net cash flows from operating activities</b>	<b>46.940</b>	<b>30.762</b>	<b>43.373</b>	<b>26.814</b>
<b>Cash flows from (to) investing activities</b>				
Acquisition of intangible assets and property, plant and equipment.	(23.672)	(14.979)	(22.082)	(12.821)
Proceeds on sale of property, plant and equipment	1.096	986	1.059	986
Acquisition of subsidiaries	-	-	-	-
Sale of investments available for sale	-	-	-	-
Repayment of loans granted	4.194	5.257	6.032	5.257
Loans granted	(13.757)	(5.980)	(13.757)	(5.980)
Interest received	418	438	419	481
<b>Net cash flows (to) investing activities</b>	<b>(31.720)</b>	<b>(14.278)</b>	<b>(28.330)</b>	<b>(12.077)</b>
<b>Cash flows from (to) financing activities</b>				
Acquisition of own shares	-	(1.567)	-	(1.567)
Dividends, bonus paid	-	(1.147)	-	(1.147)
Grants received	3.800	2.403	3.386	2.403
Loans received	9.160	68.510	9.160	68.510
Repayment of loans	(10.727)	(80.866)	(10.727)	(80.866)
Financial lease payments	(426)	(2.457)	(426)	(2.212)
Interest paid	(42)	(88)	(42)	(87)
Other financial (income) and expenses	290	(103)	(55)	(45)
<b>Net cash flows from financial activities</b>	<b>2.055</b>	<b>(15.315)</b>	<b>1.295</b>	<b>(15.011)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>17.275</b>	<b>1.169</b>	<b>16.338</b>	<b>(274)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>6.958</b>	<b>5.789</b>	<b>5.153</b>	<b>5.427</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>24.233</b>	<b>6.958</b>	<b>21.491</b>	<b>5.153</b>

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Acting General Director

  
Dalia Gecienė  
Senior accountant



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

**EXPLANATORY NOTES  
FOR THE YEAR ENDED 31 DECEMBER 2014**  
(All amounts in LTL thousands unless otherwise stated)

**1. GENERAL INFORMATION**

**Reporting entity**

AB "Žemaitijos Pienas" (hereinafter – the Company) is a public limited liability company registered in the Republic of Lithuania. The address of the Company's registered office is as follows: Sedos Str. 35, Telšiai, Lithuania.

The Company produces dairy products and sells them in the Lithuanian and foreign markets. The Company has a number of wholesale departments with storage facilities and transport means in major Lithuanian towns. The Company started its operations in 1984.

AB "Žemaitijos Pienas" is a Lithuanian public listed company with shares traded on AB NASDAQ OMX Vilnius.

As on the 31<sup>th</sup> of December 2014, its shares are held by the following shareholders

Shareholder	31 12 2014		31 12 2013	
	Number of shares	Ownership %	Number of shares	Ownership %
Pažemeckas Algirdas SKANDINAVISKA ENSKILDA BANKEN CLIENTS code 50203290810, SERGELS TORG 2 10640 STOCKHOLM, SWEDEN SEB SA OMNIBUS, Liuksemburg	21.589.380	44,63%	21.589.380	44,63%
	-	-	-	-
	3.413.962	7,06%	3.413.962	7,06%
AB „Klaipėdos pienas“ code 240026930, Šilutės pl. 33, 91107 Klaipėda	2.901.844	6,00%	2.901.844	6,00%
Pažemeckienė Danutė	3.025.820	6,25%	3.025.820	6,25%
AB „Žemaitijos pienas“	2.070.621	4,28%	2.070.621	4,28%
Other shareholders	15.373.373	31,78%	15.373.373	31,78%
<b>Total share capital, LTL</b>	<b>48.375.000</b>	<b>100,00%</b>	<b>48.375.000</b>	<b>100,00%</b>

The authorized capital was divided into 4.837.500 units of ordinary registered shares of one Litas per value. All the shares are issued, subscribed and fully paid.

Taking into account the legal requirements the Company prepares consolidated financial statements.

As on the 31<sup>th</sup> of December 2014 the Group consisted of AB "Žemaitijos Pienas" and the following subsidiaries (hereinafter the Group):

Subsidiary	Registration address	Ownership of the Group	Percentage in consolidation	Cost of investment 2014	Cost of investment 2013	Net assets as of 31 December 2014	Main activities
Šilutės Rambynas ABF	Klaipėdos str. 3, Šilutė, Lithuania	87,82%	87,82%	10.878	10.878	18.556	Cheese production and selling
SIA Muižas piens	Skaitkalnes g. 1, Rīga, Latvija	32%	-	4	4	-	Retail sale, wholesale
				<b>10.882</b>	<b>10.882</b>		

The Company employed 1.192 staff members as on the 31<sup>th</sup> of December 2014 (1.205 staff members as on the 31<sup>th</sup> of December 2013). The Group employed 1.371 staff members as on the 31<sup>th</sup> of December 2014 (1.381 staff members as on the 31<sup>th</sup> of December 2013).

## 2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The Company accounted for in these financial statements all amounts are measured and presented until 31 of December 2014 in the national currency of the Republic of Lithuania Litas. The financial statements are presented in Litas, which until 2014 of 31 December is the Company's function currency. Since 2015 of 1 January Lithuanian national currency is the Euro. The Litas is replaced by the Euro exchange rate of 3,4528 = 1 Euro. Since 2015 of 1 January the Euro has become the Company's functional currency.

The financial statements are prepared on the historical basis.

Financial year of the Company and other entities of the Group coincides with calendar year.

The preparation of the financial statements in conformity with IFRS as adopted by the European Union requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and factors that are correspond to the present circumstances. On the basis of the assumptions and estimates mentioned, the judgements about carrying values of assets and liabilities that are not readily apparent from other sources are made. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by Management on application of IFRS as adopted by the European Union that have significant effect on the financial statements, and estimates of significant adjustments in the next year are discussed in other Note.

The accounting principles of the Company as set forth below have been consistently applied and coincide with those applied last year.

### **Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) prepared as of 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities.

Acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets and liabilities that meet the recognition conditions under IFRS 3 are recognized at their fair values at the acquisition date. The initial accounting for the subsidiaries assets and liabilities are adjusted within twelve months of the acquisition date if additional data is received that allows a more precise determination of fair value of the subsidiaries' assets and liabilities.

Investments in subsidiaries in the Company's stand alone balance sheet are recognized at cost. The dividend income from the investment is recognized only to the extent that the dividends are received from accumulated profits of the subsidiary arising after the date of acquisition. Distributions received in excess of such profits are regarded as a recovery of investment and are recognized as a reduction of the cost of the investment.

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

The interest of minority shareholders in the acquiree is measured at the minority's proportion of the net fair value of the assets and liabilities recognized.

**EXPLANATORY NOTES  
FOR THE YEAR ENDED 31 DECEMBER 2014**  
(All amounts in LTL thousands unless otherwise stated)

All intercompany transactions, balances, income, expenses and unrealized profits (losses) between Group companies are eliminated on consolidation. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

**The influence of application of new standards, amendments of the standards in force and new explanations on financial statements**

The Company has adopted the following amendments to the standards:

*Amendment to IAS 1 Financial Statement Presentation - Presentation of Items of Other Comprehensive Income.*  
The amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon de-recognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has no impact on the Group's financial position or performance.

*Amendment to IAS 12 Income tax. Deferred tax – Recovery of Underlying Assets.*  
The amendment did not impact the Company's financial statements.

*Amendment to IAS 27 Consolidated and Separate Financial Statements.*  
This standard was amended to contain accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements.  
Effective for annual periods beginning on or after 1 January 2013.  
The amendment did not impact the Company's financial statements.

*Amendment to IAS 28 Investments in Associates and Joint Ventures.*  
This standard was renamed and addresses the application of the equity method to investments in joint ventures in addition to associates.  
Effective for annual periods beginning on or after 1 January 2013.  
The amendment did not impact the Company's financial statements.

*Amendment to IAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities*  
This amendment clarifies the meaning of "currently has a legally enforceable right to set-off" and also clarifies the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems).  
Effective for annual periods beginning on or after 1 January 2014.  
This amendment is not relevant to the Company.

*Amendments to IAS 36 Impairment of Assets*  
The objective of the amendments is to clarify that the scope of the disclosures of information about the recoverable amount of assets, where that amount is based on fair value less costs of disposal, is limited to impaired assets.  
Effective for annual periods beginning on or after 1 January 2014.  
The amendment did not impact the Company's financial statements.

*Amendments to IAS 39 Financial Instruments: Recognition and Measurement entitled Novation of Derivatives and Continuation of Hedge Accounting.*  
The objective of the amendments is to provide relief in situations where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations  
Effective for annual periods beginning on or after 1 January 2014.  
The amendment did not impact the Company's financial statements.

*Amendment to IFRS 7 Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities.*  
The amendment introduces common disclosure requirements. These disclosures would provide users with information that is useful in evaluating the effect or potential effect of netting arrangements on an entity's financial position. The amendments to IFRS 7 are to be retrospectively applied.



**EXPLANATORY NOTES  
FOR THE YEAR ENDED 31 DECEMBER 2014**  
(All amounts in LTL thousands unless otherwise stated)

Effective for annual periods beginning on or after 1 January 2013.

This amendment is not relevant to the Company.

*IFRS 10 Consolidated Financial Statements.*

IFRS 10 establishes a single control model that applies to all entities, including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled and, therefore, are required to be consolidated by a parent. IFRS 10 replaces the part of IAS 27 Consolidated and Separate Financial Statements related to consolidated financial statements and replaces SIC 12 Consolidation — Special Purpose Entities.

Effective for annual periods beginning on or after 1 January 2013.

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

*Amendments to IFRS 10, IFRS 12 and IAS 27 - Investment Entities*

The amendments apply to entities that qualify as investment entities.

Effective for annual periods beginning on or after 1 January 2014.

This interpretation is not relevant to the Company.

*IFRS 11 Joint Arrangements.*

IFRS 11 eliminates proportionate consolidation of jointly controlled entities.

Effective for annual periods beginning on or after 1 January 2013.

This amendment is not relevant to the Company.

*IFRS 12 Disclosures of Interests in Other Entities.*

IFRS 12 combines the disclosure requirements for an entity's interests in subsidiaries, joint arrangements, investments in associates and structured entities into one comprehensive disclosure standard. A number of new disclosures also will be required such as disclosing the judgments made to determine control over another entity.

