

I. GENERAL INFORMATION ABOUT THE ISSUER

1. Reporting period covered by the Report

This consolidated annual report is prepared and submitted for the 2014 financial year.

2. The Issuer and its contact details

Name	AB Žemaitijos Pienas
Legal – organizational form	Public Limited Liability Company
Incorporated	The Public Limited Liability Company registered on 23 June, 1993
Company code:	180240752
VAT payer's code:	LT802407515
Authorized capital	48 375 000 LTL
Legal address	Sedos Str. 35, LT-87101 Telšiai
Phone	8 (444) 22201
Fax:	8 (444) 74897
E-mail	info@zpienas.lt
Website	www.zpienas.lt

3. Information about the Company branches and representative offices

On 31 December 2014, the consolidated Žemaitijos Pienas Company Group consisted of the parent company Žemaitijos Pienas, its subsidiary and associated company. The subsidiary company controlled by the Company is as follows:

ABF Šilutės Rambynas, company code 277141670

The Company owns 87.82% of the authorized capital.

Legal address – Klaipėdos str. 3, Šilutė.

Nature of business activity is production of cheese and other dairy products.

Associated company SIA Muižas piens, company code 40003786632

The Company owns 32% of the authorized capital.

Legal address – Skaistkalnes 1, Rīga, Latvija.

Nature of business activity is retail and wholesale trade.

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

- Vilnius Branch, address: Algirdo str. 40/13, Vilnius
- Kaunas Branch, address: Kėdainių str. 8A, Kaunas
- Klaipėda Branch, address: Šilutės rd. 33, Klaipėda
- Panevėžys Branch, address: J. Janonio str. 9, Panevėžys
- Telšiai Branch, address: Sedos str. 35, Telšiai

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

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

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

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

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

Type of shares – ordinary registered shares

Number of shares – 48 375 000

Total nominal value – 48 375 000 LTL

Securities ISIN code – LT0000121865

VSE symbol – ZMP1L

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

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

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

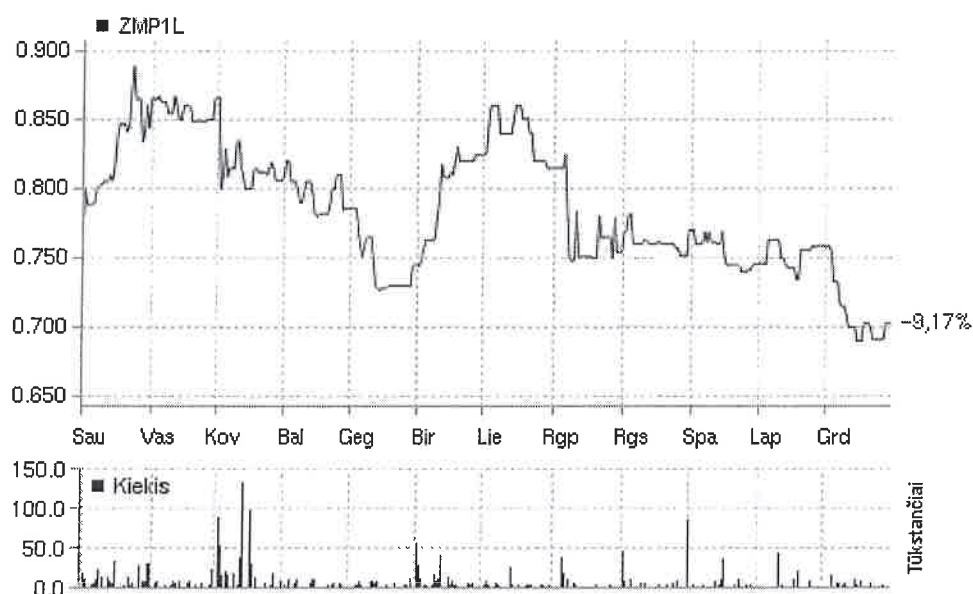
Only the securities of AB Žemaitijos Pienas are traded on the regulated market – 48,375,000 ordinary registered shares are included in the Vilnius NASDAQ Stock Exchange Baltic additional stock listing (VSE symbol – ZMP1L). A par value of 1 (one) share is 1 LTL. Total par value of shares amounts to 48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

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

Trading in other stock exchanges or other organized markets is not and has not been carried out.

