

## I. GENERAL INFORMATION REGARDING THE ISSUER

### 1. Reference period for which the announcement is drafted

Consolidated annual report is drawn up and published for the financial year 2015.

### 2. Issuer and contact details

Name	Join Stock Company Žemaitijos pienas
Legal – organisational form	Joint Stock Company
Registered	Joint Stock Company registered on the 23 June, 1993
Company code	180240752
VAT code	LT802407515
Authorized capital	14 028 750 EUR
Address	Sedos str. 35, Telsiai, LT-87101
Telephone	8 (444) 22201
Fax	8 (444) 74897
E-mail	<a href="mailto:info@zpienas.lt">info@zpienas.lt</a>
Website	<a href="http://www.zpienas.lt">www.zpienas.lt</a>

### 3. Information on the branches and representative offices of the Company

On the 31 December, 2015, the consolidated Company Group Žemaitijos pienas, AB established the parent Company Žemaitijos pienas and its subsidiary and affiliate undertakings. Company owned subsidiary undertakings:

Šilutės Rambynas, AB-F, Company code 277141670

The Company owns 87.82 percent of the total shares of the undertaking.

Office address – Klaipėdos str. 3, Šilutė.

Nature of the activity – production of cheese and other milk products.

Affiliated undertaking: Muižas piens, SIA, Company code 40003786632

The Company owns 32 percent of the total shares of the undertaking.

Office address – Skaitaskalnes 1, Rīga, Latvia.

Nature of the activity – wholesale and retail trade.

Žemaitijos pienas, AB owns 5 structural divisions including warehouses and means of transportation in the following cities

- Vilnius branch, address: Algirdo str. 40/13, Vilnius
- Kaunas branch, address: Kėdainių str. 8A, Kaunas
- Klaipėda branch, address: Šilutės pl. 33, Klaipėda
- Panevezys branch, address: J. Janonio str. 9, Panevezys
- Telsiai branch, address: Sedos str. 35, Telsiai



#### **4. Main activities of the Issuer and the subsidiary undertakings**

The main activities of Žemaitijos pienas, AB is the creation and production of milk products (fermented cheese and cheese products, pre-packaged cheese and cheese products, melted cheese and cheese products, creams and curd creams, butter milk spreads, mixed spreads, milk grease, pasteurised cream, buttermilk, whey, dried milk products, fresh milk products ( milk, cream, curd, curd products, yoghurt, desert, curd snacks, glazed curd snacks, acidified milk products)), and disposal of above listed products in foreign and Lithuanian markets.

The main activities of Šilutės Rambynas, AB-F is the creation, production and disposal of fermented cheese and cheese products, production and disposal of pasteurised cream, pasteurised whey and concentrated whey.

#### **5. Information on the trading of the securities of the Issuer in regulated markets**

The ordinary registered shares of the Žemaitijos pienas, AB have been included in the additional list of securities for Baltic countries at Nasdaq Vilnius, AB stock exchange since the 13 October, 1997.

Class – ordinary registered shares;

Number of shares – 48 375 000;

Total nominal value of shares – 14 028 750 EUR;

VP ISIN code LT0000121865;

VVPB symbol – ZMP1L

#### **6. Information on the contracts between the intermediaries for public turnover of securities**

On the 16 July, 2004, the Company concluded a contract with Šiaulių bankas, AB, office address: Tilžės str. 149, Siauliai, under which, the Company transferred the management of the accounts of the released securities of the Company to Šiauliu bankas, AB from the 23 July, 2004.

#### **7. Details on the trading of shares in regulated markets of the companies comprising the Group**

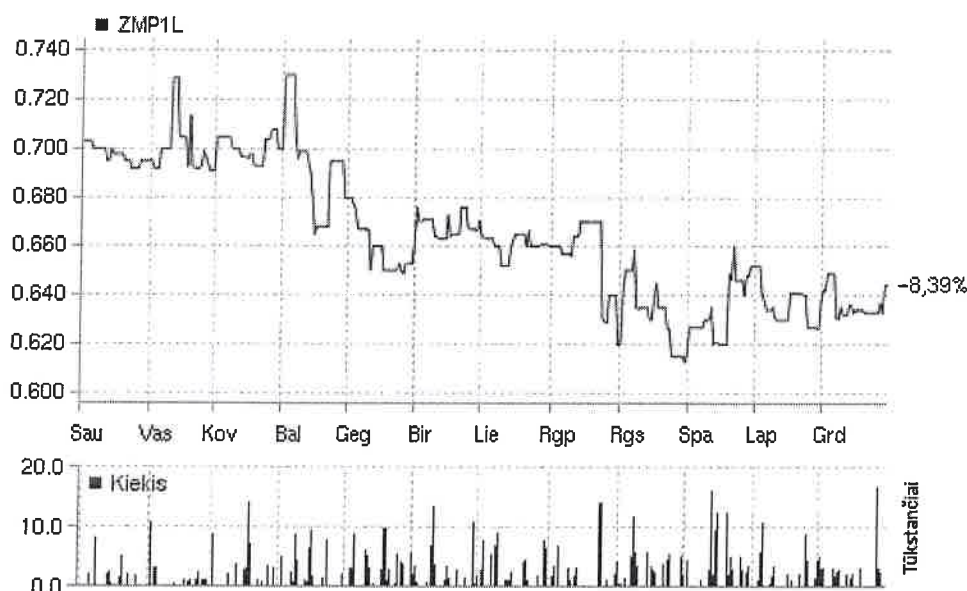
Only the securities of Žemaitijos pienas, AB are traded in the regulated market, currently, there are 48 375 000 registered ordinary shares included in the additional trading list for Baltic countries of NASDAQ Vilnius. VVPB symbol – ZMP1L Each share having a par value of 0.29 EUR. Total nominal value of shares – 14 028 750 EUR;

Currently, there are no securities that are not included in the authorized capital with regulated turnover by the Law on securities of Republic of Lithuania present.

Trading in other stock exchanges or organizations is not and was never conducted.

The following graphical information represents the transactions (trading) for Žemaitijos pienas, AB shares in the Vilnius stock exchange for the time period starting on January 2015 and ending on December 2015. Source – NASDAQ OMX, AB, Vilnius, website:

<http://www.nasdaqbaltic.com/market/?instrument=LT0000121865&list=3&pg=details&tab=historical&currency=0&downloadcsv=0&date=&start=2015.01.01&end=2015.12.31&lang=lt>



## 8. Historical data of securities

In addition, the graphical information presents additional data on trading of Žemaitijos pienas, AB securities in the NASDQ OMX stock exchange for the years 2012–2016:

SCRT trading history

Indicator	2012	2013	2014	2015	2016
Starting price	0.679	0.600	0.816	0.703	0.640
Max. price	0.735	0.833	0.888	0.730	0.658
Min. price	0.536	0.596	0.690	0.610	0.617
Last recorded price	0.600	0.774	0.703	0.644	0.645
Turnover pcs.	1 514 200	2 864 080	1 799 959	639 686	86 660
Turnover mln.	0,96 EUR	2,09 EUR	1,43 EUR	0,42 EUR	0,06 EUR
Capitalisation mln.	29,03 EUR	37,44 EUR	34,01 EUR	31,15 EUR	31,20 EUR

## 9. Authorized capital of the Issuer

On the 31 December, 2015, the authorised capital of Žemaitijos pienas, AB was comprised of:

Class	Number of shares (pcs.)	Nominal value per share (EUR)	Total nominal value (EUR)	Share of authorized capital (%)
Ordinary registered shares	48 375 000	0.29	14 028 750	100

All shares are fully paid up and are not subject to any transfer restrictions.

## 10. Overview of the actual status, operational performance, development and investment of the Company



Žemaitijos pienas, AB, a milk processing Company based in Lithuania with long lasting traditions, fostering traditional recipes and technologies for the production of milk products and promoting the revitalisation and application of a centuries-old history that reflects the cultural heritage while at the same time seeking innovation offering new and unusual products for the consumers.

Žemaitijos pienas, AB was established in the year 1924. In the same year, the dairy in Telsiai started its operation. At the time, the capacity of the dairy was evaluated as really high. At the end of 1984, the Telsiai dairy moved its operation to new premises which lasted till the year 1993, until the opening and privatisation of the largest cheese manufacturing plant in the Baltic countries. Žemaitijos pienas, AB, registered on 23 June, 1993, at the Telsiai district managing office was re-registered on 16 October, 1998 at the Ministry of Economy of the Republic of Lithuania.

By consulting with the best firms in Europe and USA, focusing on the implementation of new technologies and using the most advanced milk cleaning membrane technology Bactocath, the Company managed to increase the quality and the assortment of the produced products. In 2006, by the order of the Director of the State Food and Veterinary Service of the Republic of Lithuania on 13.12.2006, no. B1-800 on the certification of the subject management of animal foodstuffs, declared that the order on 20.07.1995, no. 4-104 on the provision of the veterinary care number is withdrawn and declared the Žemaitijos pienas, AB compliance with the requirements established in hygiene regulation and certified Žemaitijos pienas, AB for the production of milk products and issued the certification no, 78-01 P.