Effective for annual periods beginning on or after 1 January 2013.

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

*IFRS 13 Fair Value Measurement.*

This standard does not change when an entity is required to use fair value but, rather, provides guidance on how to measure fair value under IFRS when fair value is required or permitted by IFRS.

Effective for annual periods beginning on or after 1 January 2013.

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

**Standards and their interpretations announced by the International Accounting Standards Board but not yet adopted by the EU as well as standards adopted by EU but not yet effective**

*Amendment to IAS 16 Property, plant and equipment*

Provides guidance on how the carrying amount of that asset is adjusted to the revalued amount when an item of property, plant and equipment is revalued. At the date of the revaluation the asset should be treated in one of the indicated ways.

Effective for annual periods beginning on or after 1 July 2014.

The Company considers the impact of this standard on its financial position and operating results.

*Amendment to IAS 19 Employee Benefits*

There are numerous amendments to IAS 19, they range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The Group has not yet evaluated the impact of the implementation of this amendment.

Effective for annual periods beginning on or after 1 July 2014.

The Company considers the impact of this standard on its financial position and operating results.

*Amendment to IAS 24 Related Party Disclosures*

The amendment supplements the terms are used in this standard and the information shall be disclosed.

Effective for annual periods beginning on or after 1 July 2014.

The Company considers the impact of this standard on its financial position and operating results.

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*Amendment to IAS 38 Intangible Assets*

Provides guidance on how the carrying amount of that asset is adjusted to the revalued amount when an item of intangible assets is revalued. At the date of the revaluation the asset should be treated in one of the indicated ways.

Effective for annual periods beginning on or after 1 July 2014.

The Company considers the impact of this standard on its financial position and operating results.

*Amendment to IAS 40 Investment Property*

Amendment determines additional classification of property as investment property and determines whether the acquisition of investment property is the acquisition of an asset or a group of assets or a business combination.

Effective for annual periods beginning on or after 1 July 2014.

The Company considers the impact of this standard on its financial position and operating results.

*Amendment to IFRS 2 Share-based Payment*

Provides guidance on how entity shall account a grant of equity instruments upon satisfying specified vesting conditions.

Effective for annual periods beginning on or after 1 January 2015. Earlier adoption is permitted.

The Company considers the impact of this standard on its financial position and operating results.

*Amendment to IFRS 3 Business Combinations*

Provides guidance on how the acquirer shall classify an obligation to pay contingent consideration and how shall recognise changes in the fair value of contingent consideration.

Effective for annual periods beginning on or after 1 July 2014.

This amendment is not relevant to the Company. In financial year.

*IFRS 9 Financial Instruments – Classification and Measurement*

The IASB has issued the first two parts of the standard, establishing a new classification and measurement framework for financial assets and requirements on the accounting for financial liabilities.

Effective for annual periods beginning on or after 1 January 2015. Earlier adoption is permitted.

The Company considers the impact of this standard on its financial position and operating results.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

#### Property, plant and equipment

*Recognition and measurement*

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

The cost of Company's assets consists of the expenses directly related to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour costs and other expenses incurred to produce these assets before setting them into use and expenses of disassembling, transportation and production site cleaning.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

*Subsequent costs*

The Company recognises in the carrying amount of an item of property, plant and equipment the cost of replacing a part of such item or major overhaul when that cost is incurred if it is probable that future economic benefits embodied with the item will flow to the Company and the cost of an item can be measured reliably. All other costs are recognised in the statement of comprehensive income as incurred.

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***Depreciation***

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment.

The estimated useful lives are as follows:

- Buildings and structures            20–40    years
- Plant and machinery                5            years
- Vehicles                                4–10    years
- Other assets                            4–10    years

Depreciation methods, residual values and useful lives are reassessed on each day of presenting financial statements. The Group capitalizes property, plant and equipment purchases with useful life over one year and an acquisition cost above LTL 500. Until 1 September 2012 the minimum acquisition cost was LTL 3.000.

Construction-in-progress represents property, plant and equipment under construction. Such assets are carried at acquisition cost, less any recognized impairment losses. Cost includes design, construction works, plant and equipment being mounted and other directly attributable costs.

**Investment property**

Investment property of the Group and the Company consist of investments in land and buildings that are held to earn rentals, rather than for own use in the ordinary course of business. Investment property is stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is computed on a straight-line basis over the estimated useful life of 20 - 40 years.

Transfers to or from investment property are made when and only when there is an evidence of a change in use.

**Non-current intangible assets**

Intangible assets that have limited useful life and that include computer software and other licences and trademarks acquired by the Company are stated at cost less accumulated amortisation and impairment.

Amortisation is charged to the income statement on a straight-line basis over the entire service life. The amortisation rates of intangible assets can be specified as follows:

- Software and licences                3 years

Subsequent expenses of intangible assets are capitalised only when they increase the future economic benefits from this particular asset, which relates to the expenses. All other expenses are written off when incurred.

**Leased assets**

Leases, in terms of which the Company assumes substantially all the risks and rewards of ownership, are classified as financial leases. Assets acquired by way of financial lease are stated at an amount equal to the lower of fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses. All other lease is treated as operational lease.

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

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**Inventories**

Inventories, including work in progress, are valued at the lower of cost or net realisable value. Net realisable value is the selling price, less the estimated cost of completion, marketing and distribution.

The costs of inventories is determines based on FIFO principle.

In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity distributed according to norms calculated considering the use of production capacities.

Auxiliary materials and supplies are expensed at the time they are taken into use or booked to the cost of finished goods if used in production.

**Governmental grants**

Grants are accounted following the principle of accumulation, i.e. received grants or parts thereof are recognised as used in the periods, within which grant-related costs are incurred.

**Grants are related to assets**

Grants that are related to assets encompass grants received in the form of non-current assets or allotted for acquisition of non-current assets. Grants are accounted at the fair value of the assets received and later recognised as income, reducing asset depreciation costs within the respective useful service life of the assets.

**Impairment**

The carrying amounts of the Company's assets other than inventories and deferred income tax asset are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For the assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date.

Financial asset is impaired if there are if there is objective evidence that certain event or events could have an adverse impact on asset-related cash flows in the future. Individually significant financial assets must be tested for impairment on an individual basis. The remaining financial assets are grouped according to their credit risk and the impairment for those groups is measured on a portfolio basis. An asset that is deemed impaired on an individual basis and its impairment loss is continually recognised cannot be included in any group of assets that is tested for impairment on a portfolio basis.

An impairment loss is recognised wherever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Cash generating unit is the smallest cash generating asset group generating cash flows independent form other assets or asset groups. Impairment losses are recognised in the statement of comprehensive income.

***Calculation of recoverable amount***

The recoverable amount of non-financial assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The recoverable amount of the Company's receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e., the effective interest rate computed at the initial recognition of these financial assets). Receivables with short duration are not discounted.

***Reversals of impairment***

An impairment loss in respect of receivables carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

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In case of certain changes in events or circumstances, on the basis of which the recoverable value of non-financial assets was calculated, indicating that carrying value on non-financial assets can be recoverable, impairment loss is reversed. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

**Dividends**

Dividends are recognised as a liability in the period in which they are declared.

**Employee allowances**

The Company and the Group have no determined allowances and inducement plans or payment schemes concerning its shares. Liabilities against retired former employees of the Company and the Group are fulfilled by the State.

**Provisions**

Provisions are recognised in the statement of financial position when it is probable that an outflow of economic benefits will be required to settle the obligation arising from a past event or fulfilment of irrevocable undertakings.

**Foreign currency**

*Translation of amounts in foreign currencies into the national currency*

Transactions in foreign currencies are translated into Litas at foreign exchange rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Litas at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the statement of comprehensive income.

As on the 31<sup>th</sup> of December 2014 the applicable rates used for principal currencies were as follows:

year 2014		year 2013	
1 EUR	= 3,4528 LTL	1 EUR	= 3,4528 LTL
1 LVL	= - LTL	1 LVL	= 4,9184 LTL
1 USD	= 2,8387 LTL	1 USD	= 2,5098 LTL

**Non-derivative financial instruments**

Non-derivative financial instruments include trade and other receivables, cash and cash equivalents, loans and borrowings and trade and other payables.

Cash and cash equivalents include cash balances and demand deposits.

Non-derivative financial instruments are initially recognised at fair value plus (except for the instruments recognised in the income statement at fair value) any direct attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

Financial instruments are recognized on the day of transaction. The Company no longer recognises the financial assets when the contractual rights to the cash flows from this asset has expired or when the right to receive the agreed cash flows from this financial asset has been transferred during the transaction, i.e. all risk and benefits from the ownership of the financial assets has been transferred. Financial liability is no longer recognised when it has been covered, revoked or expired.

Receivables are non-derivative financial assets and are not quoted in an active market. They are included into current assets except for maturities greater than 12 months. Loans issued and receivables are initially recognised

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at fair value. Subsequently, loans and receivables are measured at amortised cost using the effective interest method, less impairment, if any. Current receivables are not discounted.

Loans, borrowings and other financial liabilities are stated at amortised cost on an effective interest method basis. Current liabilities are not discounted.

### **Financial derivatives**

The Company and the Group did not use or have derivative financial instruments within the period ended on the 31<sup>th</sup> of December 2014.

### **Contingencies**

Contingent liabilities are not recognized in the financial statements, except for contingent liabilities in business combinations. Contingent liabilities are disclosed in the explanatory notes of financial statements unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognized in the financial statements but disclosed in the explanatory notes of financial statements when an inflow or economic benefits is probable.

### **Revenue**

#### **Sales of goods**

Revenue from the sale of goods is recognised in the statement of comprehensive income when significant risk and ownership is transferred to the buyer, when it is probable that economic benefits associated with the transaction will flow to the Company and the amount of the revenue can be measured reliably. Sales are recognised net of VAT, excise tax and price discounts directly related to the sales.

#### **Services rendered, assets disposed**

Revenue from the services rendered is recognised in the statement of comprehensive income as the services are rendered, considering the extent of completion of the services. The revenue recognised is net of discounts provided.

Revenue from lease is recognised in the statement of comprehensive income on a straight-line basis over the term of lease.

Revenue from disposal of assets is recognised in the statement of comprehensive income when the significant risks and rewards of ownership have been transferred to the buyer.

No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due or associated costs, or return of assets disposed is possible or when the significant risks and rewards of ownership cannot be regarded as transferred to the buyer.