Hereunder is presented graphic information on the transactions (trade) in shares of AB Žemaitijos Pienas at Vilnius Stock Exchange during January – December 2014. The graphs are taken from the website of AB NASDAQ OMX Vilnius:

http://www.nasdaqomxbaltic.com/market/?instrument=LT0000121865&list=3&pg=details&tab=historical&lang=lt¤cy=0&downloadcsv=0&date=&start_d=1&start_m=1&start_y=2014&end_d=31&end_m=1&end_y=2014



8. Historical data on securities

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

Indicator	2011	2012	2013	2014	2015
The opening price	0.699	0.679	0.600	0.816	0.703
The highest price	0.770	0.735	0.833	0.888	0.729
The lowest price	0.555	0.536	0.596	0.690	0.691
The last price	0.679	0.600	0.774	0.703	0.697
Turnover (shares)	4 945 124	1 514 200	2 864 080	1 799 959	48 996
Turnover (million)	3.22 EUR	0.96 EUR	2.09 EUR	1.43 EUR	0.03 EUR
Capitalization (million)	32.85 EUR	29.03 EUR	37.44 EUR	34.01 EUR	33.72 EUR

9. Authorized capital of the Issuer

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

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

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

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

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

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

Consulting with the best European and USA companies, focusing on introducing of the new technologies, using the world's most advanced membrane technology of milk purification *Bactocath* ensured increasing of the variety of products, and improvement of their quality. In 2006, the Order No. B1-800 of Director of the Lithuanian State Food and Veterinary Service of 13.12.2006 on veterinary approval of the animal food management entity annulled the Order No. 4-104 of 20.07.1995 on granting of the veterinary control numbers; and approved compliance of AB Žemaitijos Pienas with requirements of the new hygiene regulations, and production of AB Žemaitijos Pienas products with the provided number – 78-01 P.

Flawless work is the company's business card, which testifies the reliability and solidity of AB Žemaitijos Pienas entering the market of the country by its products and proclaiming the Samogitia region and Lithuania in the world. Currently the company employs over 1300 professional and creative employees. Their significant contribution, optimism, and intelligence allow the AB Žemaitijos Pienas to achieve ambitious goals and overcome new challenges in the national and international markets

Work experience gained during many years and unique recipes currently allow offering a wide range of high quality products with excellent taste to the users.

Today, the Company produces dairy products (over 200 different names both new and already favored by the consumers), e.g. a new group of organic dairy products *DOBILAS*. The products bearing *MAGIJA* trademark earned the trust of consumers from the moment they were introduced and became strikingly popular. The consumers favor the fermented and processed cheeses, as well as non-ripened peelable cheese sticks *PIK-NIK*, which are one-of-the-kind in Lithuania.

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

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

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

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

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

In addition, in 2006, the Order No. B1-800 of Director of the Lithuanian State Food and Veterinary Service of 13.12.2006 on veterinary approval of the animal food management entity annulled the Order No. 4-104 of 20.07.1995 on granting of the veterinary control numbers; and approved compliance of AB Žemaitijos Pienas product production with requirements of the new EU hygiene regulations, and provided the veterinary approval number – 78-01 P.

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

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

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

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

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

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

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

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

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

In 2010, the Laboratory of AB Žemaitijos Pienas was re-registered to UAB *Nepriklausoma tyrimų laboratorija* (Independent Testing laboratory), which was audited by the German accreditation

body DAKs in accordance with DIN EN ISO / IEC 17025:2005 requirements and granted an accreditation certificate.

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

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

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

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

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

Because of further globalization of the supply process and changes in the sales markets, there are additional requirements for assurance of the food safety level. One of these requirements is IFS certificate, which is necessary to export dairy products produced by AB Žemaitijos Pienas to German trade networks.

On 7-15 April 2014, auditors of an independent international Det Norske Veritas certification body assessed compliance of AB Žemaitijos Pienas IFSQMS with IFS requirements and granted certificate of the highest level. IFS is an international food safety standard based on the unified evaluation system of the selected suppliers. It was created in 2003 by the associated members of the Federation of German retailers – Hauptverband des Deutschen Einzelhandels (HDE).

The main criteria of the standard are as follows:

- Identification of the number of managed Critical Control Points (CCP);
- Application of CCP monitoring system (with clear records and periodic checks);
- Ensuring of the management that employees are aware of their responsibilities and that work performance is measured;
- Product traceability;
- Implementation of corrective actions.

The standard applies to suppliers at all levels of the food processing with exception of the agricultural stage.

On 1 July 2014 whey powder and hard cheese *Džiugas* were certified by halal requirements. Halal product certification and labeling means an official statement to the consumer that such products



can be used by religious Muslims. **Halal** certificate confirms that a food product complies with all the most important Islamic Dietary Laws.

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

Awards received in 2014:

- At the International Cheese Awards Nantwich 2014 EST.1897 AB Žemaitijos Pienas was evaluated as an innovative, and awarded a silver medal for *Džiugas* cheese (31. 07.2014).
- At the exhibition "World Food 2014" AB Žemaitijos Pienas was awarded a silver medal for *Džiugas* cheese (Moscow, 2014).
- At the 6th Lithuanian Producers Exhibition "Choose the Lithuanian Product" *Dobilas* organic yoghurt sour cream 10 % fat was awarded a medal of "Choose the Lithuanian Product 2014" (Kaunas, 04.10.2014).
- At the exhibition/tasting contest "World Food" ("World Milk Ukraine 2014") 12-month-ripened hard cheese *DŽIUGAS Mild*; 24-month-ripened hard cheese *DŽIUGAS Delicte* of AB Žemaitijos Pienas was awarded Grand Prix (3 stars) (Kiev, 28-30.10.2014)
- At the International Food Exhibition "Sial Innovation 2014" 24-months organic cheese *DŽIUGAS* package of AB Žemaitijos Pienas was recognized as innovative (Paris, 20. 10.2014)
- *Dobilas* natural organic yoghurt with ginger and lemon produced by AB Žemaitijos Pienas. Lithuanian Confederation of Industrialists. Lithuanian Product of the Year contest 2014 (Gold Medal) (19.12.2014).
- *Magija* glazed curd cheese with condensed milk filling, produced by AB Žemaitijos Pienas. Lithuanian Confederation of Industrialists. Lithuanian Product of the Year contest 2014 (Gold Medal) (19.12.2014).
- Fresh cheese *Magija* vanilla, produced by AB Žemaitijos Pienas. Lithuanian Confederation of Industrialists. Lithuanian Product of the Year contest 2014 (Gold Medal) (19.12.2014).
- Žemaitijos Low Fat Cottage Cheese, produced by AB Žemaitijos Pienas. Lithuanian Confederation of Industrialists. Lithuanian Product of the Year contest 2014 (Gold Medal) (19.12.2014).

12. Description of principal risks and uncertainties that the Company faces

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

Since a large part of production is exported, but the Company on the level of Europe or other states is not a big market player, who would be able to dictate the market price of cheese, changes in commodity prices of dry milk and cheese products, intervention balances and other aspects of global trade could have a significant impact on performance. The political-legal and commercial aspects of trade in the Russian market have a significant impact on the Company's actual results for the year 2014.

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

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

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

The Company specializes in the production of fresh dairy products and various kinds of cheese. A major part of income comes from the sale of these products. Due to this reason, company's revenue, profit and general financial state may be affected by negative changes in the market with regard to demand and prices of fresh dairy products and cheese. Segment of fresh dairy products is mainly affected by Lithuanian market and the cheese segment – by export markets.

A major impact on the efficiency of milk production and use of equipment has seasonality of raw milk, which is predominant in Lithuania. Given the seasonality of raw materials in terms of quantities retained trend of previous years, there were justified expectations, regarding seasonality trends of the raw material price.

13. Analysis of the financial and non-financial performance results, environmental and personnel-related issues

13.1. Analysis of financial performance

Key financial indicators reflecting Group's and the Company's activities in 2014-2013 (in thousand LTL):

Financial indicators	According to International Accounting Standards			
	2014		2013	
	Group	Company	Group	Company
Turnover	556.466	542.275	529.185	522.783
Gross profit	90.984	78.424	100.631	91.954
Profit before taxes, interests, and depreciation	24.568	23.031	42.260	35.555
Profit before taxes	11.704	12.659	27.130	22.624
Amount of investments in the long-term assets	23.672	22.082	14.979	12.821

Comparison of raw milk procurement tonnage and price in 2014, 2013, and 2012:

Procured raw milk (recalculated into base fatness)	2014	2013	2012
Volume of milk procured, in thousands of tones	343	332	334
Price for the milk procured, LTL/t	843	937	769

In 2014, the Company procured 285,000 tons of natural milk, in 2013 – 276,000 tons, and in 2012 – 276,000 tons.

Below is presented a distribution of **AB Žemaitijos Pienas** products sold in Lithuanian and export markets during the year 2013 and the year 2014 (thousand LTL):

Name of the product group	Turnover, in thousand LTL		Change when compared 2014 to 2013 %
	2014	2013	
Fermented cheeses	219.281	227.196	-3%
Fresh dairy products	169.464	147.972	15%
Butter and spreadable fat mixes	32.498	42.798	-24%
Dry milk products	35.423	37.078	-4%
Ice cream	2.260	72	3.038%
Other	83.349	67.667	23%
In total	542.275	522.783	4%

Group's sales by geographical segment (secondary segment) during 2014 and 2013 (in thousand LTL):

Sales by geographic segments	2014	2013
Lithuania	281.499	272.304
Other Baltic States and CIS countries	113.346	141.132
Other European countries	137.572	110.919
Other	24.049	4.830
Total	556.466	529.185

13.2. Environmental protection

As a company manufacturing and marketing dairy products, AB Žemaitijos Pienas, according to the specific criteria, is assigned to the Equipment group specified in Annex 1 to the environmental permit Integrated Pollution Prevention and Control (IPPC) rules. The activity of AB Žemaitijos Pienas is conducted in compliance with the unlimited permit of IPPC issued on 29 December 2006, which could be corrected according to any changes. The Company does not have any negative impact on environment that would have to be reduced with emergency measures, but it constantly tracks its performance indicators, plans and implements investments that would allow reducing production and activity expenses and energy expenditure to keep its status of company concerned with environmental protection. We are always ready to solve environmental problems together with society.