Faultless work is the calling card of the Company that indisputably bears witness to the reliability and solidarity of Žemaitijos pienas, AB, establishing the Company in the home market with its products and also promoting the Samogitian region in Lithuania and around the world. Currently there are around 1200 professional and creative employees employed at the Company whose important contribution, optimism and expertise allows the Company to strive for ambitious goals and conquer new challenges in the home and international markets.

The working experience acquired over many years and unique recipes allow the Company to provide an extensive assortment of products characterised with excellent taste and high quality for its customers. Currently, the Company produces over 200 named new and already beloved milk products – organic milk product group DOBILAS. Products branded with MAGIJA trademark have earned the trust of the consumer and were highly popular from the very beginning. The buyers came to love fermented and melted cheese products and the only tearable cheese sticks PIK-NIK from unripen cheese in Lithuania.

Consumers love the Company produced milk, kephir, yoghurt, cream, curd and glazed curd snacks, natural butter and butter with various seasoning, and many other products. The Company also fosters the culinary heritage of our country. ŽEMAITIJOS PIENAS home-made curd cheese and "Žemaitiškas kastinys" are produced only from traditional materials and seasoning in accordance to the traditional technologies, therefore, these products carrying the exceptional taste have been awarded with certificates and have been branded with a special label from the culinary heritage foundation of Lithuania.

The working experience acquired over many years and unique recipes allow the Company to provide an extensive assortment of products characterised with excellent taste and high quality for its customers.

By consulting with the best firms in Europe and USA, focusing on the implementation of new technologies and using the most advanced milk cleaning membrane technology Bactocath, the Company managed to increase the quality and the assortment of the produced products. The Company produces: fresh milk products, butter, fermented and melted cheese products, and dried milk products.

The products of the Company are welcomed by many consumers within Lithuania and abroad. Žemaitijos pienas, AB products are exported to European Union and other markets worldwide.



Many of the Žemaitijos pienas, AB produced products comply not only with European but also global standards and have received gold medals and diplomas in international exhibitions.

Also in 2006, by the order of the Director of the State Food and Veterinary Service of the Republic of Lithuania on 13.12.2006, no. B1–800 on the certification of the subject management of animal foodstuffs, declared that the order on 20.07.1995, no. 4–104 on the provision of the veterinary care number is withdrawn and declared the compliance of Zemaitijos pienas, AB with the requirements established in the new hygiene regulation from EU and certified Žemaitijos pienas, AB for the production of milk products and issued the certification no, 78–01 P.

In 2007, the Company started production of organic products. SE EKOAGROS certified the compliance of Žemaitijos pienas, AB to the EU council regulation EC no. 889/2008 and the requirements for the organic agriculture policy. Certified production of organic products: organic cheese, organic milk, organic yoghurt, etc. Recently, the Company has been expanding its offering of organic products: In 2010, the Company received a certificate for its organic hard cheese product, in 2011, the Company started production of organic curd and organic curd snacks, and in 2012, the production of organic curd cheese and curdled milk products.

In May, 2008, after the concluded sales transaction, Žemaitijos pienas, AB acquired 87.82 percent of Šilutės Rambynas, AB-F (754 938 pcs.) ordinary shares that Žemaitijos pieno investicija, AB managed by the right of ownership for LTL 10 878 thousand (EUR 3 150 thousand), i.e., paying 14.41 Litas (4,17 euro) for one share.

Žemaitijos pienas, AB and Šilutės Rambynas, AB-F focuses on product safety and quality, and the fulfilment of consumer needs. Therefore, in 2008, the companies started work on creating a joint and integrated food safety and quality management system (according to the requirements of ISO 22000:2005 and ISO 9001:2008).

In 2009, Žemaitijos pienas Company group prepared a joint and integrated management system for food safety and quality (IMSKVS) in accordance to the requirements of the international standards ISO 9001 and ISO 22000 which was certified by the management system certification and technical assessment Company Bureau Veritas Lit on the 30 April, 2009.

Certification field: creation, production and disposal of milk products. The ISO 9001 certificate for the management system shows that the implemented quality management system within the Company ensures an effective management of the Company in accordance to the recognised values and goals worldwide. The ISO 22000 certificate for the of the food safety management system shows that the Company has ensured the safety of its food products throughout the whole manufacturing and disposal chain up to the consumption. In order to ensure the safety and quality of the final product, companies having obtained the ISO 22000 certificate must provide exceptional attention for the production and environment, good hygiene and also to the implementation of good production practices.

Žemaitijos pienas, AB decided to strive for an even higher certification – BRC certification in accordance to the requirements of (Global Food Standard Issue 5 (British Retail Consortium)).

The IMSKVS was amended in accordance to the requirements of the higher BRC standard. At the beginning of 2010, the auditors from the international certification agency Bureau Veritas Certification assessed the compliance of the Žemaitijos pienas, AB cheese–butter and melted–pre-packaged cheese production in accordance to the requirements of the BRC standard, and issued the compliance certificate.

The BRC (Great Britain retail consortium) global standard is used worldwide as an assessment system for various (trading and processing companies) that allows for the production of safe food products and selection of reliable suppliers. BRC global food safety standard is one of the most effective tools usually used for the evaluation of the reliability of the suppliers. Following the achievements of Žemaitijos pienas, AB, Klaipėdos pienas, AB immediately applied for the BRC certification and by the end of the year Šilutes Rambynas AB-F took the same initiative.

In order to showcase its confidence in the quality and food safety systems, the Company, at the beginning of 2012, applied for the 6th version of the so-called "unannounced" audit of BRC Global Standard for Food Safety Issue 6 (Global food safety standard (BRC-British Retail Consortium)). This enables the certification body to conduct an independent, unannounced assessment of the conditions and procedures of the production chain within the Company. No other food product Company in Lithuania is certified in accordance to the requirements of the BRC has obtained this, so-called, certificate with a "plus".

In April, 2012, the Bureau Veritas conducted the audit and issued the FSSC 22000 certificate to the first food product Company in Lithuania Žemaitijos pienas, AB.

FSSC scheme covers the international ISO 22000 food safety standard, essential programmes and additional FSSC requirements established in the ISO/TS 22002-1 standard. Global food safety initiative (GFSI) has fully endorsed the FSSC scheme.

On 10.01.2013, the European Commission has included the "**Samogitian beaten butter**" in **to the register of traditional specialities guaranteed**. This is the fifth Lithuanian product having obtained the name protected by the European Union. Recognition on the EU level grants the ability to label this product with a special EU label with a reference of the "Traditional specialities guaranteed". This indicates that the name of this product is protected from any direct or indirect commercial use, imitation or mimicking and any other activities that may mislead the consumer.

After the increase of the global supply processes and the changes in trade markets, the need for additional assurance of food safety requirement arises. One of the mentioned requirements is the IFS certificate, in order to export the Žemaitijos pienas, AB produced milk products to the shopping centres located in Germany, a Company must obtain the said certificate.

On the 7–15 April, 2014, auditors from the independent certification body Det Norske Veritas assessed the compliance of Žemaitijos pienas, AB IMSKVS to the requirements of IFS and issued the certificate of the highest assessment level to the Company. IFS is an international food safety standard that uses a unified assessment system of selected suppliers. This standard was created in 2003 by the associated members of German retail federation - Hauptverband des Deutschen Einzelhandels (HDE) and its equivalent members in France.

At the beginning of 2015, the auditors of Bureau Veritas Certification audited the IMSKV system in accordance to the requirements of the global standards ISO 22000, FSSC 22000, BRC and also IFS.

On 28-29 January, 2015, the auditor from Bureau Veritas Latvian division assessed our compliance in accordance to the requirements of the 6th version of **BRC** standard (British Retail Consortium). Our compliance received the highest possible mark – A+

On 24-27 March, 2015, the auditor from Bureau Veritas Lithuanian division assessed our compliance in accordance to the **ISO 22000** and **FSSC 22000** requirements. No failures of compliance were recorded during the audit.

On 13-17 April, 2015, the CZ auditor from Bureau Veritas Polish division assessed the compliance of IMSKVS in accordance to the requirements of **IFS** standard. The compliance was evaluated at 95.58 %, which is equal to the highest A level assessment.

In order to remain competitive both in the raw milk procurement and trading markets, the Company is constantly investing to update the equipment implemented within the Company by implementing the most advanced equipment. In 2014, the Company implemented a new processing line for curd snacks, in the same year, the Company designed a new manufacturing workshop for milk powder (valued at more than 6 mln. EUR) which should start its operation in 2016. The Company invests and intends to provide financing to other Company areas (for the intended amount of investments see chapter 13 of this report).

## 11. Important events during the end of the last fiscal year.

At the beginning of 2015, the auditors of Bureau Veritas Certification audited the IMSKV system in accordance to the requirements of the global standards ISO 22000, FSSC 22000, BRC and also IFS.