### **Expenses**

Expenses are recognized on an accrual basis when incurred.

#### *Operating lease payments*

Payments made under operating lease are recognised in the statement of comprehensive income on a straight-line basis over the term of lease.

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#### *Financial lease payments*

Minimum lease payments are apportioned between the financial charge and the reduction of the outstanding liability applying the effective interest rate method. The financial costs are distributed over the whole period of financial lease, so as to produce a constant periodic interest rate on the remaining balance of the liability.

#### *Net financing expenses*

Net financing expenses consist of interest payable on borrowings calculated using the effective interest rate method, interest receivable on funds invested, foreign exchange gains and losses.

Interest income is recognised in the comprehensive income statement as accrued, using the effective interest method. The interest expense component of financial lease payments is recognised in the statement of comprehensive income, using the effective interest rate method.

#### **Segment reporting**

Segment is a distinguishable component of the Company that is engaged either in providing related products or services, or in providing products or services within a particular economic environment which is subject to risks and rewards that are different from those of other segments. In the presented financial statements a business segment means a constituent part of the Group and the Company participating in production of an individual product or provision of a service or a group of related products or services, the risk and returns whereof are different from other business segments.

#### **Corporate income tax**

Corporate income tax consists of current and deferred tax. Income tax is recognised in the statement of comprehensive income except to the extent it relates to the items recognised directly in equity, in which case it is recognised in equity.

Current corporate income tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of the assets and liabilities for the financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not calculated for temporary differences recorded at the moment of initial recognition of assets or liabilities when such differences affect neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax asset is recognised only to the extent it is likely that the future taxable profits will be available against which the assets can be utilised. Deferred tax asset is revised on each date of provision of financial statements and is reduced to the extent it is no longer probable that the related tax benefit will be realised.

Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company and the Group intends to settle its current tax assets and liabilities on a net basis.

#### **Basic and diluted earnings (loss) per share**

The Company presents data of basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to the ordinary shareholders of the Company by weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to the ordinary shareholders and the weighted average number of ordinary shares

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outstanding for the effects off all dilutive potential ordinary shares. During reporting periods there were no any dilutive potential ordinary shares issued by the Company.

### **Subsequent events**

The events which occurred after the reporting period and provide additional information about the Group's and the Company's position at the balance sheet date (adjusting events) are reflected in the financial statements. The post balance sheet events which are not adjusting events are disclosed in the explanatory notes when are material.

## **4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

Estimates and assumptions are continually reviewed and are based on historical experience and other factors, representing current situation and reasonable expected future events. Management of the Company, considering forecasts and budget, borrowing need, fulfilment of obligations, products and markets, financial risk management, having performed operation continuity assessment, considers that there are no obscurities in the assessment of continuity of the Company's activities or doubts concerning its further operation.

The Company makes estimates and assumptions concerning future events. Resulting accounting estimates will, by definition, seldom equal the related actual results. In preparing the financial statements of the Group and of the Company, management have to adopt certain decisions, estimates and assumptions, which influence the disclosures of income, costs, assets and liabilities as well as uncertainties as of the date of the financial statements. However, uncertainty of such estimates and assumptions can have an impact upon results, which may require significant corrections of book values of assets or liabilities in the future.

The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of the assets and liabilities within the next financial year are discussed below.

### **Impairment losses on receivables**

The Company reviews its receivables to assess impairment constantly. In determining whether impairment loss should be recorded in the statement of comprehensive income, the Company makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of receivables before the decrease can be identified with an individual receivable in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of debtors, or national or local economic conditions that correlate with the group of receivables.

Amount receivable impairment losses recognised to be paid after the delay of 120 days or more. Management estimates future cash flows from the debtors based on historical loss experience of debtors with similar credit risk. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

### **Impairment of non-financial assets**

The Company's management assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. The non-financial assets are tested for impairment when there are indicators that the carrying amounts of value may not be recoverable. When the calculations of value in use are undertaken, the management must estimate the expected future cash flows from the asset or cash generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.



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**Deferred Tax Assets and Liabilities**

Deferred profit tax assets and liabilities are recognised for temporary differences between the carrying amounts of the assets and liabilities for the financial reporting purposes and the amounts used for taxation purposes. Based on the Company's and the Group's management judgements are recognized the significant deferred tax assets amounts that can be recognised based on the expected future taxable profits in periods and sizes, and with regard to the Company's tax planning strategies.

**5. INTANGIBLE AND TANGIBLE NON-CURRENT ASSETS**

Note No 5 – Intangible and tangible non-current assets (In the statement of financial position)

Changes in intangible assets of the Group as of 31 December 2014:

The Group	Licenses and patents	Computer software	Other intangible assets	Total
<b>Acquisition cost</b>				
As of 31 December 2012	109	523	928	1.560
- acquisition	22	105	119	246
- transfers between accounts	(1)	(3)	(29)	(33)
As of 31 December 2013	130	625	1.018	1.773
- acquisition	4	265	405	674
- sold or written-off assets	-	(50)	(42)	(92)
As of 31 December 2014	134	840	1.381	2.355
<b>Accumulated depreciation</b>				
As of 31 December 2012	46	419	687	1.152
- amortization	38	78	159	275
- amortization of transferred and written-off assets	-	(3)	(27)	(30)
As of 31 December 2013	83	495	819	1.397
- amortization	34	120	198	352
- amortization of transferred and written-off assets	-	(50)	(5)	(55)
As of 31 December 2014	117	565	1.012	1.694
<b>Net book value:</b>				
As of 31 December 2013	47	130	199	376
As of 31 December 2014	17	275	369	661

Changes in intangible assets of the Company as of 31 December 2014:

The Company	Licences and patents	Computer soft war e	Other intan gible assets	Total
<b>Acquisition cost</b>				
As of 31 December 2012	109	421	928	1.458

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-acquisition	22	105	119	246
-sold or written-off assets	(1)	-	(28)	(29)
-transfers between accounts	-	-	-	-
<b>As of 31 December 2013</b>	<b>130</b>	<b>526</b>	<b>1.017</b>	<b>1.673</b>
-acquisition	4	263	405	672
-sold or written-off assets	-	-	(42)	(42)
<b>As of 31 December 2014</b>	<b>134</b>	<b>789</b>	<b>1.380</b>	<b>2.304</b>
<b>Accumulated depreciation</b>				
<b>As of 31 December 2012</b>	<b>46</b>	<b>342</b>	<b>687</b>	<b>1.075</b>
-amortization	38	61	158	257
-amortization of transferred and written-off assets	-	-	(27)	(27)
<b>As of 31 December 2013</b>	<b>84</b>	<b>404</b>	<b>818</b>	<b>1.305</b>
-amortization	34	112	198	344
-amortization of transferred and written-off assets	-	-	(5)	(5)
<b>As of 31 December 2014</b>	<b>118</b>	<b>516</b>	<b>1.011</b>	<b>1.645</b>
<b>Net book value:</b>				
<b>As of 31 December 2013</b>	<b>47</b>	<b>122</b>	<b>199</b>	<b>368</b>
<b>As of 31 December 2014</b>	<b>17</b>	<b>273</b>	<b>369</b>	<b>659</b>

In 2014 amortization of non-current intangible assets of the Group and the Company amounts to LTL 352 thousand and LTL 344 thousand respectively (In 2013 – LTL 275 thousand and LTL 257 thousand).

Investments in the purchase of non-current intangible assets made by the Group and the Company in 2014 amount to LTL 674 thousand and LTL 672 thousand respectively (In 2013 - LTL 246 thousand and LTL 246 thousand). As all the assets of the Group and the Company are located in Lithuania, all the investments were made in the Lithuanian geographic segment.

Changes in property, plant and equipment of the Group as of 31 December 2014:

The Group	Land, buildings and constructions	Machinery and equipment	Vehicles	Other property, plant and equipment	Construction in progress and prepayments	Total
<b>Acquisition cost</b>						
<b>As of 31 December 2012</b>	<b>43.364</b>	<b>148.387</b>	<b>37.277</b>	<b>12.893</b>	<b>1.288</b>	<b>243.208</b>
-acquisition	25	1.138	1,111	848	11.483	14.605
-sold or written-off assets	(19)	(1.172)	(1.934)	(387)	-	(3.512)
-recalculation of the accounting policy change	-	-	-	(41)	(52)	(93)
-transfers to investing assets	(727)	-	-	-	-	(727)
-transfers between accounts	-	-	-	-	-	-
-adding value	1	-	158	2	-	161
-reclassification	877	2.318	13	-	(3.208)	-
<b>As of 31 December 2013</b>	<b>43.521</b>	<b>150.671</b>	<b>36.624</b>	<b>13.315</b>	<b>9.510</b>	<b>253.642</b>
-acquisition	4	2.288	3.085	1.190	16.188	22.755
-recalculation of the accounting policy change	-	-	-	-	-	-
-sold or written-off assets	(134)	(318)	(1.302)	(249)	-	(2.003)
-adding value	-	126	-	84	-	210
-reclassification	3.457	10.669	-	35	(14.161)	-
-transfers to investing assets	-	-	-	-	-	-
-transfers between accounts	-	-	-	-	-	-
<b>As of 31 December 2014</b>	<b>46.849</b>	<b>163.437</b>	<b>38.407</b>	<b>14.375</b>	<b>11.537</b>	<b>274.605</b>