The Company constantly improves the integrated quality management and food safety management system that meets international standards BRC, ISO 9001, ISO 22000, FSSC (ISO 22000, ISO/TS 22002-1) and IFS requirements, plans to implement the ISO 14000 Environmental Management System.

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

In the first half of 2014 the Company completed implementation of the boiler modernization project "Construction of 10 MW Steam Boilers Using Fuel Wood in Telšiai" changing the type of fuel used from gas to renewable energy. After reconstruction of the boiler house, a new biofuel boiler was put into operation while natural gas will be used as a backup fuel. The Company is not included in the ETS trading system under the National Allocation Plan for 2013-2020.

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

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

All waste and packages are handled in accordance with the environmental requirements. AB Žemaitijos milk carries out segregation of secondary raw materials out of the overall waste flow and systematically sends this waste-to-waste collectors and processors. In order to implement the packaging waste management, the Company signed a contract with the public entity for packaging management organization *Pakuočių tvarkymo organizacija*. In the territory of the Company hazardous and non-hazardous waste is stored and handled in a way that does not negatively affect the environment; the storage areas are marked accordingly. The waste is timely transported to waste disposing companies.

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

On 12 June 2012, AB Žemaitijos Pienas presents to the Lithuanian Environmental Investment Fund (LEIF) a project information form for an investment project "AB Žemaitijos Pienas Acid Whey Processing Line Installation, Reducing the Amount of Waste". In 2014, the I phase of the project was accomplished, and the first part of the subsidy was received from the LEIF, which was LTL 138.878,81.

13.3. The Human Resources Policy

The Company aims to create and develop long-term relationships with its employees. The employees are constantly encouraged to grow professionally. The employees of the Company have the opportunity to improve their knowledge and skills in seminars and courses. Various training programs are available for training and certification of professionals, production workers, production machinery operators, operators, locksmiths, foremen, and masters.

Vocational training during the reporting period

Item No.	Work / training title	Average number of trained employees
1.	New employees trained in accordance with an introduction training program	217
2.	Production workers, certified and trained in accordance with a continuing education program	74
3.	Production workers, trained (training continues) in accordance with a continuing education program	-
4.	Company's specialists who trained other employees during internal staff training sessions	29
5.	Employees trained in external training sessions at the Company's premises (purchased service)	408
6.	Certified new craftsmen and foremen	3
7.	Employees trained on health and safety issues	48
8.	Employees trained to work with new equipment	24
9.	Employees who participated in external training (courses, seminars, conferences)	370
10.	Developed training programs	8
	In total	1181

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

13.4. Employees

According to the data of 31 December 2014, the total number of employees in AB Žemaitijos Pienas was 1192, which insignificantly decreased compared with 31 December 2013; i. e. number of employees compared to the corresponding period of the previous year fell by 1.61 percent.

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

	31 12 2014	31 12 2013
Average number of employees	1192	1205

Grouping of the personnel according to the educational background:

Employee number	31 12 2014	31 12 2013
Master degree	39	22

Higher education	216	196
Higher-vocational education	236	306
Vocational education	260	242
Secondary education	350	404
Uncompleted secondary education	91	35
In total:	1192	1205

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

Number of employees according to groups	31 12 2014		31 12 2013		31 12 2012	
	Number of employees	The average wage	Number of employees	Average monthly wage, LTL	Number of employees	Average monthly wage, LTL
Managers	21	8642	22	7100	54	6961
Specialists	239	3546	304	3310	256	3206
Workers	932	2045	879	2080	921	2016
In total:	1192		1205		1231	

Company employees' rights and obligations are provided in the staff regulations. Employment contracts do not provide for special rights or obligations.

According to the data of 31 December 2014, the total number of employees in Šilutės Rambynas, ABF was 179 employees, i. e. compared with 31 December 2013, and the number of employees during the reporting period increased by 1.7%.

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

	31 12 2014	31 12 2013	30 06 2013
Average number of employees	179	176	189

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

Number of employees according to their education	31 12 2014	31 12 2013
Master degree	8	7

Higher education	20	20
Higher-vocational education	23	25
Vocational education	73	71
Secondary education	36	35
Uncompleted secondary education	19	18
In total:	179	176

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

Number of employees according to groups	31 12 2014		31 12 2013		30 06 2013	
	Number of employees	Average wage, LTL	Number of employees	Average monthly wage, LTL	Number of employees	Average monthly wage, LTL
Managers	4	6606.76	4	6267.81	4	6165.66
Specialists	87	2857.93	71	3189.72	48	2651.50
Workers	88	2118.88	101	1963.49	137	1946.32
In total:	179		176		189	

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

14. References and additional notes on the data provided in the Annual Financial Statements

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

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

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

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

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

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

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

16. Business plans and forecasts of the Company

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

The main current goals of the Company are as follows:

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

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

The Company constantly makes investments and looks for ways to ensure steady revenue growth and improved operating efficiency. The Company also pays great attention to development of new products, for this purpose the Company collaborates with scientists.