On 28-29 January, 2015, the auditor from Bureau Veritas Latvian division assessed our compliance in accordance to the requirements of the 6th version of BRC standard (British Retail Consortium). Our compliance received the highest possible mark – A+

On 24-27 March, 2015, the auditor from Bureau Veritas Lithuanian division assessed our compliance in accordance to the ISO 22000 and FSSC 22000 requirements. No failures of compliance were recorded during the audit.

On 13-17 April, 2015, the CZ auditor from Bureau Veritas Polish division assessed the compliance of IMSKVS in accordance to the requirements of IFS standard. The compliance was evaluated at 95.58%, which is equal to the highest A level assessment.

### Awards received in 2015:

- At the International Cheese Awards Nantwich 2015 EST.1897 exhibit, Žemaitijos pienas, AB melted cheese with Provence herbs was awarded the gold medal (2015.07.28).
- At the International Cheese Awards Nantwich 2015 EST.1897 exhibit, Žemaitijos pienas, AB hard cheese „DŽIUGAS 24 mėnesių“ received a diploma (2015.07.28).
- Žemaitijos pienas, AB "Žemaitijos" kephir shake with cranberries and pears. Lithuanian Confederation of Companies. Was awarded the gold medal in the category: Lithuanian product of the year 2015 (2015.12.11).

## 12. Description of the main types of risk and uncertainty that the Company faces

The main factors forming the business risk for the Company are the changes in the raw milk and milk product markets, and also possible political, legal and technological changes that are directly or indirectly associated with the business activities of Žemaitijos pienas, AB which may negatively affect the money flow and operational results of the Company.

Because the Company exports the major part of its manufactured production range and with the addition of the global milk industry crisis that started in 2014 and continued throughout 2015, the Company faces significantly reduced milk product prices in the trading markets and, in addition, the difficulty to forecast the future negatively affects the Company and its financial results. Increasing negative public regulation of the dairy agricultural sector, restrictions on free arrangements for the buying price of raw milk, introduction of new restriction for the relations with milk manufacturers are negatively assessed factors.

The Company specialises in the production of fresh milk and cheese products, the major part of its return is comprised of the return from disposal of these products. Due to this cause, the negative



changes in the demand for fresh milk and cheese product and price changes in the market have and may impact the income, profit and general financial states of the Company. The highest influence for fresh milk product segment is caused by the market within Lithuania and the highest influence for cheese product segment is caused by export markets.

### 13. Analysis of the financial and non-financial performance results and information relating to the environmental and personnel issues.

#### 13.1. Analysis of the financial performance results

The main financial indicators reflecting the state of the Group and Company performance for the years 2015–2014, in thousands. Eur.:

financial indicators	According to the international accounting standards			
	2015		2014	
	Group	Company	Group	Company
Turnover	149.114	144.273	161.164	157.054
Gross margin	36.756	30.131	26.351	22.713
Gross before taxes, interest and amortization	10.446	6.970	7.115	6.670
Gross before taxes	6.516	3.366	3.390	3.667
Amount of the investment in fixed assets	11.201	10.803	6.857	6.396

2015, 2014, 2013 comparison of the amount of purchased raw milk and price

Purchasing of raw milk (recalculated to base richness)	2015	2014	2013
Purchased amount of milk, in thousand tons	361	343	332
Purchasing price, EUR/t	194	244	271

Žemaitijos pienas, AB production sold in Lithuania and export distribution according to the type of product during the years 2015 and 2014 was as follows, in thousands Eur.

Product group name	Turnover in thousand Euro		Comparison of changes for the years 2015 and 2014 %
	2015	2014	
Fermented cheese	54.799	63.508	-13,71%
Fresh milk products	52.818	49.080	7,62%
Butter and smeared mixture of fatty substances	8.514	9.412	-9,54%



Dried milk products	9.146	10.259	-10,85%
Ice cream	48	655	-92,67%
Miscellaneous	18.948	24.140	-21,51%
<b>Total</b>	<b>144.273</b>	<b>157.054</b>	<b>-8,14%</b>

**Group sales** according to the geographical segments (secondary segments) during the years 2015 and 2014, in thousands. Eur.

<b>Sales according to the geographical segments</b>	<b>2015</b>	<b>2014</b>
Lithuania	75.668	81.528
Other Baltic and CIS countries	20.332	32.827
Other European countries	42.355	39.844
Miscellaneous	10.759	6.965
<b>Total:</b>	<b>149.114</b>	<b>161.164</b>

### 13.2. Environment

Žemaitijos pienas, AB, Company producing and selling milk products, in accordance to the established criteria falls under the equipment group specified in the 1st annex of the TIPK environmental permit rules. On 29.12.2006, the Company obtained the permit for integrated pollution prevention and control which is not subject to time limit, however, new developments allow for the correction of said permit. The Company does not impact the environment negatively in such a way that would require immediate actions, however, the Company continuously monitors the performance indicators, plans and introduces new investments that would allow for reduction in the manufacturing, performance and energy expenditures, and would also enhance the environmental condition of the Company in every way possible. Together with the society, we are always ready to resolve any outstanding environmental issues.

The Company is constantly enhancing the implemented integrated quality management and food safety management systems complying with the requirements of the international BRC, ISO 9001, ISO 22000, FSSC (ISO 22000, ISO/TS 22002-1) and IFS standards, and also plans on installing the ISO 14000 environmental management system.

The Company does not negatively impact the environment in any major way. Žemaitijos pienas, AB transfers the polluted drainage for cleaning at the cleaning equipment implemented within the city that were fully reconstructed in 2010 by implementing the investment programme project valued at 12,87 Euro for the Ventos–Lielupės river basin. After the reconstruction of the Telsiai city drainage cleaning facility, the drainage system is also cleaned from nitrogen and phosphorus. In order to comply with the requirements of the EU directives for the cleaning of drainage, Telšių vandenys, UAB is starting the implementation of the project for the construction of sewage sludge treatment equipment that is valued at more than 7,07 mln. Euro.

The Company is not included in the ATL system according to the national allocation plan for emission allowances for the years 2013–2020.

Natural resources are used economically. The impact for the environment is controlled in accordance to the coordinated monitoring programmes. In order to decrease the air pollution for the environment, the Company is constantly renewing its car park. In order to ensure the reduction of pollution from stationary pollution sources, the Company is using the most efficient production methods possible.

The Company has submitted the annual reports for the year 2015 on the amounts of consumed amounts of water and released drainage, released air pollution, consumed chemical materials and preparations, information on F-gases and materials damaging the ozone layer, and reports on the performed environmental monitoring through the AIVIKS database.

The Company has a scenario in place for possible emergencies, their causes and plans for their liquidation, and also has identified the ammonia refrigeration compressor and fuel storage as hazardous objects, and has also conducted risk analysis and assessments in accordance to safety for the identification of hazards and risk.

Waste is treated in accordance to the established environmental requirements, annual reports on waste generation accounts are submitted through the environmental electronic data-filling system. The hazardous and non-hazardous waste present at the Company territory are stored and management in such a way that would remove the possibility of negatively impacting the environment: sorted, storage spaces are indicated accordingly. The Company ensures a timely delivery of collected waste for the waste disposal companies. Žemaitijos pienas, AB conducts secondary material separation from the waste flow and systematically transfers them to waste collectors and recyclers. In 2015, the specialists of the SE Pakuočių tvarkymo organizacijos organized two workshops for the employees of the Company and introduced them to the basics of proper waste sorting at the workplace and home. There are recycle bins dedicated for recycling at the Company premises. This way, the employees are taking a part in creating a nature that is cleaner and more beautiful.

Packaging is an important aspect of Žemaitijos pienas, AB production process. The products are packaged in glass, PET, plastic, paper, combined, wooden and other packages. For waste management, the Company has concluded a contract with the SE Pakuočių tvarkymo organizacija which is responsible for the collection and recycling of packages.

The Company is constantly implementing investment projects during which they are implementing new and modern technologies that allow for a more efficient consumption of energy resources, reduction of the amount of released pollution to the environment and application of the following environmental measures:

- On 12 June, 2012, Žemaitijos pienas, AB submitted information for an investment project for the implementation of the equipment of Žemaitijos pienas, AB acid whey recycling line for reducing the amount of produced waste to the Lithuanian environmental investment facility (LAAIF). - In 2014, the Company completed the I<sup>st</sup> stage of the said project and received the first element of the grant, and in April, 2015, the Company completed the II<sup>nd</sup> stage (and the project as a whole) and received the second element of the grant.
- In 2014, the Company completed the boiler room modernisation project, and constructed 10 MW steam boilers operating on wood, this way, the Company managed to change the fuel source for the operation of the boiler from gas to a renewable energy source. After the reconstruction, the Company started the operation of the new biofuel boiler leaving the natural gas consumption as a reserve fuel.
- In March, 2015, Siauliai RAAD harmonised the conclusion of the assessment of the environmental impact for the construction of the drying rooms for milk powder. The practice of the most efficient production methods possible are applied during the drying process of the flour that allow to reach the limit values of 5-20 mg/Nm<sup>3</sup> of released air pollution for dry dust. Investment implementation period: 2015–2016.
- In July, 2015, the Company completed the project for the reconstruction of water purification filters that allow to ensure high quality of drinking water provided for the production.