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<b>Accumulated depreciation</b>	<b>19.457</b>	<b>120.743</b>	<b>27.514</b>	<b>10.793</b>	-	<b>178.507</b>
<b>As of 31 December 2012</b>						
-depreciation	2.040	9.398	2.188	1.033	-	14.658
-depreciation of written-off and sold assets	(18)	(1.119)	(1.245)	(363)	-	(2.745)
-recalculation of the accounting policy change	14	9	-	-	-	23
-transfers to investing assets	-	-	-	-	-	-
<b>As of 31 December 2013</b>	<b>21.493</b>	<b>129.030</b>	<b>28.457</b>	<b>11.463</b>	-	<b>190.443</b>
-depreciation	2.119	6.948	2.284	1.018	-	12.369
-depreciation of written-off and sold assets	(54)	(293)	(864)	(189)	-	(1.400)
-recalculation of the accounting policy change	465	5.417	3.965	14	-	9.861
-reclassification	-	-	-	-	-	-
-transfers to investing assets	-	-	-	-	-	-
-transfers between accounts	-	-	-	-	-	-
<b>As of 31 December 2014</b>	<b>24.024</b>	<b>141.102</b>	<b>33.841</b>	<b>12.306</b>	-	<b>211.273</b>
<b>Accumulated impairment losses</b>	<b>180</b>	<b>18</b>	<b>-</b>	<b>36</b>	<b>7</b>	<b>242</b>
<b>As of 31 December 2012</b>						
-impairment losses	-	-	-	-	-	-
-reversal of impairment	(14)	(9)	-	-	-	(23)
<b>As of 31 December 2013</b>	<b>166</b>	<b>9</b>	<b>-</b>	<b>36</b>	<b>7</b>	<b>219</b>
-impairment losses	-	-	-	-	-	-
-reversal of impairment	(18)	(7)	-	(21)	-	(46)
<b>As of 31 December 2014</b>	<b>149</b>	<b>2</b>	<b>-</b>	<b>15</b>	<b>7</b>	<b>173</b>
<b>Net book value:</b>						
<b>As of 31 December 2013</b>	<b>21.862</b>	<b>21.632</b>	<b>8.168</b>	<b>1.814</b>	<b>9.503</b>	<b>62.979</b>
<b>As of 31 December 2014</b>	<b>22.676</b>	<b>22.333</b>	<b>4.567</b>	<b>2.054</b>	<b>11.530</b>	<b>63.160</b>

Changes in property, plant and equipment of the Company as of 31 December 2014:

The Company	Land, buildings and constructions	Machinery and equipment	Vehicles	Other property, plant and equipment	Construction in progress and prepayments	Total
<b>Acquisition cost</b>						
<b>As of 31 December 2012</b>	<b>27.768</b>	<b>131.152</b>	<b>26.359</b>	<b>11.676</b>	<b>1.277</b>	<b>198.232</b>
-acquisition	25	1.136	1.111	684	9.456	12.414
-recalculation of the accounting policy change	-	-	-	-	-	-
-sold or written-off assets	(2)	(842)	(1.934)	(387)	-	(3.165)
-adding value	1	-	158	2	-	161
-reclassification	862	362	13	-	(1.237)	-
-transfers to accounts investing assets	(857)	-	-	-	-	(857)
<b>As of 31 December 2013</b>	<b>27.797</b>	<b>131.808</b>	<b>25.707</b>	<b>11.975</b>	<b>9.498</b>	<b>206.785</b>
-acquisition	4	2.186	3.085	1.096	14.796	21.167
-recalculation of the accounting policy change	-	-	-	-	-	-
-sold or written-off assets	(80)	(139)	(863)	(185)	-	(1.267)
-adding value	-	126	-	84	-	210
-reclassification	2.399	10.335	-	34	(12.768)	-
-transfers to accounts investing assets	-	-	-	-	-	-
-transfers from investing assets	-	-	-	-	-	-
<b>As of 31 December 2014</b>	<b>30.120</b>	<b>144.316</b>	<b>27.929</b>	<b>13.004</b>	<b>11.525</b>	<b>226.895</b>
<b>Accumulated depreciation</b>						
<b>As of 31 December 2012</b>	<b>10.367</b>	<b>110.636</b>	<b>22.909</b>	<b>9.673</b>	-	<b>153.586</b>

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-depreciation	1.509	8.231	1.601	966	-	12.307
-depreciation of written-off and sold assets	(1)	(789)	(1.245)	(321)	-	(2.356)
-recalculation of the accounting	-	-	-	-	-	-
-transfers to investing assets	(14)	-	-	-	-	(14)
-reclassification	-	-	-	-	-	-
<b>As of 31 December 2013</b>	<b>11.862</b>	<b>118.078</b>	<b>23.265</b>	<b>10.317</b>	<b>-</b>	<b>163.522</b>
-depreciation	1.608	5.763	1.375	951	-	9.697
-depreciation of written-off and sold assets	(21)	(114)	(425)	(126)	-	(686)
-recalculation of the accounting policy change	-	-	-	-	-	-
-reclassification	-	-	-	-	-	-
-transfers to investing assets	-	-	-	-	-	-
-transfers from investing assets	-	-	-	-	-	-
<b>As of 31 December 2014</b>	<b>13.449</b>	<b>123.727</b>	<b>24.215</b>	<b>11.141</b>	<b>-</b>	<b>172.533</b>
<b>Accumulated depreciation</b>						
<b>As of 31 December 2012</b>	<b>6</b>	<b>9</b>	<b>-</b>	<b>36</b>	<b>-</b>	<b>51</b>
- impairment losses	-	-	-	-	-	-
- reversal of impairment	-	-	-	-	-	-
<b>As of 31 December 2013</b>	<b>6</b>	<b>9</b>	<b>-</b>	<b>36</b>	<b>-</b>	<b>51</b>
- impairment losses	-	-	-	-	-	-
- reversal of impairment	(4)	(7)	-	(21)	-	(32)
<b>As of 31 December 2014</b>	<b>2</b>	<b>2</b>	<b>-</b>	<b>15</b>	<b>-</b>	<b>19</b>
<b>Net book value</b>						
<b>As of 31 December 2013</b>	<b>15.930</b>	<b>13.721</b>	<b>2.442</b>	<b>1.622</b>	<b>9.498</b>	<b>43.213</b>
<b>As of 31 December 2014</b>	<b>16.669</b>	<b>20.587</b>	<b>3.714</b>	<b>1.848</b>	<b>11.525</b>	<b>54.344</b>

For the year ending at 31 December 2014 the depreciation costs of the Group's and the Company's property, plant and equipment amounts to LTL 12.369 thousand and LTL 9.697 thousand respectively (31 December 2013 – LTL 14.658 thousand and LTL 12.307 thousand ).

In order to unify the parent company AB “Žemaitijos pienas” and subsidiaries ABF “Šilutės Rambynas” applicable depreciation rates decision was taken to account in the financial statements on 31 December 2014. Condition resulting from depreciation of fixed assets and amortization of support received related differences with different depreciation norms application ABF “Šilutės Rambynas” for income tax and financial accounting. For this reason, the Group's fixed assets accumulated depreciation amount was increased by 9.861 thousand LTL on 31 December 2014.

On 31 December 2014, Company's fixed tangible assets, which residual value equalled LTL 1.817 thousand LTL (on 31 December 2013 it equalled LTL 8.611 thousand LTL), were pledged to the banks for the Company's received loans. On 31 December 2012 the subsidiary company ABF “Šilutės Rambynas” also had pledged fixed tangible assets for the Company's received loans, which residual value equalled LTL 37.4 thousand) (see Note 14) On 31 December 2013,2014 this Company hadn't pledged fixed tangible assets.

A part of the Group's and the Company's fixed tangible assets, which acquisition value on 31 December 2014 equalled LTL 153.565 thousand and LTL 130.954 thousand respectively, was completely depreciated (31 December 2013 respectively – LTL 129.994 thousand and LTL 122.254 thousand), however still used in the business.

Investments in the the acquiring of non-current tangible and intangible assets made by the Group and the Company in 2014 amounted to LTL 23.672 thousand and LTL 22.082 thousand (in 2013 - LTL 14.979 thousand and LTL 12.821 thousand LTL). All the acquisitions above relate to the geographic segment of Lithuania.

## 6. INVESTMENT PROPERTY

Note No 6 – Investment assets (In the statement of financial position)

Changes in the investment assets as of 31 December 2014:

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	<u>The Group</u>	<u>The Company</u>
<b>Acquisition cost</b>		
<b>As of 31 December 2012</b>	<b>323</b>	<b>9.714</b>
- acquisition	-	-
- transfers from long-term assets	727	857
<b>As of 31 December 2013</b>	<b>1.050</b>	<b>10.571</b>
- acquisition	-	-
- written -off assets	(311)	(311)
- transfers from long-term assets	-	-
<b>As of 31 December 2014</b>	<b>739</b>	<b>10.260</b>
<b>Accumulated depreciation</b>		
<b>As of 31 December 2012</b>	<b>64</b>	<b>5.521</b>
- depreciation	67	281
- transfers from long-term assets	-	14
<b>As of 31 December 2013</b>	<b>131</b>	<b>5.816</b>
- depreciation	98	290
- written -off assets	(90)	(90)
- transfers from long-term assets	-	-
<b>As of 31 December 2014</b>	<b>139</b>	<b>6.016</b>
<b>Net book value, LTL thousand:</b>		
<b>As of 31 December 2013</b>	<b>919</b>	<b>4.755</b>
<b>As of 31 December 2014</b>	<b>600</b>	<b>4.244</b>

The fair value of investment assets approximates its book value.

The Company's depreciation of the investment assets for the year 2014 amounted to LTL 290 thousand (2013 – LTL 281 thousand).

The Company's investment assets in 2014 and 2013 represents rented assets to ABF Šilutės Rambynas and UAB Čia Market.

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

## 7. LOANS GRANTED

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

Loans granted as of 31 December 2014:

	<u>The Group</u>		<u>The Company</u>	
	<u>31 12 2014</u>	<u>31 12 2013</u>	<u>31 12 2014</u>	<u>31 12 2013</u>
Loans granted	18.663	9.107	18.663	10.945
Less: current portion of loans granted	(2.415)	(3.572)	(2.415)	(5.410)
<b>Non- current loans granted</b>	<b>16.248</b>	<b>5.535</b>	<b>16.248</b>	<b>5.535</b>

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

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## 8. INVENTORIES

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

Inventories as of 31 December 2014:

	The Group		The Company	
	31 12 2014	31 12 2013	31 12 2014	31 12 2013
Raw materials	11.975	11.770	10.132	9.567
Finished goods and work in process	84.043	114.632	77.824	103.329
Goods for resale	660	652	660	652
	<b>96.679</b>	<b>127.054</b>	<b>88.616</b>	<b>113.548</b>
Less: write off to net realizable value	(10.552)	(14.334)	(9.834)	(13.718)
<b>Total:</b>	<b>86.127</b>	<b>112.720</b>	<b>78.782</b>	<b>99.830</b>

## 9. TRADE ACCOUNTS RECEIVABLE

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

Trade accounts receivable as of 31 December 2014 (LTL thousand):

	The Group		The Company	
	31 12 2014	31 12 2013	31 12 2014	31 12 2013
Trade accounts receivable	31.716	28.069	30.280	26.462
Accounts receivable from related parties	6.315	2.023	6.283	6.426
	<b>38.031</b>	<b>30.092</b>	<b>36.563</b>	<b>32.888</b>
Mi Impairment allowance for bad debts	(448)	(326)	(448)	(326)
Impairment allowance for bad debts of related parties	(1.869)	(867)	(1.869)	(867)
<b>Net trade receivables:</b>	<b>35.714</b>	<b>28.899</b>	<b>34.246</b>	<b>31.695</b>

Changes in impairment loss for bad debts for 2014 are included into operating expenses in the statement of comprehensive income.