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

To achieve the highest standards of performance, innovative operation and innovative methods of treatment in both the technology and the management of the business and the individual corporate governance and business processes, the Company's specialists constantly raise their qualifications attending various foreign internships, exhibitions, and collaborating with the largest suppliers, performing horizontal integration of good manufacturing practice methods not only in their own production and

logistics processes, but starting the improvement initiatives from industrial processes and products of the suppliers.

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

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

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

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

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

II. OTHER INFORMATION ABOUT THE ISSUER, ITS SHAREHOLDERS, AND OTHER BODIES OF THE ISSUER

19. Structure of the Issuer 's authorized capital

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

On 31 December 2014 the authorized capital of AB Žemaitijos Pienas consisted of:

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

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

20. All restrictions on transfer of securities

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

21. Shareholders

On 31 December 2014, the Company had 3,148 shareholders. All of the shares issued provide their owners with equal rights laid down in the Law on Companies of the Republic of Lithuania and in the Articles of Association of the Company.

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

No	Shareholder	2014		2013	
		Number of shares under ownership	Percentage of the authorized capital %	Number of shares under ownership	Percentage of the authorized capital %
1.	Algirdas Pažemeckas	21 589 380	44,63	21 589 380	44,63
2.	SEB SA OMNIBUS, Liuksenburgas	3 413 962	7,06	3 413 962	7,06
3.	Danutė Pažemeckienė	3 025 820	6,25	3 025 820	6,25
4.	AB „Klaipėdos pienas“, į/k 240026930, Šilutės pl.33, Klaipėda	2 901 844	6,00	2 901 844	6,00
5.	Other shareholders	17 443 994	36,06	17 443 994	36,06
	Total	48 375 000	100,00	48 375 000	100,00

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

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

22. Shareholders' rights

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

The shareholders of the Company shall have the following property rights:

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

The shareholders of the Company shall have the following non-property rights:

to participate in the Meetings of Shareholders; to vote in the Meetings of Shareholders, according to the voting rights determined by the number of shares in possession; to obtain non-confidential information on economic activity of the Company; to elect and be elected to the management and supervisory bodies of the Company; to take any position in the Company, if the Law on Companies or the

Articles of Association do not provide otherwise; to make concrete proposals with respect to the improvement of financial, economic, organizational and other activity of the Company; to appeal against the decisions or actions made in the General Meetings by the Supervisory Council, Management Board or the Manager of the Company, which are in violation of the Laws of the Republic of Lithuania, the Articles of Association or interest and non-interest rights of the shareholders. Shareholders, individually or collectively, have a right, without a special commission, to claim for the damages made to shareholders; and other non-property rights provided in the Law of the Republic of Lithuania.

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

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

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

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

24. All restrictions on voting rights

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

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

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

26. Procedures of amendment of the Issuer's Articles of Association

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

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

27. Issuer's management bodies

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

The Supervisory Board is a collegial supervisory body carrying out supervision of the activities of the company. The Supervisory Board is chaired by the Chairman. The Supervisory Board consisting of

three members is elected by the General Meeting of Shareholders for four years. The Articles of Association provide that number of cadences of the Supervisory Board members is unlimited.

The Company's Board is a collegial body that represents the Company's shareholders for the period between meetings and makes decisions in the Company's most important economic activities. Working procedures of the Board are determined by the approved regulation of the Board. The Board consists of five members. Board members for the period up to four years are elected by the Board of Supervisors. Their cadences are unlimited. Activities of the Board are managed by the chairperson of the Board elected from its members. The Board members implement joint activities in the Company, and their responsibilities are not specialized.

Head of the Company is the Director General whose activities are determined by the Articles of Association of the Company, decisions of the General Meeting of shareholders, and the Management Board, and other local acts of the Company. The Director General does not acquire particular rights to act in the Company.

Head of the Company organizes daily activities of the Company and performs other actions necessary to carry out its functions, implement decisions of the Company's management bodies, and ensure the activities of the Company. The Director General is directly accountable and regularly reports to the Management Board.

General Meeting of Shareholders does not have any special rights unforeseen by legislation.

Management bodies of the Company in their activities are governed by the laws of the Republic of Lithuania and other legal acts, and requirements provided in the Company's Articles of Association. Under the provisions of the above-mentioned documents, the Company's management bodies are elected, appointed and dismissed from office.

Bodies of the issuer do not have any exclusive and/or special rights in the setting of regulations regarding issuance or purchasing of securities of the issuer, in this area they have the rights conferred by the Law.

General Meeting of Shareholders and its rights

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

28. Issuer's management and supervisory bodies

Issuer's management bodies are the Board (collegiate) and head of the company (sole – General Director). The company's supervisory body is the Supervisory Board performing supervisory functions of the Company, which also has an Audit Committee. Governing bodies of the Company include the Management Board and the General Director.

The Supervisory Board is a collegial supervisory body carrying out supervision of the activities of the Company. The Supervisory Board is chaired by the Chairman. Supervisory Board of the Company consists of three (3) members who are elected by the General Meeting of Shareholders for four years. The Articles of Association of the Company provide for unlimited number of cadencies of the Board members.