- In 2015, the Company cleaned the traps for rain, mud and oil, and also the sewer trails.

### 13.3. Aspects of the human resource policy

The Company aims to create and develop long-term relations with its employees, especially during the unfavourable period in the job market, i.e., lack of qualified personnel. Therefore, the employees are constantly encouraged to grow as professionals. The employees at the Company have the ability to improve their knowledge and skills during workshops and training courses. The Company has training programmes in place for training and evaluating specialists, production workers, machinists, operators, locksmiths, foreman, and shift foreman.

Professional training during the reference period

No.	Work/training name	Number of trained employees
1.	Number of trained employees according to the introductory training course	288
2.	Number of trained and attested employees according to the continuing training course	81
3.	Number of trained (continuing training) production workers according to the continuing training course	-
4.	Number of employees that were trained by specialists during internal training	593
5.	Trained employees during external training at the Company premises (purchased service)	424
6.	Number of newly attested production foreman and foreman	3
7.	Number of employees trained on the safety issues	50
8.	Number of employees trained for work with new equipment	77
9.	Number of employees attending external training (courses, workshops, conferences)	233
10.	Prepared training programmes	8
	Total:	1757

Major focus is devoted for foreign language training. The employees are trained during courses organized by the Company and other training and development forms, foreign language skills are enriched in foreign countries.



### 13.4. Employees

According to the Žemaitijos pienas, AB collected data on 31 December, 2015, the number of employees at the Company was 1197, in comparison to the data collected in 2014, the number of employees increased slightly, the number of employees in 2014 was 1192.

The average number of employees at Žemaitijos pienas, AB during the last fiscal year:

	2015.12.31	2014.12.31
Average number of employees	1197	1192

Grouping of employees according to their education

Number of employees	2015.12.31	2014.12.31
Master's degree	49	39
University education	180	216
Higher education	182	236
Professional education	280	260
Secondary education	424	350
Incomplete secondary education	82	91
Total:	1197	1192

The number of employees at the Žemaitijos pienas, AB according to their respective groups and their average salary according to their respective groups in Euro:

Number of employees according to groups	2015.12.31		2014.12.31		2013.12.31	
	Number of employees	Average salary	Number of employees	Average salary	Number of employees	Average salary
Management board	27	2755	21	2503	22	2056
Specialists	246	1184	239	1027	304	959
Workers	924	755	932	592	881	602
Total:	1197		1192		1205	

Rights and duties of the employees are specified in their staff regulations. There are no specification of special rights and duties in the job contracts for the employees.



According to the data collected on the 31 December, 2015, there were 195 employees at Šilutės Rambynas, AB-F, in comparison with the data collected on the 31 December, 2014, the number of employees increased (there were 179 employees).

Average variation of the Šilutės Rambynas AB-F employees during the last fiscal years:

	2015.12.31	2014.12.31	2013.12.31
Average number of employees	195	179	176

Grouping of Šilutės Rambynas AB-F employees according to their education

Number of employees according to their education	2015.12.31	2014.12.31	2013.12.31
Master's degree	9	8	7
University education	21	20	20
Higher education	27	23	25
Professional education	76	73	71
Secondary education	40	36	35
Incomplete secondary education	22	19	18
<b>Total:</b>	<b>195</b>	<b>179</b>	<b>176</b>

Average salary in Euro of the Šilutės Rambynas, AB-F employees according to the employee group:

Number of employees according to the employee groups	2015.12.31		2014.12.31		2013.12.31	
	Number of employees	Average salary, Euro	Number of employees	Average salary, Euro	Number of employees	Average salary, Euro
Management board	6	2167	4	1913	4	1815
Specialists	43	1178	87	828	71	924
Workers	148	925	88	614	101	569
<b>Total:</b>	<b>197</b>		<b>179</b>		<b>176</b>	

There are no specification of special rights and duties in the job contracts. Neither of Žemaitijos pienas, AB nor Šilutės Rambynas, ABF have a collective agreement.

## 14. References and additional explanations for the data in the annual financial report

The data submitted in the annual financial reporting and the explanatory note is sufficiently detailed and informative, therefore, they are not subject to additional explanation.

## 15. Data on the acquiring of their own shares by the Issuer

During the 2011 fiscal year, Žemaitijos pienas, AB acquired 10 pcs. of Žemaitijos pienas, AB ordinary shares with the nominal value of 1 (one) litas (0,29 euro) per share for 18.00 Litas (5,21 euro) through official sub-market operated by the stock exchange NASDAQ OMX Vilnius.

In December, 2012, the Company acquired 1 360 010 pcs. of shares for 2 992 000 LTL ( 866 543 euro) through NASDAQ OMX Vilnius stock exchange on the basis of commission, all of the Company shares are paid in full. Currently, the Company owns 2 070 621 pcs. of their own shares which comprises 4.28 percent of total shares.

During the year of 2013, the Company acquired 710 610 pcs. of their own shares

The Company did not issue their shares during the reference period.

It should be also noted that the subsidiary undertakings has not acquired any of the Company shares.

## 16. Schemes of operations and forecasts

Žemaitijos pienas, AB long-term goals: to become a technically and technologically modern, competitive, reliable Company that ensures a stable growth, ensure a lucrative market for its products in the European Union and global markets by focusing its attention to the products with high added value, owned trademarks and lasting marketing impact; to sustain the highest level of quality for its products; to fully utilise the available production efficiency; to collect its intellectual capital systematically.

Current main goals of the Company:

- To purchase milk at the current market conditions but not a higher price than other participants in the Lithuanian market;
- To reduce the production expenses and the cost of the products by ensuring a stable and growing product quality, therefore, the main production expenses and product cost reduction areas are negotiations with the main suppliers and the increase of the production efficiency;
- To discontinue production that is not viable economically as soon as possible;
- All of the products must be stored at the warehouses complying with the highest technological standards;
- To increase sales at the suitable prices for the Company. To concentrate on the main basket of the strongest products with owned trademarks and to maintain a part of the internal market that is no less than 20 percent. To be focus on selling of products with higher added value to the end user in export markets;
- To strengthen the marketing function and the Company name by investing in the strengthening of trademarks, their dissemination, and strengthening of user loyalty;
- To reduce the distribution expenses, one of the reduction measures can be shortening of the distribution channels, i.e., reduction of the number of participants in the distribution channel;
- To only encourage workers for the final result and performance of undertaken plans;

- To continuously improve, and update the present technological process equipment and transport infrastructure by aiming at the highest possible efficiency and economy for the production and work quality.

### **17. Information on the research and development activities of the Company**

The Company is constantly investing and seeking for methods to ensure a stable growth of income and a more efficient operation. The Company is also highly focused on the development of new projects. In order to achieve the said goal, the Company is collaborating with scientists.

The Company highlights the high quality of its products and the added value for the consumer, therefore, the Company is constantly collaborating with various institutions, foreign and Lithuanian experts, conducts laboratory testing for its products, improves their recipes and strengthens the exclusivity of its products. The tests are of continuous method, in large, aimed at the improvement of the current product basket.

In order to achieve the highest operating standards, application of the most advance operating methods and innovative attitude towards both the production technology and business management, and also to the separate Company management and operation processes, the specialists at the Company are constantly improving their knowledge and skills by attending foreign placements, exhibitions, communicate with major suppliers in horizontal integration of the good production practice methods not only in their own production and logistic processes but also by starting the integration of the mentioned innovations from the production processes and products of the supplier.

### **18. Information on the financial instruments of the Company**

The assets of Žemaitijos pienas, AB comprises from financial measures reflected by TAS: shares of affiliate undertakings. The Management board of the Company assesses that by taking the operational results, their variation tendencies, and market possibilities in to the account, that there currently is no risk for the depreciation of the shares of these companies. Žemaitijos pienas, AB abides by a conservative policy of financial measures application, therefore, the risks of credits, money flow, liquidation is not present or it is materially negligible. Currently, there are no hedges in place, there is a limited application of long-term financial measures present, these measures comprise only of financing leases with an exceptionally favourable conditions.

The main risk of the Company is that the debtors control the liquidity of the Žemaitijos pienas, AB undertakings through trade credit or other insurance form almost for the whole turnover of the export.

An Audit committee is formed and operating at the Žemaitijos pienas, AB that assesses the main risks, provides the Management board with suggestions and controls their implementation, thus, increasing the active and passive reliability of the Company.

Information on the financial risk of the Issuer is provided in the explanatory note of the annual financial reporting.

## **II. OTHER INFORMATION ON THE ISSUER, ITS SHAREHOLDERS, AND OTHER MEMBERS OF THE ISSUER**

### **19. Structure of the authorized capital of the Issuer**

The registered capital at the legal persons register is 48 375 000. The capital is divided in to 48 375 000 pcs. of ordinary registered shares with a nominal value of 0.29 Euro per share.