Changes in the allowance for impairment of trade accounts receivable:

	The Group		The Company	
	31 12 2014	31 12 2013	31 12 2014	31 12 2013
Balance at beginning of year	1.193	869	1.193	869
Impairment allowance for bad debts	1.124	324	1.124	324
<b>Balance at end of year</b>	<b>2.317</b>	<b>1.193</b>	<b>2.317</b>	<b>1.193</b>

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Amount receivable impairment losses recognised after the delay of 90-120 days or more.

Analysis of trade receivables based on the terms of payment on the 31<sup>st</sup> December, 2014

<u>Trade accounts receivables which period has passed</u>					
<b>The Group</b>					
LTL thousand	Trade accounts receivables, which period has not passed	Less than 60 days	60-120 days	More than 120 days	Total
Trade account receivables	31.926	3.495	1.460	1.150	38.031
Reduction of value	-	-	(1.167)	(1,150)	(2.317)

<u>Trade accounts receivables which period has passed</u>					
<b>The Company</b>					
LTL thousand	Trade accounts receivables, which period has not passed	Less than 60 days	60-120 days	More than 120 days	Total
Trade account receivables	30.480	3.473	1.460	1.150	36.563
Reduction of value	-	-	(1.167)	(1.150)	(2.317)

## 10. OTHER ACCOUNTS RECEIVABLE

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

Other accounts receivables as of 31 December 2014 (LTL thousand):

	<u>The Group</u>		<u>The Company</u>	
	<u>31 12 2014</u>	<u>31 12 2013</u>	<u>31 12 2014</u>	<u>31 12 2013</u>
Grants receivable	492	216	-	-
Current portion of long-term loans granted	2.415	3.572	2.415	5.410
VAT receivable	1.195	1.421	1.195	844
Other receivables	95	81	87	69
<b>Total:</b>	<u>4.197</u>	<u>5.290</u>	<u>3.697</u>	<u>6.323</u>

## 11. CASH AND CASH EQUIVALENTS

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

Cash and cash equivalents as of 31 December 2014 (LTL thousand):

	<u>The Group</u>		<u>The Company</u>	
	<u>31 12 2014</u>	<u>31 12 2013</u>	<u>31 12 2014</u>	<u>31 12 2013</u>
Cash at bank	23.849	6.712	21.107	4.914
Cash on hand	384	246	384	239
<b>Total:</b>	<u>24.233</u>	<u>6.958</u>	<u>21.491</u>	<u>5.153</u>

## 12. CAPITAL AND RESERVES

### Share capital

The share capital is made of 48.375.000 ordinary shares with the nominal value of LTL 1 each, and the total share capital is LTL 48.375.000, fully paid. During the extraordinary shareholder's meeting on 8 February 2008, the decision was made to change the par value of the Company's shares from LTL 10 per share to LTL 1 per share and to replace each share held by shareholders by 10 shares accordingly.

The holders of the ordinary shares are entitled to one vote per fully paid share in the shareholders' meeting and are entitled to dividends as they are declared and to capital repayment in case of reduction of capital as well as other interest and non-interest as per the Company Law of the Republic of Lithuania as well as other statutes and legal acts.

On 31 December 2012 the Company acquired 1.360.010 of own shares, which constitutes 2.81% of the total shares. During year ended as of 31 December 2013 the Company acquired additionally 710.611 of own shares and in total on 31 December 2013, 2014 Company owned 4.28% of shares in total. On 31 December 2013, 2014 the Company had its own shares were purchased for 4.869 thousand LTL. The reason and purpose of the acquisition of own shares are to maintain and increase the price of shares in the market.

### Legal reserve

Legal reserve is compulsory reserve under Lithuanian legislation. Annual contributions of at least 5% of the retained earnings available for distribution are required until legal reserve and the share premium reach 10% of the authorised capital. This reserve cannot be distributed. It can be used only for covering accumulated losses. Legal reserve of the Company was fully formed.

### Other reserves

Other reserves are formed on basis of a decision of the General Shareholders' Meeting on appropriation of distributable profit. These reserves can be used only for the purposes approved by the General Shareholders' Meeting. According to the Law of Stock Companies, the reserves formed by the Company other than the legal reserve if not used or not planned to use should be restored to retained earnings and redistributed.

The reserve of LTL 15 million for the purchase of own shares was formed through the allocation of profits of year 2009 and 2010. During the meeting of the shareholders on 26 April 2013 was approved the reserve for the bonuses in the amount of LTL 764 thousand.

## 13. GOVERNMENTAL GRANTS RECEIVED

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

Changes in the grants received by the Group and the Company ( LTL thousand):

	<u>The Group</u>	<u>The Company</u>
Grants received		
As of 31 December 2012 (balance)	20.453	13.872



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- received	2.403	2.403
<b>As of 31 December 2013 (balance)</b>	<b>22.856</b>	<b>16.275</b>
- received	4.076	3.386
<b>As of 31 December 2014 (balance)</b>	<b>26.932</b>	<b>19.661</b>
<b>Accumulated amortisation</b>		
<b>As of 31 December 2012 (balance)</b>	<b>16.064</b>	<b>12.127</b>
- amortization	864	515
<b>As of 31 December 2013 (balance)</b>	<b>16.928</b>	<b>12.642</b>
- amortization	2.638	853
<b>As of 31 December 2014 (balance)</b>	<b>19.566</b>	<b>13.495</b>
<b>Net book value</b>		
<b>As of 31 December 2013</b>	<b>5.929</b>	<b>3.632</b>
<b>As of 31 December 2014</b>	<b>7.366</b>	<b>6.165</b>

The amounts of the grant received are amortized in equal parts within the respective useful service life of the asset acquired from these funds. Grant amortisation is included in the statement of comprehensive income, the paragraphs on sales cost, and reduces depreciation costs of non-current assets.

In March 2010 the grant of LTL 684 thousand was received for the implementation of a project "Increasing the Competitiveness of AB "Žemaitijos Pienas" by Introducing Innovative Production Processes" under the 2007-2013 Lithuanian Rural Development Programme measure "Processing of Agricultural Products and Increasing of Added Value".

AB "Žemaitijos Pienas" consistently seeks to improve the quality of its products, ensure compliance with environmental regulations, and remain one of the leaders in the dairy production and sales markets. Therefore, the company makes investments from its own funds and uses assistance of EU Structural Funds. In 2011, the Company completed the second stage of the project "Increasing the Competitiveness of AB "Žemaitijos Pienas" by Introducing Innovative Production Processes" under the 2007-2013 Lithuanian Rural Development Programme measure "Processing of Agricultural Products and Increasing the Value Added". The investments totalled about LTL 10.2 million and resulted in the replacement of equipment, improvement of product quality, and increase in energy efficiency. After the completion of this stage of the project, depreciated equipment was replaced by the modern one, the quality of the produced food products has increased, and energy resources have been used efficiently. In 2011, 20% of the compensated amount (LTL 547 thousands) was received for the first completed stage of this project. In 2012, 20% of the compensated amount (LTL 1.483 thousand) was transferred to the Company for the completed 2<sup>nd</sup> stage of this project.

In the year of 2013 AB „Žemaitijos pienas“ signed a financing agreement with Lithuanian business support agency regarding the EU aid for the construction of 10 MW wood fuel steam boiler in Telsiai. The purpose of the steam boiler for the company is a possibly more effective and modern heating, using relatively cheaper fuel than fossilized, i.e. wood. For the implementation of the project, it is designated about LTL 11.6 million. The level of the support reaches 50 % of the designated funds. In 2013 the company received LTL 2.403 thousand of the compensated funds by the aid. In 2014 the Company completed for bio fuel boiler funding – focus even LTL 3.247 thousand of support. Also in 2014 the Company of Lithuanian Environmental Investment Fund got into the first part of the subsidy – LTL 139 thousand (20.5% subsid. part) for the execution of the project: "Acid whey processing line to line installation, reducing the amount of waste."

On 31 December 2014, the residual value of all of the Company's received grants constituted LTL 6.165 thousand (on 31 December 2013 it constituted LTL 3.632 thousand).

On 5 July 2005, ABF "Šilutės Rambynas" has signed a financing agreement with the Lithuanian Environmental Investment Fund on a support of LTL 300 thousand. The support was intended for ABF "Šilutės Rambynas" boiler house reconstruction, during which the fuel used in the boiler house was to be replaced from fuel oil to liquefied gas. The amount of the support cannot exceed 70% of the total value of the reconstruction project.

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Boiler house reconstruction was completed in December 2005; therefore grant amount has started to being amortized since 1 January 2006 over the 8 year period. On 24 January, 2006 ABF "Šilutės Rambynas" has signed a financing agreement with the National Paying Agency under the Ministry of Agriculture on a support of LTL 3.395 thousand. The support was intended for ABF "Šilutės Rambynas" milk processing production modernization by acquiring new vehicles and equipment. ABF "Šilutės Rambynas" has acquired new equipment in June and July 2006, therefore grant amount has started to being amortized since the next month after the acquisition of the equipment over a 5 year period. The grant was paid to ABF "Šilutės Rambynas" on 31 January 2007.

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

On 28 May 2013 the company signed a maintenance contract with Lithuanian Environmental Investment Fund (LEIF) for LTL 690 thousand award acquisition device concentration of whey RO + ROP. In 2014 it was transferred to the company for 60 percent support – LTL 414 thousand. The rest will be paid before 30 April 2015.

On 31 December 2014, the total residue of ABF "Šilutės Rambynas" grants was LTL 1.201 thousand (on 31 December 2013 it was LTL 2.296 thousand).