The Supervisory Board has the following powers and responsibilities: to elect members of the Management Board and remove them from office. If the Company is operating at a loss, the Supervisory Board must consider the suitability of the Board members for the position. The Supervisory Board shall also supervise the activities of the Management Board and the head of the Company; submit its proposals and comments to the General Meeting of Shareholders on the Company's business strategy, annual financial statements, draft of the profit distribution and the report on the activities of the Company, as well as the activities of the Board and the head of the Company; set (approve) the monthly/quarterly limits of production to be supplied for the free tasting to the customers for the market research and/or development and approve them at the end of the quarter; submit its proposals to the Management Board and the head of the Company (Director General) and revoke their decisions, which contradict laws and other legal acts, the Articles of Association of the Company or the decisions of General Meeting of Shareholders; address other issues assigned within its power by the Articles of Association of the Company, as well as by the decisions of the General Meeting regarding supervision of the activities of the Company and its managing bodies, fix the salary of the Director General of the Company, if he is a member of the Board on the request of the Management Board and decide on the termination of the employment agreement of a member of the Supervisory Board employed by the Company.

The Management Board is a collegial management body that represents the Company's shareholders during the period between the meetings and makes decisions on the Company's most important economic activities. The procedure of work of the Management Board is established in the Regulation of the Work of the Management Board. The Management Board consists of five (5) members (according to the Articles of Association); currently the Management Board *de facto* consists of four (4) members. The Board shall be elected by the Supervisory Board for a term, which may not exceed 4 years; no special rules for the election or removal of members of the Board are provided. Their number of cadences is unlimited. The Board of Directors is headed by its Chairman, which is elected by the Management Board out of its members.

The Board shall consider and approve the following:

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

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

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

The Board shall analyze and assess a set of the Company's annual financial statements and a draft of profit appropriation submitted by the General Director and after approval of these projects shall submit

them to the General Meeting of Shareholders. The Board shall determine the methods and standards used by the Company to calculate the depreciation of tangible assets and amortization of intangible assets.

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

The Board, without the approval of the General Meeting shall adopt decisions on the following:

decisions for the Company to become an incorporator or a member of other legal entities; decisions on the establishment of branches and representative offices of the Company; decisions on the investment, disposal or lease of the fixed assets the book value whereof exceeds 1/20 of the authorized capital of the company; decisions on the pledge or mortgage of the fixed assets the book value whereof exceeds 1/20 of the authorized capital of the Company; decisions on offering of surety or guarantee for the discharge of obligations of third parties the amount whereof exceeds 1/20 of the authorized capital of the Company; decisions and projects on restructuring and reorganizing of the Company in the cases laid down by the Law on Restructuring of Enterprises; accession of the Company to associations, concerns and/or consortia and resignation from them; allocation of funds for charity, health, culture, science, physical education and sports, as well as for natural disasters and emergency liquidation, determine the maximum amount of funds used by the head of the Company; other decisions of the General Meeting of Shareholders.

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

The Director General organizes the daily activities of the Company and performs other actions necessary to carry out its functions, implementing the decisions made by the management bodies of the Company, and ensuring the activity of the Company. General Director of the Company is directly accountable to and regularly reports to the Management Board.

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

The head of the Company and Administration:

the head of the Company is the Director General, who in his activity follows the Articles of Association, decisions of the General Meeting, decisions of the Managing Board, and Administration Work Regulations. The General Director shall be elected and removed from the office by the Board of the Company. A competition may be organized for the election of the Director General. The contract of the Company with the Director General shall be signed by the Chairman of the Board. In case the Director General of the Company is the Chairman of the Board, the employment contract with him shall be signed by the member of the Board authorized by the Board. The Director General of the Company shall participate in the Board meetings in an advisory capacity, if he is not a Board member.

The head of the Company (the Director General):

manages the Company administration; within his competence shall enter into transactions on behalf of the Company and represent the Company in dealings with third parties and in court or arbitration. The General Director becomes entitled to represent the Company from the date specified in the Employment Contract; he opens and closes the Company accounts with banking institutions, prepares and submits the Company's management structure, job descriptions, salary and promotion systems to the Board for approval, prepares a draft of a share subscription agreement, hires and dismisses employees, concludes and terminates employment contracts with them, assesses their performance results, imposes disciplinary sanctions and provides incentives to employees, including the material sanctions and incentives, establishes internal work rules, approves regulations of the sub-divisions of the Company and

Administration Working Regulations, issues authorizations to carry out the functions which are within his competence; in cases stipulated by Law on Companies convenes a General Meeting, organizes, prepares drafts of the necessary documents for the General Meeting of Shareholders, ensures protection of the Company's property and trade secrets, and performs other functions stipulated by laws, Articles of Association, manages the Company's assets, including monetary funds.