On the 31 December, 2015, the authorised capital of Žemaitijos pienas, AB was comprised of:

Class	Number of shares (pcs.)	Nominal value per share (EUR)	Total nominal value (EUR)	Share of authorized capital (%)
Ordinary registered shares	48 375 000	0.29	14 028 750	100

All shares are fully paid up and are not subject to any transfer restrictions.

## 20. All of the restrictions for transferring of securities

Transferring (possession) of securities is not subject to any restrictions.

## 21. Shareholders

On 31 December 2015, there were 3 148 shareholders present at the Company. All of the issued shares grant the shareholders identical rights specified in the Law on Companies of the Republic of Lithuania and the articles of association.

Shareholders holding shares by the right of ownership or managing more than 5 percent of the Žemaitijos pienas, AB authorized capital and votes:

No.	Shareholder	2015		2014	
		Number of shares, pcs.	Part of ownership, percent	Number of shares, pcs.	Part of ownership, percent
1.	Algirdas Pažemeckas	21 589 380	44.63	21 589 380	44.63
2.	SEB SA OMNIBUS, Luxembourg	3 413 962	7.06	3 413 962	7.06
3.	Danutė Pažemeckienė	3 025 820	6.25	3 025 820	6.25
4.	Klaipėdos pienas, AB, Company code 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
	<b>Total:</b>	<b>48 375 000</b>	<b>100.00</b>	<b>48 375 000</b>	<b>100.00</b>

**Transfer of securities is not subject to any restrictions.** The shareholders exercise their pecuniary and non-pecuniary rights and have their duties that are specified in the Law on Companies of the Republic of Lithuania and the articles of association.

**Restrictions for voting rights.** All of the shares of the Company granting the right to vote have an equal nominal value, each share grants one vote in the general meeting of shareholders.



## 22. Rights of the shareholders

The shareholders of the Company are entitled by law and other legislation to the following pecuniary and non-pecuniary rights:

### **Shareholders of the Company are entitled to the following pecuniary rights:**

To receive a share of the income (dividend) of the Company; receive a share of the assets of the liquidated Company; to receive shares free of charge if the authorized capital is increased with Company funds, except for the cases established by law; in cases where the shareholder is a natural person, to leave all or part of the shares to a single or several successors; to sell or transfer by any other means all or part of the shares, and other pecuniary rights that are available according to the legislation for the ownership of other persons according to the terms and conditions described by law;

### **Shareholders of the Company are entitled to the following non-pecuniary rights:**

To participate in meetings; to vote in said meetings according to the rights granted by owned shares; to receive non-confidential information on the economic performance of the Company; to elect and to be elected to the management and control bodies of the Company, to occupy any position within the Company, unless specified otherwise by the Law of Companies of the Republic of Lithuania and articles of association; to provide specific suggestions for the improvement of financial, economic, organizational, etc. operations of the Company, to appeal any actions or decisions of the shareholder meeting, monitoring council, Management board and the Head of the Company that are in violation of the laws of the Republic of Lithuania, articles of association, pecuniary and non-pecuniary rights of the shareholders to the court. One or more shareholders, without the need of separate power of attorney, have the right to request compensation for the caused damages and other non-pecuniary rights specified in the law.

To the knowledge of the Issuer, there are currently no separate agreements between the shareholders in place that would limit the transferring of securities and/or voting rights and any other obtained special rights.

The person is entitled to all of the rights and duties that are provided to them by the owned Company, part of the authorized capital and/or voting right: in case of the increase of the authorized capital: from the day of the registration of the changes to the related articles of association to the increase of the authorized capital and/or voting rights; in other cases: from the appearance of the ownership rights to the part of the authorized capital of the Company and/or voting rights.

## **23. Shareholders entitled to special supervision rights and the description of said rights**

Currently, there are no shareholders entitled to special supervision rights present at the Company.

## **24. All of the voting right restrictions.**

Currently, there are no shareholders with limited voting right and/or having other restrictions or systems according to which the pecuniary rights granted by securities are separate from the ownership of securities.

## **25. All of the agreements between the shareholders that could limit the transfer of securities and/or voting rights that are known to the Issuer**

To the knowledge of the Issuer, there are currently no separate agreement between the shareholders in place that would limit the transferring of securities and/or voting rights.

## **26. Procedure for changing the articles of association of the Issuer**

Žemaitijos pienas, AB operates in accordance to the laws of the Republic of Lithuania, Government orders and other regulatory enactments regulating Company operation, law on the stock exchange and the articles of association.

Articles of association of Žemaitijos pienas, AB are changed in accordance to the procedures established by the legislation.

## **27. Bodies of the Issuer**

Bodies of the Issuer: general shareholder meeting, Supervising council, Management board and the Head of the Company (Director–General), Audit committee is also present at the Company. Managing bodies of the Company: Management board and the Head of the Company.

The Supervising council at the Company is a collegial supervising body supervising the operation of the Company. The Council is chaired by the President. The Council is comprised of 3 members that are elected for four years at the general shareholder meeting. Currently, there is no clause in the articles of association limiting the number of mandates for a single member of the council.

The Management board is a collegial management body representing the shareholders of the Company during the period between their meetings and adoption of the decisions relating to the key issues of the economic performance of the Company. The procedures of the Management board are defined by its adopted management regulations. The Management board is comprised of 5 members. The Management board elects the members for the Supervising council for no longer than four years. The number of their mandate is not subject to limitations. The Management board is chaired by the president whose elected from the members of the Management board by itself. The members of the Management board act jointly, their occupation is not specialised.

The Head of the Company is the Director–General which acts under the articles of association, decisions of the general shareholder meeting, decisions of the Management board and other local acts at the Company, the Director–General is not entitled to any specific performance rights at the Company.

The Head of the Company organizes everyday operation of the Company and performs actions necessary for the performance of their functions, implementation of the decisions by the bodies of the Company and ensuring of the Company operation. The Director–General answers and reports regularly to the Management board.

The general shareholder meeting is not entitled to any special rights that are not specified by the legislation.

The bodies of the Company operate in accordance to the laws of the Republic of Lithuania and other requirements established by the legislation and articles of association. The bodies of the Company are elected, appointed and removed in accordance to the regulations of the said documents.

The bodies of the Issuer have no exclusive and/or special rights for specifying the regulation, releasing and acquiring the securities of the Issuer, in such cases they are only entitled to the rights that are granted by the legislation.

### **General shareholder meeting and its rights**

to change and amend the articles of association; to elect and dismiss the audit Company, members of the Supervising council; to approve the annual financial statement, the submitted Company operation report

by the Management board; to adopt the decision to increase the authorised capital; to adopt the decision to decrease the authorised capital; to adopt the decision to release convertible bonds; to adopt the decision to change the class or type of the Company shares to a different one, to approve the procedure for changing the shares; to adopt the decision for the Company to obtain its own shares; to adopt the decision to convert, liquidate or cancel the liquidation of the Company; to adopt the decision to reorganize the Company and to approve the project for reorganization of the Company (conditions). In accordance to the cases established by the law, the decision on reorganisation and acquisition methods can only be adopted by the Management board; to adopt the decision for the distribution of the profits; to adopt the decision to create reserves, except for revaluation reserves. The shareholders of the Company are not subject to the entitlement of any special rights or duties at the Company.

## 28. Management and supervising bodies of the Issuer

Bodies of the Issuer: Management board (collegial) and the Head of the Company (a single person – Director–General) Supervising body: Supervising council, an Audit committee is also present at the Company. Managing bodies of the Company: Management board and the Head of the Company.

The Supervising council at the Company is a collegial supervising body supervising the operation of the Company. The Council is chaired by the President. The Council is comprised of 3 (three) members that are elected for four years at the general shareholder meeting. Currently, there is no clause in the articles of association limiting the number of mandates for a single member of the council.

Supervising council powers and liability:

To elect and dismiss the members of the Management board. In cases where the Company is operating at a loss, the Supervising council shall evaluate if the members of the Management board are qualified for their current position; supervise the operation of the Management board and the Head of the Company; submit suggestions and responses on the strategy of the operation, annual financial statement, project for the profit distribution, and operation reports of the Company including the operation of the Management board and the Head of the Company to the general shareholder meeting; defines (harmonises) the submitted monthly/quarterly limits by the Management board for the manufactured production designed for advertisement for the buyers at no additional costs and intended for the analysis and/or development of the specified market, and to approve them after the end of the said quarter; provide suggestions to the Management board and the Head of the Company to terminate their decisions that are in violation of the laws and other legislations, articles of association and the decisions of the general shareholder meeting; solve other supervision issues of the Company and its management bodies operation that are assigned to the competencies of the Supervising council by the articles of association, including decisions of the general shareholder meeting; defines the salary of the Head of the Company, in cases where the Head of the Company is a member of the Management board; on the request of the Management board resolves the issue on the termination of a job contract of a member of the Supervising council currently employed at the Company.