## 14. BORROWINGS

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

The Group's borrowing as of 31 December 2014:

The Group	Contract date	Maturity date	Currency	Balance (LTL thousand)	
				31 12 2014	31 12 2013
AB DnB NORD bankas	2004 05	2014 06	EUR	-	-
AB DnB NORD bankas	2006 06	2013 04	EUR	-	-
AB SEB bankas	2011 09	2013 09	EUR	-	-
AB SEB bankas	2011 11	2014 11	LTL	-	-
Algirdas Pažemeckas	2011 10	2014 12	LTL	-	1.568
<b>Total:</b>				-	<b>1568</b>
Less: short-term borrowings				-	-
Less: current portion of long-term borrowing				-	(1.568)
<b>Total long-term borrowings</b>				<b>-</b>	<b>-</b>



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The Company's borrowing as of 31 December 2014:

The Company	Contract date	Maturity date	Currency	Balance (LTL thousand)	
				31 12 2014	31 12 2013
AB DnB NORD bankas	2004 05	2014 06	EUR	-	-
AB DnB NORD bankas	2006 06	2013 04	EUR	-	-
AB SEB bankas	2011 09	2013 09	EUR	-	-
AB SEB bankas	2011 11	2014 11	LTL	-	-
Algirdas Pažemeckas	2011 10	2014 12	LTL	-	1.568
<b>Total:</b>				-	<b>1.568</b>
Less: short-term borrowings				-	-
Less: current portion of long-term borrowing				-	(1.568)
<b>Total long-term borrowings</b>				-	-

Terms of repayment of borrowings to the Group and the Company (LTL thousand):

	The Group		The Company	
	31 12 2014	31 12 2013	31 12 2014	31 12 2013
Within one year	-	1.568	-	1.568
In the second year	-	-	-	-
In the third year	-	-	-	-
In the fourth and thereafter	-	-	-	-
<b>Total:</b>	-	<b>1.568</b>	-	<b>1.568</b>

Parts of borrowings of the Group and the Company in national and foreign currencies:

	The Group		The Company	
	31 12 2014	31 12 2013	31 12 2014	31 12 2013
EUR	-	-	-	-
LTL	-	1.568	-	1.568
<b>Total:</b>	-	<b>1.568</b>	-	<b>1.568</b>

**15. OBLIGATIONS UNDER FINANCE LEASE**

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

The Group's and the Company's obligations under finance lease (LTL thousand):

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The Group	31 12 2014		31 12 2013	
	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
Within one year	263	260	433	426
In the second to fifth years inclusive	110	109	374	370
<b>Minimum lease payments</b>	<b>373</b>	<b>369</b>	<b>807</b>	<b>796</b>
Less: future interest	(4)		(11)	
<b>Present value of minimum lease payments</b>	<b>369</b>		<b>796</b>	

Company	31 12 2014		31 12 2013	
	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
Within one year	263	260	433	426
In the second to fifth years inclusive	110	109	374	370
<b>Present value of minimum lease payments</b>	<b>373</b>	<b>369</b>	<b>807</b>	<b>796</b>
Less: future interest	(4)		(11)	
<b>Present value of minimum lease payments</b>	<b>369</b>		<b>796</b>	

As of 31 December 2014 and 2013, the Group's and the Company's finance lease agreements were in EUR.

## 16. OPERATING LEASE

Note No 16 – Operating lease (In the statement of financial position)

Future operating lease payments according to the signed operating lease contracts are as follows (LTL thousand):

	The Group		The Company	
	31 12 2014	31 12 2013	31 12 2014	31 12 2013
Within one year	3.264	3.751	3.264	3.751
In the second to fifth years	3.303	3.792	3.303	3.792
After five years	-	-	-	-
<b>Total:</b>	<b>6.567</b>	<b>7.543</b>	<b>6.567</b>	<b>7.543</b>

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

### 17. PAYABLES

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

	The Group		The Company	
	31 12 2014	31 12 2013	31 12 2014	31 12 2013
Payables to suppliers	37.446	29.444	36.237	28.186
Payables to related parties	1.737	1.789	5.995	1.211
Prepayments	697	329	697	329
<b>Total:</b>	<b>39.880</b>	<b>31.562</b>	<b>42.929</b>	<b>29.726</b>

Trade payables are non-interest bearing and are normally settled on 30-day terms.

### 18. OTHER LIABILITIES

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

Other liabilities as of 31 December 2014 (LTL thousand):

	The Group		The Company	
	31 12 2014	31 12 2013	31 12 2014	31 12 2013
Accrued expenses	1.902	484	1.902	484
Holiday reserve	8.116	7.986	7.405	7.386
Wages and salaries payable	-	2.230	-	1.951
Social security payable	(8)	1.544	(8)	1.372
Taxes payable, other than income tax	49	490	-	419
Provisions	-	1.077	-	27
Other current liabilities	1.371	1.431	1.370	1.431
<b>Total:</b>	<b>11.430</b>	<b>15.242</b>	<b>10.669</b>	<b>13.070</b>

Provisions are formed for court cases and compensation.

Other payables are non-interest bearing and have an average term of one month.

### 19. INFORMATION ON SEGMENTS

Note No 19 – Sales (In the statement of comprehensive income)

For management purposes the Group's and the Company's business activity is organized as one main segment – dairy products production and trading (prime segment):

The Group	Turnover, LTL thousand		Variation in % As comparing 2014 with 2013
	Jan-Dec 2014	Jan-Dec 2013	
Fermented cheese	257.936	245.096	5,24%
Fresh dairy products	169.464	147.972	14,52%

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Butter and spreadable fat mixes	32.498	42.798	-24,07%
Dry dairy products	35.423	37.078	-4,46%
Ice cream	2.260	72	3.038,89%
Other	58.885	56.169	4,84%
<b>Total:</b>	<b>556.466</b>	<b>529.185</b>	<b>5,16%</b>

The Company	Turnover, LTL thousand		Variation in % As comparing 2014 with 2013
	Jan-Dec 2014	Jan-Dec 2013	
Fermented cheese	219.281	227.196	-3.48%
Fresh dairy products	169.464	147.972	14.52%
Butter and spreadable fat mixes	32.498	42.798	-24.07%
Dry dairy products	35.423	37.078	-4.46%
Ice cream	2.260	72	3.038.89.%
Other	83.349	67.667	23.18%
<b>Total:</b>	<b>542.275</b>	<b>522.783</b>	<b>3.73%</b>

In order to better planning, organise and control of sales, employees of the Marketing and Sales Division are assigned different geographic regions according to the location of final market of the products' sale (secondary segmentation).

Information on income received in different geographical markets (secondary segment) is provided below:

	The Group		The Company	
	Jan-Dec 2014	Jan-Dec 2013	Jan-Dec 2014	Jan-Dec 2013
<b>Sales, LTL thousand:</b>				
Lithuania	281.499	272.304	301.496	277.550
Other Baltic States and CIS members	113.346	141.132	105.453	134.476
Other Europe countries	137.572	110.919	113.124	107.804
Other	24.049	4.830	22.202	2.953
<b>Total, LTL thousand:</b>	<b>556.466</b>	<b>529.185</b>	<b>542.275</b>	<b>522.783</b>

During the year of 2014 sales income from each customer did not constitute more than 10% of the total income.

## 20. OPERATING EXPENSES

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

As of 31 December operating expenses consisted of the following:

	The Group		The Company	
	Jan-Dec 2014	Jan-Dec 2013	Jan-Dec 2014	Jan-Dec 2013
Wages, salaries and social security*	31.407	30.115	30.661	29.529
Services	15.962	14.112	14.330	13.495

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Marketing	9.832	9.407	9.576	9.407
Fuel and spare parts	5.554	5.674	5.442	5.552
Depreciation and amortisation	12.184	2.921	3.320	2.877
Change in write off of inventories to net realizable value	(3.782)	9.203	(3.884)	8.587
Materials	1.473	1.364	1.437	1.331
Taxes, other than income tax	727	749	647	668
Other expenses	7.749	1.266	7.096	977
<b>Total sales and distribution expenses:</b>	<b>81.106</b>	<b>74.811</b>	<b>68.625</b>	<b>72.423</b>

\* A share of these expenditure is accounted as the production costs.

## 21. INCOME AND EXPENSES OF OTHER ACTIVITIES

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

Income and expenses from other activities as of 31 December 2014 (LTL thousand):

	The Group		The Company	
	Jan-Dec 2014	Jan-Dec 2013	Jan-Dec 2014	Jan-Dec 2013
<i>Other operating income</i>				
Gain on sales of property, plant and equipment and goods for resale sales income	1.068	1.207	1.138	1.633
Rental income	288	593	1.333	1.341
Income of the canteen	1.551	1.188	1.551	1.188
Other	448	714	513	993
	<b>3.355</b>	<b>3.702</b>	<b>4.535</b>	<b>5.155</b>
<i>Other operating expenses</i>				
Cost of goods for resale sold	(612)	(1.162)	(559)	(1.095)
Rental income	(501)	(501)	(341)	(341)
Other	(1.097)	(986)	(1.097)	(986)
	<b>(2.210)</b>	<b>(2.649)</b>	<b>(1.997)</b>	<b>(2.422)</b>
<b>Net income and expenses of other activities:</b>	<b>1.145</b>	<b>1.053</b>	<b>2.538</b>	<b>2.733</b>

## 22. FINANCIAL INCOME AND EXPENSES

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

Income and expenses from financial activities as of 31 December 2014 (LTL thousand):

	The Group		The Company	
	Jan-Dec 2014	Jan-Dec 2013	Jan-Dec 2014	Jan-Dec 2013
<i>Income from financial activity</i>				
Interest income	419	51	420	51
Foreign currency exchange (profit)	133	160	132	160
Other financial incomes	519	467	13	506
	<b>1.071</b>	<b>678</b>	<b>565</b>	<b>717</b>

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<i>Expenses from financial activity</i>				
Foreign currency exchange (loss)	(283)	(296)	(201)	(271)
Interest	(42)	(88)	(42)	(87)
Other financial expenses	(65)	(37)	-	-
	<u>(390)</u>	<u>(421)</u>	<u>(243)</u>	<u>(358)</u>
<b>Net of financial income and expenses:</b>	<u>681</u>	<u>257</u>	<u>322</u>	<u>359</u>

### 23. CORPORATE INCOME TAX EXPENSES (BENEFIT)

Note No 23 – Corporate income tax expenses (In the statement of comprehensive income)

	<u>The Group</u>		<u>The Company</u>	
	<u>Jan-Dec 2014</u>	<u>Jan-Dec 2013</u>	<u>Jan-Dec 2014</u>	<u>Jan-Dec 2013</u>
Profit before tax	11.704	27.130	12.659	22.623
Income tax, applying valid tax rate	5.309	5.134	4.132	4.420
Change in deferred income tax asset	(1.507)	(1.356)	(1.490)	(1.268)
Change in deferred income tax liability	(1.203)	120	-	-
<b>Income tax expenses (benefit) charged to the statement of comprehensive income, LTL thousand</b>	<u>2.599</u>	<u>3.898</u>	<u>2.642</u>	<u>3.152</u>