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

Structure of the Supervisory Board:

Full name	Position within the Issuer	Number of shares under ownership and percentage of the authorized capital %	Beginning of the cadence	End of the cadence	Start of service at Žemaitijos Pienas
Romusas Jarulaitis	Chairman of the Supervisory Board	1 105 510 2.29	25. 04.2014	25.04.2019	26. 01.1988
Robertas Pažemeckas	Member of the Supervisory Board, Acting General Director	-	25. 04.2014	25.04.2019	26. 08.2002
Gražina Norkevičienė	Member of the Supervisory Board	-	25. 04.2014	25.04.2019	20. 09.1978

Structure of the Management Board:

Full name	Position within the Issuer	Number of shares under ownership and percentage of the authorized capital %	Beginning of the cadence	End of the cadence	Start of service at Žemaitijos Pienas
Algirdas Pažemeckas	Chairman of the Board, consultant	21 589 380 44.63	07.02.2014	07. 02.2019	26.12.1986

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Marius Dromantas	Member of the Board, Director of Logistics	-	07.02.2014	07. 02.2019	01. 12.2003
Dalia Gecienė	Member of the Board	475 160 0,98	07.02.2014	07. 02.2019	29. 07.1986

Administration:

Full name	Position	Number of shares in possession	Share of the authorized capital in possession %
Robertas Pažemeckas	Acting General Director	-----	-----
Dalia Gecienė	Chief Financial Officer	475 160	0.98

During the reporting period, the Company's Director General and Chief Financial Officer were calculated and paid amount related to their labor relations, which is not significantly different from the average annual earnings of the managers, other amounts were not paid to these persons, they were not given guarantees or sureties, no assets or other property rights were transferred to them;

During the year 2014, no monetary amounts were calculated or paid to the members of management bodies for their activities in the Management Board and the Supervisory Board.

During the year 2014, neither the Company's management bodies (the Management Board, the Supervisory Board, the Director General) nor the Chief Financial Officer were granted by the Issuer any bonuses, dividends or other payments from the Issuer's operating profits. These persons do not have significant material obligations towards the Issuer, and the Issuer has no significant material obligations to the persons mentioned.

No guarantees and sureties and/or other obligation collateral means on the management or supervisory bodies regarding assurance of completion of these persons' obligations have been given on behalf of the Issuer during 2014; also, the Issuer did not give loans to these persons.

Company's Audit Committee

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

Full name	Workplaces, position authorization	Number of shares in possession within the Issuer	Beginning of cadence in Committee	End of cadence in Committee
Angelė Taraškevičienė	The head of UAB Vertybių Auditas	-----	26. 04.2013	Until withdrawn from the position by the Company's management body that elected the member
Stanislava Vaičienė	AB Žemaitijos Pienas Accountant	-----	26. 04.2013	Until withdrawn from the position by the Company's management body that elected the member
Daiva Kataraskienė	AB Žemaitijos Pienas Accountant-bookkeeper	-----	26. 04.2013	Until withdrawn from the position by the Company's management body that elected the member

The main function of the Audit Committee is to be an advisory body to the Supervisory Board of the Company, and its main task is to increase the efficiency of the Supervisory Board's work in the field of the company's financial supervision, to help ensure that decisions are fair and based on due consideration. When performing its functions, the Audit Committee provides recommendations to the Management Board in relation to the selection of the external auditor, its appointment, reappointment and removal, monitors the external audit process and assesses how the external auditor and audit company follow the principles of independence and objectivity, monitors the financial reporting process of the Company, carries out other functions provided by other legislation of the Republic of Lithuania and recommendations specified in the Code of Management of the Companies listed at Vilnius Stock Exchange.

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

III. OTHER INFORMATION RELATED TO THE ISSUER

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

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

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

The Issuer has not entered agreements providing for the compensation for the members of the management bodies or the employees in case they are dismissed, or fired without any valid reason or their service is terminated due to the change in control of the Issuer.

31. Transactions of the Issuer

No significant transactions or transactions atypical to the Issuer's normal course of business have been made on behalf of the Issuer with related parties or other entities during the year 2014.

The Issuer has not entered into transactions where significant changes related to the control of the Issuer would cause significant changes related to the Issuer and/or have negative consequences to the Issuer.

The Issuer has not come into special and/or important agreements providing for the compensation for the members of the Issuer bodies, committee or employees when their service is terminated due to any reasons.






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





32. Information about the compliance with the Corporate Governance Code

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

33. Data on publicly announced information

During the reporting period – the year 2014 – the Company announced a significant part of the material events related to the AB Žemaitijos Pienas.