The Management board is a collegial management body representing the shareholders of the Company during the period between their meetings and adoption of the decisions relating to the key issues of the economic performance of the Company. The procedures of the Management board are defined by its adopted management regulations. The council is comprised of 5 (five) member (according to the articles of association), currently, there are actually only four members present at the Management board. The members of the Management board are elected for no longer than four years by the Supervising council, currently, there are no special conditions specified for the election and dismissal for the members of the Management board. The number of their mandate is not subject to limitations. The Management board is chaired by the president whose elected from the members of the Management board by itself.



The Management board weighs and approves:

Operation strategy of the Company; management structure and employee duties; positions that are appointed by a competition-based evaluation; provided that the Supervising council agrees, specifies and approves the assortment and the amount of the manufactured production intended for that month that will be advertised to the buyers at no additional cost in order to analyse and/or develop the specified market; regulation of the branches and representative offices of the Company; staff regulations and salaries of the Director-General and their assistants.

The Management board elects and dismisses the Head of the Company. The Management board approves the submitted suggestions by the Head of the Company for the position of their assistants and other occupations that are evaluated on a competition basis.

The Management board analyses and assesses the material submitted by the Head of the Company on:

The implementation of the operation strategy of the Company; organization of the operation of the Company; financial state of the Company; operation results, estimates of the income and expenditure, accounting information on the changes to the inventory and other assets; application and collection methods for the financial resources; Company transactions.

The Management board analyses and assesses the project for the annual financial statement and profit distribution submitted by the Head of the Company, and in cases where these projects are approved, submits them to the general shareholder meeting. The Management board specifies the applied calculation methods and guidelines for the depreciation of tangible assets and the amortization of intangible assets.

The Management board shall call timely general shareholder meetings, ensure the preparation of the list for the owners of ordinary registered shares, drawing up of the timetable for the general shareholder meeting, submitting of the annual financial statement, profit distribution project and operation report of the Company and any other information necessary for weighing in on the issues of the timetable.

The Management board, without the approval of the general shareholder meeting, shall adopt the decisions on the following issues:

Decisions for the Company on becoming a founder, participant of other legal persons; decisions to establish branches and representative offices of the Company; decisions on investments, transfers and lease of the fixed assets with the carrying value of more than 1/20 of the authorized capital of the Company; decisions on mortgaging of the fixed assets with the carrying value of more than 1/20 of the authorized capital of the Company; decisions on couching and underwriting for the obligations of other persons of the amount larger than 1/20 of the authorized capital of the Company; decision on obtaining fixed assets for the amount that is larger than 1/20 of the authorized capital of the Company; decision on the conditions and/or projects for the restructuration and reorganisation of the Company (companies); Accession of the Company in association, groups and/or consortium and withdrawal from them; to allocate funds for charity, healthcare, culture, education, body awareness and sports, and also for the liquidation of natural disasters and emergency situations; to specify the amount of the fund for the expenditures for the Head of the Company; other decisions assigned to the Management board by the articles of association and decisions of the general shareholder meeting.

The Head of the Company is the Director-General which acts under the articles of association, decisions of the general shareholder meeting, decisions of the Management board and staff regulations of the administration.

The Head of the Company organizes everyday operation of the Company and performs actions necessary for the performance of their functions, implementation of the decisions by the bodies of the Company and ensuring of the Company operation. The Director-General answers and reports regularly to the Management board.



The bodies of the Company operate in accordance to the laws of the Republic of Lithuania and other obligations specified to them by legislation and articles of association. The bodies of the Company are elected, appointed and dismissed in accordance to the regulations of the said documents.

Head of the Company and administration:

The Head of the Company is the Director-General which acts under the articles of association, decisions of the general shareholder meeting, decisions of the Management board and staff regulations of the administration. The Director-General is elected and removed by the Management board. The election of the Director-General can be made on a competition basis. The work contract for the Director-general is signed by the president of the Management board. The work contract for the Director-General which is also the president of the Management board is signed by the appointed member of the Management board. In cases where the Director-General is not a member of the Management board, the Director-General shall participate in meeting of the Management board in an advisory capacity.

Head of the Company (Director-General):

Manages the administration section of the Company; conducts transactions on behalf of the Company within the limits of their competency; represents the Company in relations with third persons, at court and arbitration. The director-General is entitled the right to represent the Company from the day that is specified in the work contract; opens and closes Company accounts in banking establishments; prepares and submits the Company management structure, occupation lists, salary and promotion for work systems to the Management board; prepares the project for the signing of the share contract; employs and terminates employment contracts with the employees, concludes and terminates work contracts with them, evaluates their results, assigns disciplinary penalties and promotions, including material type penalties and promotions; establishes the internal rules of procedure, approves the regulation for the Company divisions and the staff regulation for the administration; issues permits for the performance of said functions that are within the limits of their competency; calls the general shareholder meeting, organises it, prepares the projects for the necessary documents of the general shareholder meetings in accordance to the Law of Companies of the Republic of Lithuania; ensures the safety of the Company assets and commercial secretes; performs other functions established by the law and these articles of association; disposes of the Company assets, including monetary assets.

The Director-General answers and reports regularly to the Management board.

Composition of the Supervising council:

Name, Last name	Occupation at the Issuer	Number (pcs.) of owned shares and part (%) of the authorised capital	Start of the mandate	End of the mandate	Employed at Žemaitijos pienas, AB since
Romusas Jarulaitis	President of the Supervising council	1 105 510 2.29	08 04 2011	25 04 2018	26 01 1988
Robertas Pažemeckas	Member of the Supervising council Director-General	-	08 04 2011	25 04 2018	26 08 2002

**CONSOLIDATED ANNUAL REPORT  
FOR ONE YEAR, ENDING WITH 31 DECEMBER 2015**

Gražina Norkevičienė	Member of the Supervising council	-	25 04 2014	25 04 2018	20 09 1978
----------------------	-----------------------------------	---	------------	------------	------------

Structure of the Management board:

Name, Last name	Occupation at the Issuer	Number (pcs.) of owned shares and part (%) of the authorised capital	Start of the mandate	End of the mandate	Employed at Žemaitijos pienas, AB since
Algirdas Pažemeckas	President of the Management board Consultant	21 589 380 44.63	07 02 2014	07 02 2019	26 12 1986
Marius Dromantas	Member of the Management board, Director–Logistics	-	07 02 2014	07 02 2019	01 12 2003
Dalia Gecienė	Member of the Management board Senior accountant	475 160 0.98	07 02 2014	07 02 2019	29 07 1986

Administration:

Name, Last name	Job title	Number of shares (pcs.)	Share of authorized capital (%)
Robertas Pažemeckas	Director–General	-----	-----
Dalia Gecienė	Senior accountant	475 160	0.98

Calculated and paid amounts related to the employment relationship for the Head of the Company and the senior accounting officer during the reference period. The specified persons were not subject to any commitments or guarantees, transfers of assets and any other property rights.

During the year 2015, no monetary funds were calculated and paid to the management bodies for their operation at the Management board or Supervising council.

During the year 2015, the Issuer did not award the bodies of the Company (Management board, Supervising council, Head of the Company) and also the senior accounting officer any bonuses nor

dividends or any other payments from the operation profit of the Issuer. The said subject are not subject to any significant material obligations to the Issuer or vice versa.

No commitments or guarantees and/or any other obligation assurance measures for the members of the management and supervising bodies for the assurance of the performance of the obligations for these subjects were issued on behalf of the Issuer during 2015, in addition, the Issuer did not provide any loans to the mentioned subjects.

### Audit committee at the Company

An Audit committee comprised from three persons: Angelė Taraškevičienė (president), Stanislava Vaičienė and Daiva Katarskienė (members) is present at the Žemaitijos pienas, AB.

Name, Last name	Place of employment Job title Authorization	Number of shares (pcs.) Of the Issuer	Start of the mandate at the committee	End of the mandate at the committee
Angelė Taraškevičienė	Head of the Vertybių auditas, UAB	-----	26-04-2013	Until removed by the elected body of the Company
Stanislava Vaičienė	Žemaitijos pienas, AB Accountant	-----	26-04-2013	Until removed by the elected body of the Company
Daiva Katarskienė	Accountant– accounting clerk at the Žemaitijos pienas, AB	-----	26-04-2013	Until removed by the elected body of the Company

The key function of the Audit committee is to be the advisory body for the Supervising council; The key task of the Audit committee is to increase the efficiency of the Supervising council at the finance area of the Company, to help in ensuring that the decisions are adopted only after a proper and impartial consideration. By performing the mentioned functions, the Audit committee provides recommendations relating to the selection of the external Company audit, appointment, repeated appointment and dismissal and also the conditions for the contract with the audit Company to the Management board of the Company, supervises the performance of the external audit process, assesses the compliance of the external auditor and audit Company with the impartial and objective principles, supervises the drafting process for the financial reports of the Company, performs other functions in accordance to the legislation of the Republic of Lithuania and recommendations of the management code of listed companies at the Vilnius stock exchange.