	<u>The Group</u>		<u>The Company</u>	
	<u>31 12 2014</u>	<u>31 12 2013</u>	<u>31 12 2014</u>	<u>31 12 2013</u>
<b>Deferred income tax asset</b>				
Tax loss carry forward	-	-	-	-
Inventories	1.583	2.150	1.475	2.058
Accrued vacation reserve	1.135	1.130	1.111	1.108
Other accrued expenses	2.293	225	2.270	200
<b>Total deferred income tax asset, LTL thousand</b>	<u>5.011</u>	<u>3.505</u>	<u>4.856</u>	<u>3.366</u>
<b>Deferred income tax liability</b>				
Difference in property, plant and equipment depreciation rates	-	(1.203)	-	-
<b>Total deferred income tax liability, LTL thousand</b>	<u>-</u>	<u>(1.203)</u>	<u>-</u>	<u>-</u>
<b>Deferred income tax asset, net LTL thousand</b>	<u>5.011</u>	<u>2.302</u>	<u>4.856</u>	<u>3.366</u>

### 24. ACQUISITION AND WRITE-OFFS OF SUBSIDIARIES

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



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## 25. EARNINGS PER SHARE

Note No 25 - Basic and diluted earnings (loss) per share

Basic earnings (loss) per share are calculated by dividing the net profit attributable to shareholders by weighted average number of ordinary shares in issue during the year.

	The Group		The Company	
	Jan-Dec 2014	Jan-Dec 2013	Jan-Dec 2014	Jan-Dec 2013
Net profit (loss) attributable to the equity shareholders in LTL thousand	9.216	22.774	10.015	19.471
Weighted average number of shares (in thousand)	48.375	48.375	48.375	48.375
<b>Basic earnings (loss) per share in LTL</b>	<b>0,19</b>	<b>0,47</b>	<b>0,21</b>	<b>0,40</b>

The Company has not issued other securities potentially convertible into shares. Therefore, the diluted earnings (loss) per share are the same as the basic earnings (loss) per share.

## 26. DIVIDENDS PER SHARE

	The Group		The Company	
	Jan-Dec 2014	Jan-Dec 2013	Jan-Dec 2014	Jan-Dec 2013
Dividends	-	2.315	-	2.315
Number of shares (thousand)	48.375	48.375	48.375	48.375
<b>Dividends per share (in LTL)</b>	<b>0,00</b>	<b>0,05</b>	<b>0,00</b>	<b>0,05</b>

## 27. COMMITMENTS AND CONTINGENCIES

As of 31 December 2014 the Group and the Company had no material purchase commitments for the acquisition of property, plant and equipment.

At of 31 December 2014 the Group and the Company was not involved in any legal proceedings, which in the opinion of management would have a material impact on the financial statements.

## 28. FINANCIAL RISK MANAGEMENT

In the course of using financial instruments, the Company and the Group face the following risks:

- ✓ Credit risk;
- ✓ Liquidity risk;
- ✓ Market risk.

The present note provides for information on each of the aforementioned risks the Company faces, the Company's risk evaluation goals, policy and risk valuation and management processes, as well as the Company's capital management. More detailed quantitative disclosures are presented in the present interim statement.

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The Company's management is completely responsible for development and supervision of the Company's risk management structure. The Company's risk management policy is devoted to identification and analysis of the risks the Company faces, determination of respective risk limits and controls, and monitoring of the observance of risks and limits. Risk management policy and risk management system are regularly revised to match the changes of market conditions and the Company's activities. With the help of trainings, procedures of management standards, the Company aims to develop a disciplined and constructive management environment, where every employee knows his/her functions and duties.

**Credit risk**

Credit risk is the risk that the Company will suffer financial losses in case if a customer or another party fails to fulfil their respective obligations, and in most cases such risk is related with amounts receivable from the Company's customers.

The Company's and the Group's credit risk consisted of the following factors:

	The Group		The Company	
	31 12 2014	31 12 2013	31 12 2014	31 12 2013
Cash and cash equivalents	24.233	6.958	21.491	5.153
Loans granted	16.248	5.535	16.248	5.535
Trade accounts receivable	35.714	28.899	34.246	31.695
Other accounts receivable	4.197	5.290	3.697	6.323
Term deposits	-	-	-	-
<b>Total financial assets</b>	<b>80.392</b>	<b>46.682</b>	<b>75.682</b>	<b>48.706</b>

The Group and the Company has no significant concentration of trading counterparties, which is related with one partner or group of partners with similar characteristics. Customers' risk, or the risk, that the partners will not keep to their obligations, is managed by approving credit terms and procedures of control. The Group's procedures are in force to ensure on a permanent basis that sales are made to customers with an appropriate credit history and do not exceed an acceptable credit exposure limit.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, if any, in the statement of financial position. Consequently, the Group considers that its maximum exposure is reflected by the amount of receivables (Note 9), net of impairment losses recognized at the financial statements date.

With respect to trade receivables and other receivables that are neither impaired nor past due, there are no indications as of the reporting date that the debtors will not meet their payment obligations since the Company trades only with recognized, creditworthy third parties.

The credit risk on liquid funds is limited because the counterparties of the Group and the Company are banks with high credit ratings assigned by international credit-rating agencies.

**Liquidity risk**

Liquidity risk is the risk that, upon maturity, the Company will be unable to fulfil its financial liabilities. The Company's liquidity management objective is to maximally secure sufficient liquidity of the Company, which enables the Company to fulfil its obligations under both, normal and complicated circumstances, without suffering unacceptable losses and being exposed to the risk of losing its good reputation.

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The Group's policy is to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of committed credit facilities, bank overdrafts and credit lines to meet its commitments at a given date in accordance with its strategic plans.

The tables below summarise the maturity profile of the Group's and the Company's financial liabilities based on contractual undiscounted payments.

The Group	On demand	Up to 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years	Total
Interest bearing loans and borrowings	-	-	1.568	-	-	1.568
Interest bearing finance lease liabilities	-	206	220	370	-	796
Trade payables and prepayments	-	30.119	145	-	-	30.264
Commitments to related parties	-	1.298	-	-	-	1.298
<b>Balance as of 31 December 2013</b>	<b>-</b>	<b>31.623</b>	<b>1.933</b>	<b>370</b>	<b>-</b>	<b>33.926</b>
Interest bearing loans and borrowings	-	-	-	-	-	-
Interest bearing finance lease liabilities	-	74	186	109	-	369
Trade payables and prepayments	-	38.143	-	-	-	38.143
Commitments to related parties	-	1.737	-	-	-	1.737
<b>Balance as of 31 December 2014</b>	<b>-</b>	<b>39.954</b>	<b>186</b>	<b>109</b>	<b>-</b>	<b>40.249</b>
<b>Changes through 2014</b>	<b>-</b>	<b>8.331</b>	<b>(1.747)</b>	<b>(261)</b>	<b>-</b>	<b>6.323</b>

The Company	On demand	Up to 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years	Total
Interest bearing loans and borrowings	-	-	1.568	-	-	1.568
Interest bearing finance lease liabilities	-	206	220	370	-	796
Trade payables and prepayments	-	28.285	145	-	-	28.430
Commitments to related parties	-	1.296	-	-	-	1.296
<b>Balance as of 31 December 2012</b>	<b>-</b>	<b>29.787</b>	<b>1.933</b>	<b>370</b>	<b>-</b>	<b>32.090</b>
Interest bearing loans and borrowings	-	-	-	-	-	-
Interest bearing finance lease liabilities	-	74	186	109	-	369
Trade payables and prepayments	-	36.933	-	-	-	36.933
Commitments to related parties	-	5.995	-	-	-	5.995
<b>Balance as of 31 December 2014</b>	<b>-</b>	<b>43.002</b>	<b>186</b>	<b>109</b>	<b>-</b>	<b>43.297</b>
<b>Changes through 2014</b>	<b>-</b>	<b>13.215</b>	<b>(1.747)</b>	<b>(261)</b>	<b>-</b>	<b>11.207</b>

**Market risk**

Market risk is the risk that market price changes, e.g. foreign exchange rates or interest rates, will affect the Company's income or the value of available financial instruments. The objective of market risk management is to manage and control the market risk, considering certain limits, through optimisation of the return.

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**Foreign exchange risk**

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

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

	The Group		The Company	
	31 12 2014		31 12 2014	
	Assets	Liabilities	Assets	Liabilities
LTL	53.913	46.989	53.240	49.477
EUR	31.515	5.506	27.478	5.306
USD	40	-	40	-
LVL	-	-	-	-
Other	2.241	44	2.241	44
<b>Total:</b>	<b>87.709</b>	<b>52.539</b>	<b>82.999</b>	<b>54.827</b>

	The Group		The Company	
	31 12 2013		31 12 2013	
	Assets	Liabilities	Assets	Liabilities
LTL	39.689	47.706	44.163	42.691
EUR	8.417	5.402	5.798	5.206
USD	21	-	21	-
LVL	3.560	131	3.560	131
Other	13	38	13	38
<b>Total:</b>	<b>51.700</b>	<b>53.277</b>	<b>53.555</b>	<b>48.066</b>

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

**Fair value of financial instruments**

Fair value is defined as the amount at which the financial instrument could be exchanged in a current transaction between knowledgeable willing parties at market prices but not in forced or liquidation sale. Depending on circumstances, fair values are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate.

Fair value of assets and liabilities provided in the balance sheet as of the 31<sup>st</sup> December 2014 does not significantly differ from their carrying amount.