Date	Market	Company	Notifications
28.11.2014 15:35	VLN	Žemaitijos Pienas	<u>Preliminary Results of AB Žemaitijos Pienas for 9 months of 2014</u> Attachments: 
06.10.2014 16:50	VLN	Žemaitijos Pienas	<u>Regarding the resignation of a Board member from office</u>
19.09.2014 15:28	VLN	Žemaitijos Pienas	<u>Regarding the selection of audit company</u>
29.08.2014 21:00	VLN	Žemaitijos Pienas	<u>Results of AB Žemaitijos Pienas Group for the 1st half-year of 2014</u> Attachments:   
22.08.2014 07:56	VLN	Žemaitijos Pienas	<u>Regarding Convocation of the Extraordinary General Meeting of Shareholders, its agenda and proposed draft resolutions</u>
18.08.2014 09:47	VLN	Žemaitijos Pienas	<u>Regarding sales of dairy products in the Russian market</u>
30.05.2014 14:41	VLN	Žemaitijos Pienas	<u>Preliminary results of AB Žemaitijos Pienas for 3 months of 2014</u> Attachments: 
12.05.2014	VLN	Žemaitijos Pienas	<u>Regarding the possible threat to Telšiai Town and AB Žemaitijos</u>

Date	Market	Company	Notifications
10:35			<u>Pienas</u>
30.04.2014 13:48	VLN	Žemaitijos Pienas	<u>Financial data of 2013</u> Attachments: 
5.04.2014 17:21	VLN	Žemaitijos Pienas	<u>Resolutions of Ordinary General Meeting of AB Žemaitijos Pienas, held on 25 April 2014</u> Attachments: 
04.04.2014 14:36	VLN	Žemaitijos Pienas	<u>Draft Resolutions of the Ordinary General Meeting of AB On Shareholders of Žemaitijos Pienas</u> Attachments: 
2014.03.28 16:01	VLN	Žemaitijos Pienas	<u>CORRECTION: Notification on the Ordinary General Meeting of Shareholders</u>
2014.03.28 15:38	VLN	Žemaitijos Pienas	<u>Notification on convocation of the Ordinary General Meeting of Shareholders</u>
2014.02.28 15:55	VLN	Žemaitijos Pienas	<u>Unaudited Preliminary Results of AB Žemaitijos Pienas Group for the year 2012</u> Attachments: 
2014.02.10 13:23	VLN	Žemaitijos Pienas	<u>On the Members of the Managing Board of the Company</u>
2014.02.07 16:27	VLN	Žemaitijos Pienas	<u>Draft Resolutions for the Extraordinary General Meeting of Shareholders of AB Žemaitijos Pienas</u>
2014.01.24 11:19	VLN	Žemaitijos Pienas	<u>Draft Resolutions for the Extraordinary General Meeting of the Shareholders of AB Žemaitijos pienas (AMENDED/UPDATED)</u>
2014.01.17 13:34	VLN	Žemaitijos Pienas	<u>Draft Resolutions for the Extraordinary General Meeting of the Shareholders of AB Žemaitijos Pienas</u>
2014.01.09 10:44	VLN	Žemaitijos Pienas	<u>On Convocation for the Extraordinary General Meeting of Shareholders (supplemented)</u>
2014.01.08 10:31	VLN	Žemaitijos Pienas	<u>On Convocation of the General Meeting of Shareholders</u>

Sources -

http://www.nasdaqomxbaltic.com/market/?issuer=ZMP&market=&legal%5B%5D=main&legal%5B%5D=firstnorth&start_d=1&start_m=1&start_y=2014&end_d=31&end_m=6&end_y=2014&keyword=&pg=news&lang=lt¹

Announcements about material events after the reporting period (Unaudited preliminary AB Žemaitijos Pienas Group 2014 operating results):

2015.02.28
17:15 - VLN: ZMP: Neaudituoti preliminarūs AB “Žemaitijos pienas“ grupės 2014 metų veiklos rezultatai

Following the procedure laid down in the Articles of Association of the Company and regulations of the Republic of Lithuania, AB Žemaitijos Pienas has informed Vilnius Stock Exchange (NASDAQ Vilnius) about all the material events. The notifications have been published on the Central regulated information database and the Company's website www.zpienas.lt.

¹ At this address you can find more detailed information and content of the published reports⁵

IV. FURTHER INFORMATION

34. Significant events since the end of the financial year

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

In 2014 consolidated turnover (excluding audit) of AB Žemaitijos Pienas Group amounts to LTL 556,5 million (EUR 161,2 million) that, if to be compared with the year 2013, makes 5,16% increase of the turnover.

Net profit (as without audit) of AB Žemaitijos Pienas Group in the year 2014 makes 1,6% of the turnover.

35. Data on audit

AB Žemaitijos Pienas (Group) consolidated balance and related consolidated profit (loss), cash flow and changes in equity statements of then ended year audit of 31th of December, 2014 in accordance with agreement concluded on the 19th of September, 2014 is performed by UAB Grant Thornton Rimess. Audit price without VAT is 25 000 LTL.

There is no additional informaton which should be disclosed according to the laws regulating activities of the companies, other legal acts and the Articles of Association, and which would not be disclosed in this annual report and other annual financial statements.

2014 Consolidated annual report

Signed

13-03-2015

A handwritten signature in blue ink, appearing to read "R. Pažemeckas".

Robertas Pažemeckas
Acting General Director