It should also be noted that there are no other committees established at the Company.

### III. OTHER INFORMATION RELATED TO THE ISSUER

**29. All of the significant agreements of which one of the parties is the Issuer and that would come in to effect, would change or disband due to the change in the**



### **control of the Issuer, in addition, their impact, except in cases where due to the nature of the agreement, would cause major damage to the Issuer if disclosed**

Currently, there are no agreements of which one of the parties is the Issuer and that would come in to effect, would change or disband due to the change in the control of the Issuer.

### **30. All of the agreements between the Issuer and the members of its bodies for compensation, in cases where they would resign or would be dismissed without a justified cause or if their occupation would be terminated due to the change in the control of the Issuer**

Currently, the Issuer has not entered in to any agreements with the members of its bodies for compensation, in cases where they would resign or would be dismissed without a justified cause or if their occupation would be terminated due to the change in the control of the Issuer.

### **31. Transactions of the Issuer**

During the year 2015, no significant transactions or transactions unusual to the ordinary performance on behalf of the Issuer with third parties or other subjects took place.

In addition, the Issuer has not concluded any transactions that would cause any significant changes relating to the Issuer and/or any negative altercations for the Issuer in case of changes in the control of the Issuer.

Currently, there are no unusual and/or significant concluded agreements to the bodies of the Issuer, members of the committee and employees for compensation due to the termination of the rights for the members of the body and occupation in the body due to specific reasons.



Moreover, to the knowledge of the Issuer there are no concluded transactions that would raise a conflict of interests between the Company and the Management board, between the Management board and the shareholders or between separate management members of the Issuer.

### **32. Information on the Compliance of the Company management code**




















Žemaitijos pienas, AB is acting in accordance to the requirements of the management code for listed companies at the Vilnius stock exchange, information on the compliance of this documents is provided in a separate annex that is an integral part of this consolidated annual report.

### **33. Information on the public information**

During the reference period of 2015, the Company published a large amount of significant events and events related to Žemaitijos pienas, AB.

Date	Market	Company	News	Language
30.11.2015 20:00	VLN	ŽEMAITIJO PIENAS, AB	Žemaitijos pienas, AB preliminary operation result for the month of September, 2015 Attachments: 	en
31.08.2015 18:00	VLN	ŽEMAITIJO PIENAS, AB	Žemaitijos pienas, AB preliminary operation result for the month of June, 2015 Attachments: 	en
31.05.2015	VLN	ŽEMAITIJO PIENAS,	Žemaitijos pienas, AB preliminary operation result for the first three	en




Date	Market	Company	News	Language
15:00		AB	months of 2015 Attachments: 	
27.04.2015 09:38	VLN	ŽEMAITIJO PIENAS, AB	<u>CORRECTION: Decisions of the 24.04.2015 Žemaitijos pienas, AB general shareholder meeting (amended profit/loss report)</u> Attachments: 	en
24.04.2015 20:00	VLN	ŽEMAITIJO PIENAS, AB	<u>Decisions of the 24.04.2015 Žemaitijos pienas, AB general shareholder meeting</u> Attachments:     	en
24.04.2015 17:10	VLN	ŽEMAITIJO PIENAS, AB	<u>Žemaitijos pienas, AB annual information</u> Attachments:   	en
24.04.2015 17:00	VLN	ŽEMAITIJO PIENAS, AB	<u>Person's announcement on the entitlement of voting right</u> Attachments: 	en
24.03.2015 17:00	VLN	ŽEMAITIJO PIENAS, AB	<u>On the calling, timetable and decision project for the general shareholder meeting</u> Attachments:       	en
28.02.2015 17:15	VLN	ŽEMAITIJO PIENAS, AB	<u>Unaudited preliminary operation results of the Žemaitijos pienas, AB group for the year 2014.</u> Attachments: 	en

Source -

[http://www.nasdaqomxbaltic.com/market/?issuer=ZMP&market=&legal%5B%5D=main&legal%5B%5D=firstnorth&start\\_d=1&start\\_m=1&start\\_y=2014&end\\_d=31&end\\_m=6&end\\_y=2014&keyword=&pg=news&lang=lt](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=lt)<sup>1</sup>

Announcement on the essential events after the end of the reference period:

Date	Market	Company	News	Language
29.02.2016 18:00	VLN	ŽEMAITIJO PIENAS, AB	<u>Unaudited preliminary operation results of the Žemaitijos pienas, AB group for the year 2015.</u> Attachments: 	en
07.01.2016 14:16	VLN	ŽEMAITIJO PIENAS, AB	<u>On the interim financial reports</u>	en

Žemaitijos pienas, AB informed the Vilnius stock exchange (NASDAQ Vilnius) on all of the essential events that took place in accordance to the regulatory enactments of the Republic of Lithuania. All of the announcements are published at the Central base of regulated information and the Company website at [www.zpienas.lt](http://www.zpienas.lt).

#### IV. OTHER INFORMATION

##### 34. Important events that occurred during the end of the fiscal year.

29-02-2015, Unaudited preliminary operation results of the Žemaitijos pienas, AB group for the year 2015.

Unaudited consolidated turnover of Žemaitijos pienas, AB for the year 2015: 149.1 mln. Euro, compared to the year of 2014 the turnover decreased by 7.5 percent.

The unaudited net profit of the Žemaitijos pienas, AB group for the year 2015 comprises 4.05 percent from the turnover.

### 35. Data on the audit

The audit of the 31st of December, 2015, on the consolidated balance and the related consolidated profit (loss) , money flow and the changes in the owned capital report for the financial year that ended for the Žemaitijos pienas, AB (group) is performed by the Grant Thornton Baltic, UAB in accordance to the contract signed on 19 September, 2014.

There is no additional information that should be disclosed in accordance to the law regulating Company operation, other legislation or articles of association that was not disclosed in this annual announcement and annual financial reports.

Annual report signed  
15 March 2016

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

Robertas Pažemeckas  
Director-General

Dalia Gecienė  
Senior accountant

A handwritten signature in blue ink, appearing to read "D. Gecienė".

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

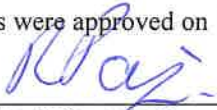
**STATEMENTS OF FINANCIAL POSITION  
AS OF 31 DECEMBER 2015**


(All amounts in EUR thousands unless otherwise stated)

ASSETS	Notes	The Group		The Company	
		31 12 2015	31 12 2014	31 12 2015	31 12 2014
<b>Non-current assets</b>					
Intangible assets	5	124	192	124	191
Property, plant and equipment	5,6	25.601	18.292	23.033	15.739
Investment assets	5,6	147	174	1.160	1.229
Investments into subsidiaries	1	1	1	3.152	3.152
Loans granted	7	877	4.706	877	4.706
Other financial assets		27	16	27	16
Deferred income tax asset	23	3.047	1.451	2.696	1.406
<b>Total non-current assets</b>		<b>29.824</b>	<b>24.831</b>	<b>31.069</b>	<b>26.439</b>
<b>Current assets</b>					
Inventories	8	26.091	24.944	23.987	22.817
Prepayments		360	722	345	697
Trade accounts receivable	9	12.628	10.344	12.089	9.918
Other accounts receivable	10	1.111	1.215	1.060	1.071
Cash and cash equivalents	11	10.223	7.018	4.827	6.224
<b>Total current assets</b>		<b>50.414</b>	<b>44.244</b>	<b>42.308</b>	<b>40.727</b>
<b>TOTAL ASSETS</b>		<b>80.238</b>	<b>69.075</b>	<b>73.377</b>	<b>67.166</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Capital and reserves</b>					
Share capital	12	14.029	14.010	14.029	14.010
Own shares (-)		(1.323)	(1.323)	(1.323)	(1.323)
Legal reserve		1.401	1.401	1.401	1.401
Other reserves		4.566	4.566	4.566	4.566
Retained earnings		38.070	32.417	34.085	30.848
<b>Equity attributable to equity holders of the Company</b>		<b>56.742</b>	<b>51.071</b>	<b>52.757</b>	<b>49.502</b>
Minority interest		990	654	-	-
<b>Total Equity</b>		<b>57.732</b>	<b>51.725</b>	<b>52.757</b>	<b>49.502</b>
<b>Non-current liabilities</b>					
Grants received	13	1.595	2.133	1.397	1.785
Borrowings	14	-	-	-	-
Obligations under finance lease	15	-	32	-	32
Deferred income tax liability		-	-	-	-
Other current liabilities	23	2	5	2	5
<b>Total non-current liabilities</b>		<b>1.597</b>	<b>2.170</b>	<b>1.399</b>	<b>1.822</b>
<b>Current liabilities</b>					
Borrowings	14	-	-	-	-
Obligations under finance lease	15	32	75	32	75
Trade accounts payable	17	12.566	11.550	13.759	12.433
Income tax payable		622	244	159	244
Other accounts payable	18	7.689	3.311	5.271	3.090
<b>Total current liabilities</b>		<b>20.909</b>	<b>15.180</b>	<b>19.221</b>	<b>15.842</b>
<b>Total liabilities</b>		<b>22.506</b>	<b>17.350</b>	<b>20.620</b>	<b>17.664</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>80.238</b>	<b>69.075</b>	<b>73.377</b>	<b>67.166</b>