Financial assets and liabilities as of the 31th of December 2014

The Group	Carrying amount		Fair value	
	31 12 2014	31 12 2013	31 12 2014	31 12 2013
Financial assets				
Cash	24.233	6.958	24.233	6.958

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Term deposits	-	-	-	-
Investments available for sale	-	-	-	-
Loans granted	16.248	5.535	16.248	5.535
<b>Total:</b>	<b>40.481</b>	<b>12.493</b>	<b>40.481</b>	<b>12.493</b>
<b>Financial liabilities</b>				
Interest bearing loans and borrowings:	-	-	-	-
Obligations under finance lease and hired purchase contracts	(369)	(796)	(373)	(807)
Floating interest rate borrowings	-	-	-	-
Fixed interest rate borrowings	-	(1.568)	-	(1.568)
<b>Total:</b>	<b>(369)</b>	<b>(2.364)</b>	<b>(373)</b>	<b>(2.375)</b>
<b>Net total:</b>	<b>40.112</b>	<b>10.129</b>	<b>40.108</b>	<b>10.118</b>

The Company	Carrying amount		Fair value	
	31 12 2014	31 12 2013	31 12 2014	31 12 2013
<b>Financial assets</b>				
Cash	21.491	5.153	21.491	5.153
Term deposits	-	-	-	-
Investments available for sale	-	-	-	-
Loans granted	16.248	5.535	16.248	5.535
<b>Total:</b>	<b>37.739</b>	<b>10.688</b>	<b>37.739</b>	<b>10.688</b>
<b>Financial liabilities</b>				
Interest bearing loans and borrowings:	-	-	-	-
Obligations under finance lease and hired purchase contracts	(369)	(796)	(373)	(807)
Floating interest rate borrowings	-	-	-	-
Fixed interest rate borrowings	-	(1.568)	-	(1.568)
<b>Total:</b>	<b>(369)</b>	<b>(2.364)</b>	<b>(373)</b>	<b>(2.375)</b>
<b>Net total:</b>	<b>37.370</b>	<b>8.324</b>	<b>37.366</b>	<b>8.313</b>

## Capital management

The objective of the Group's and the Company's management policy is to maintain a significant level of owner's equity compared to borrowed funds to avoid discrediting investors, creditors and market trust, as well as maintain development of activities in the future. The management observes the return on capital and presents offers on payment of dividends to owners of ordinary shares, considering the Company's financial results and strategic plans. The primary objectives of the capital management are to ensure that the Group and the Company complies with externally imposed capital requirements and that the Group and the Company maintains healthy capital ratios in order to support its business and to maximise shareholders' value.

No changes were made to the objectives, policies or processes of the Group's and Company's capital management during the year ending as of 31 December 2014.

The Group and the Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. The Group and the Company monitor capital using debt to equity ratio. There is no specific target for debt to equity ratio set out by the Group's and the Company's management, however the management strives for maintaining the balance between higher return, which could be achieved through a higher level of borrowed funds, and safety, which is provided by a higher level of owner's equity.

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Current debt to equity ratios presented below:

	The Group		The Company	
	31 12 2014	31 12 2013	31 12 2014	31 12 2013
Non-current liabilities (including deferred taxes and grants)	7.493	7.539	6.292	4.039
Current liabilities	52.412	51.667	54.699	47.659
<b>Total liabilities</b>	<b>59.905</b>	<b>59.206</b>	<b>60.991</b>	<b>51.698</b>
<b>Equity attributable to equity holders of the parent</b>	<b>176.337</b>	<b>167.121</b>	<b>170.919</b>	<b>160.904</b>
<b>Debt* to equity ratio</b>	<b>34%</b>	<b>35%</b>	<b>36%</b>	<b>32%</b>

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

No breaches of required ratio occurred during the year ending as of 31 December 2014.

## 29. RELATED PARTY TRANSACTIONS

**Related parties of the Group and the Company are:**

- the parties that control, are controlled by or are under common control with the Company;
- the parties that can have material impact on the activities of the Company;
- the parties that are management members of the Company or its parent company;
- close members of the family of the aforesaid persons;
- the companies that are under control or material impact of the aforesaid persons.

The main related parties of the Group and the Company are:

Company	Relationship
Žemaitijos Pieno Investicija AB	Common major shareholder
Šilutės Rambynas ABF	Subsidiary, common major shareholder
Baltijos Mineralinių Vandenių Kompanija UAB	Common major shareholder
Klaipėdos Pienas AB	Common major shareholder
Čia Market UAB	Common major shareholder
Muižas Piens SIA	Common major shareholder
Samogitija UAB	Common major shareholder
S.A.R.Dziugas France	Common major shareholder
Dziugas PL.Sp.z.o.o.	Common major shareholder
Dziugas UK Ltd	Common major shareholder

**Sales to and purchases from related parties (LTL thousand):**

	The Group		The Company	
	Jan-Dec 2014	Jan-Dec 2013	Jan-Dec 2014	Jan-Dec 2013
1) Sales				
Sales of goods				
To the Group				
Šilutės Rambynas ABF	-	-	73.882	82.722

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	-	-	73.882	69.002
<i>To Related parties</i>				
Baltijos mineralinių vandenų kompanija UAB	44	35	44	35
Klaipėdos pienas AB	1.534	2.048	588	792
Žemaitijos pieno investicija AB	-	-	-	-
Čia Market UAB	18.561	21.370	18.561	21.366
Muizas piens SIA	3.633	6.111	3.633	4.779
	<b>23.772</b>	<b>29.564</b>	<b>22.826</b>	<b>26.971</b>
<b>Sales of inventory and services</b>				
<i>To the Group</i>				
Tarpučių pienas ŽŪK	-	-	-	-
Šilutės Rambynas ABF	-	-	1.347	1.327
	<b>-</b>	<b>-</b>	<b>1.347</b>	<b>1.327</b>
<i>To Related parties</i>				
Baltijos mineralinių vandenų kompanija UAB	649	516	649	516
Klaipėdos pienas AB	1.220	1.422	1.220	1.422
Žemaitijos pieno investicija AB	596	146	569	146
Samogitija UAB	2	2	2	2
Čia Market UAB	289	260	274	245
Muizas piens SIA	15	39	15	39
	<b>2.771</b>	<b>2.385</b>	<b>2.729</b>	<b>2.370</b>
<b>Total Sales:</b>	<b>26.543</b>	<b>31.949</b>	<b>100.784</b>	<b>113.390</b>

	The Group		The Company	
	Jan-Dec 2014	Jan-Dec 2013	Jan-Dec 2014	Jan-Dec 2013
<b>2) Purchases</b>				
<i>From the Group</i>				
Tarpučių pienas ŽŪK	-	-	-	-
Šilutės Rambynas ABF	-	-	74.927	88.532
	<b>-</b>	<b>-</b>	<b>74.927</b>	<b>88.532</b>
<i>From Related parties</i>				
Baltijos mineralinių vandenų kompanija UAB	5.695	6.271	5.692	6.271
UAB Samogitija	69	-	69	-
Čia Market UAB	553	730	530	713
Klaipėdos pienas AB	2.446	2.715	2.446	2.714
Žemaitijos pieno investicija AB	2.595	2.562	2.590	2.556
SIA "Muizas piens"	4.766	104	4.766	104
Džiugas PL Sp.z.o.o.	29	-	29	-
	<b>16.153</b>	<b>12.382</b>	<b>16.122</b>	<b>12.358</b>
<b>Total Purchases:</b>	<b>16.153</b>	<b>12.382</b>	<b>91.049</b>	<b>100.890</b>

**Balances outstanding with related parties**

	The Group		The Company	
	31 12 2014	31 12 2013	31 12 2014	31 12 2013
<b>3) Accounts receivable and financial debts</b>				
<i>From Group</i>				
Šilutės Rambynas ABF	-	-	-	6.311

**EXPLANATORY NOTES  
FOR THE YEAR ENDED 31 DECEMBER 2014**  
(All amounts in LTL thousands unless otherwise stated)

	-	-	-	6.311
<i>From Related parties</i>				
Baltijos mineralinių vandenų kompanija UAB				
Samogitija UAB	71	70	71	70
Čia Market UAB	3.176	192	3.176	192
Klaipėdos pienas AB	10.034	70	10.001	-
Žemaitijos pieno investicija AB	3.486	2.579	3.486	2.579
Muizas piens SIA	222	734	222	734
	<u>16.989</u>	<u>3.645</u>	<u>16.956</u>	<u>3.575</u>
<b>Total balances of receivables:</b>	<u>16.989</u>	<u>3.645</u>	<u>16.956</u>	<u>9.886</u>

	The Group		The Company	
	31 12 2014	31 12 2013	31 12 2014	31 12 2013
<b>4) Balances of payables</b>				
<i>To Group</i>				
Tarpučių pienas ŽŪK	-	-	-	-
Šilutės Rambynas ABF	-	-	4.270	-
	<u>-</u>	<u>-</u>	<u>4.270</u>	<u>-</u>
<i>To Related parties</i>				
Pažemeckas Algirdas	-	1.568	-	1.568
Baltijos mineralinių vandenų kompanija UAB	802	897	802	897
Žemaitijos pieno investicija UAB	1	315	-	314
Klaipėdos pienas AB	264	-	264	-
Čia Market AB	11	1	-	-
Muizas piens SIA	641	85	641	85
Dziugas PL.Sp.z.o.o.	16	-	16	-
Dziugas UK Ltd	2	-	-	-
	<u>1.737</u>	<u>2.866</u>	<u>1.725</u>	<u>2.864</u>
<b>Total balances of payables:</b>	<u>1.737</u>	<u>2.866</u>	<u>5.995</u>	<u>2.864</u>

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

Outstanding balances at the year-end are unsecured, interest free and settlement occurs in cash. In 2014, the Company have calculated LTL 1.869 thousand of decrease in distribution value for doubtful accounts, relating to the amounts that belong to the related parties (in 2013 – LTL 867 thousand). Evaluation of these doubtful accounts is being reviewed every financial year, by checking the financial state of the related party and the market, in which the related party is operating. The Group has many transactions with the related parties (the companies in AB “Žemaitijos pieno investicija” group), and Group's profit as well as sales are strongly influenced by the transactions with AB “Žemaitijos pieno investicija” group. It includes rent of fixed assets, raw material sales as well as full buy up of cheeses from ABF “Šilutės Rambynas”, sale of distribution services to UAB “Baltijos mineralinių vandenų kompanija” and sales of finished goods to UAB “Čia Market”.





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

**EXPLANATORY NOTES**

**FOR THE YEAR ENDED 31 DECEMBER 2014**

(All amounts in LTL thousands unless otherwise stated)

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**EVENTS AFTER THE REPORTING PERIOD**

There were no events occurred after the reporting period that would influence financial results of the Group and the Company.

Group's consolidated financial statements and the Company's Financial Statements signed and approved on 13 March 2015

Handwritten signature of Robertas Pažemeckas in blue ink.

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Robertas Pažemeckas  
Acting General Director

Handwritten signature of Dalia Gecienė in blue ink.

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Dalia Gecienė  
Senior accountant