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

The financial statements were approved on 15 March 2016 and signed by:

  
Robertas Pažemeckas  
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 2015**

(All amounts in EUR thousands unless otherwise stated)

	Notes	The Group		The Company	
		Jan-Dec 2015	Jan-Dec 2014	Jan-Dec 2015	Jan-Dec 2014
Sales	19	149.114	161.164	144.273	157.054
Cost of sales		(112.358)	(134.813)	(114.142)	(134.341)
<b>GROSS PROFIT</b>		<b>36.756</b>	<b>26.351</b>	<b>30.131</b>	<b>22.713</b>
Operating expenses	20	(30.719)	(23.490)	(27.533)	(19.875)
Other operating income and expenses	21	306	332	634	735
<b>(LOSS) PROFIT FROM OPERATIONS</b>		<b>6.343</b>	<b>3.193</b>	<b>3.232</b>	<b>3.573</b>
Finance costs		(1)	(12)	(1)	(12)
Other financial income and expenses	22	174	209	135	106
<b>(LOSS) PROFIT BEFORE TAX</b>		<b>6.516</b>	<b>3.390</b>	<b>3.366</b>	<b>3.667</b>
Income tax (benefit) expense	23	(531)	(753)	(129)	(766)
<b>NET (LOSS) PROFIT</b>		<b>5.985</b>	<b>2.637</b>	<b>3.237</b>	<b>2.901</b>
<b>ATTRIBUTABLE TO:</b>					
Equity holders of the Company		5.650	2.669	3.237	2.901
Minority interest		335	(32)	-	-
		<b>5.985</b>	<b>2.637</b>	<b>3.237</b>	<b>2.901</b>
Basic and diluted earnings per share (EUR)	25	0,12	0,06	0,07	0,06

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

The financial statements were approved on 15 March 2016 and signed by:

  
 \_\_\_\_\_  
 Robertas Pažemeckas  
 General Director

  
 \_\_\_\_\_  
 Dalia Gecienė  
 Senior accountant



**STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2015**  
(All amounts in EUR, in thousands, unless otherwise stated)

The Group	Share capita	Own shares (-)	Legal reserve	Reserves for own shares	Other reser- ves	Retained earnings	Equity	Minorit- y interest	Total
<b>Balance as of</b>									
<b>31 December 2013</b>	14.010	(1.323)	1.401	4.345	221	29.748	48.402	686	49.088
Dividends	-	-	-	-	-	-	-	-	-
Transfer to other reserves	-	-	-	-	-	-	-	-	-
The use of reserves	-	-	-	-	-	-	-	-	-
Acquisitions of own shares	-	-	-	-	-	-	-	-	-
Subsidiary company liquidation result	-	-	-	-	-	-	-	-	-
<i>Net profit</i>	-	-	-	-	-	2.669	2.669	(32)	2.637
<b>Balance as of</b>									
<b>31 December 2014</b>	14.010	(1.323)	1.401	4.345	221	32.417	51.071	654	51.725
Dividends	-	-	-	-	-	-	-	-	-
Transfer to other reserves	-	-	-	-	-	-	-	-	-
The use of reserves	-	-	-	-	-	-	-	-	-
Acquisitions of own shares	-	-	-	-	-	-	-	-	-
Subsidiary company liquidation result	-	-	-	-	-	-	-	-	-
The share capital increase in conversion to the euro	19	-	-	-	-	-	19	-	19
The daughter share capital conversion to the euro	-	-	-	-	-	3	2	1	3
<i>Net profit</i>	-	-	-	-	-	5.650	5.650	335	5.985
<b>Balance as of</b>									
<b>31 December 2015</b>	14.029	(1.323)	1.401	4.345	221	38.070	56.742	990	57.732

The accompanying explanatory notes are an integral part of these consolidated financial statements and financial statements:  
The financial statements were approved on 15 March 2016 and signed by:



Robertas Pažemeckas  
General Director




Dalia Gecienė  
Senior accountant

**STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2015**  
(All amounts in EUR, 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 2013</b>	<b>14.010</b>	<b>(1.323)</b>	<b>1.401</b>	<b>4.344</b>	<b>221</b>	<b>27.948</b>	<b>46.601</b>
Dividends	-	-	-	-	-	-	-
Transfer to reserves	-	-	-	-	-	-	-
Reserves used	-	-	-	-	-	-	-
Acquisition of own shares	-	-	-	-	-	-	-
<i>Net profit</i>	-	-	-	-	-	<b>2.901</b>	<b>2.901</b>
<b>Balance as of 31 December 2014</b>	<b>14.010</b>	<b>(1.323)</b>	<b>1.401</b>	<b>4.344</b>	<b>221</b>	<b>30.848</b>	<b>49.502</b>
Dividends	-	-	-	-	-	-	-
Transfer to reserves	-	-	-	-	-	-	-
Reserves used	-	-	-	-	-	-	-
Acquisition of own shares	-	-	-	-	-	-	-
The share capital increase	19	-	-	-	-	-	19
The result of the conversion to the euro	-	-	-	-	-	-	-
<i>Net profit</i>	-	-	-	-	-	<b>3.237</b>	<b>3.237</b>
<b>Balance as of 31 December 2015</b>	<b>14.029</b>	<b>(1.323)</b>	<b>1.401</b>	<b>4.344</b>	<b>221</b>	<b>34.085</b>	<b>52.757</b>

The accompanying explanatory notes are an integral part of these consolidated financial statements and financial statements:  
The financial statements were approved on 15 March 2016 and signed by:

  
Robertas Pažemeckas  
General Director

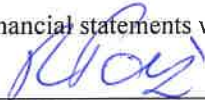
  
Dalija Gecienė  
Senior accountant

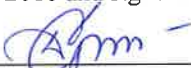
**CASH FLOW STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**  
(All amounts in EUR thousands unless otherwise stated)

	The Group		The Company	
	Jan-Dec 2015	Jan-Dec 2014	Jan-Dec 2015	Jan-Dec 2014
<b>Cash flow from operating activities</b>				
Profit (loss) for the period	5.985	2.637	3.237	2.901
<b>Adjustments:</b>				
Depreciation and amortization	3.949	6.568	3.604	2.992
Amortization of grants received	(565)	(764)	(416)	(248)
Gain (loss) on disposal of non-current assets	(32)	(85)	(26)	(80)
Corporate income tax expenses	(1.595)	(786)	(1.290)	(432)
Impairment of accounts receivable	3.612	83	3.612	83
Impairment of property, plant and equipment	-	-	-	-
Impairment of inventories to net realizable value	1.620	(1.095)	1.518	(1.125)
Net financial expenses (income)	(173)	(197)	(134)	(93)
Elimination of non-cash items	2.680	122	762	427
Loss from liquidation of subsidiaries	-	-	-	-
Net cash flows from ordinary activities before changes in working capital	<b>15.481</b>	<b>6.483</b>	<b>10.868</b>	<b>4.425</b>
<b>Changes in working capital:</b>				
(Increase) decrease in inventories	(2.767)	8.797	(2.689)	7.221
(Increase) decrease in trade receivables	(2.285)	(2.056)	(2.171)	(822)
(Increase) decrease in prepayments	362	(284)	352	(268)
(Increase) decrease in other receivables	103	66	10	(103)
(Decrease) increase in trade payables	1.016	2.409	1.326	3.824
(Decrease) increase other accounts payable	1.697	(1.232)	1.418	(1.128)
Corporate income tax paid	378	(587)	(85)	(587)
<b>Net cash flows from operating activities</b>	<b>13.985</b>	<b>13.595</b>	<b>9.029</b>	<b>12.562</b>
<b>Cash flows from (to) investing activities</b>				
Acquisition of intangible assets and property, plant and equipment.	(11.201)	(6.857)	(10.803)	(6.396)
Proceeds on sale of property, plant and equipment	76	318	71	307
Acquisition of subsidiaries	-	-	-	-
Sale of investments available for sale	-	-	-	-
Repayment of loans granted	912	1.215	912	1.747
Loans granted	(691)	(3.984)	(691)	(3.984)
Interest received	136	121	136	121
<b>Net cash flows (to) investing activities</b>	<b>(10.767)</b>	<b>(9.187)</b>	<b>(10.376)</b>	<b>(8.205)</b>
<b>Cash flows from (to) financing activities</b>				
Acquisition of own shares	-	-	-	-
Dividends, bonus paid	-	-	-	-
Grants received	27	1.101	27	981
Loans received	-	2.653	-	2.652
Repayment of loans	-	(3.107)	-	(3.107)
Financial lease payments	(75)	(123)	(75)	(123)
Interest paid	(1)	(12)	(1)	(12)
Other financial (income) and expenses	37	83	(1)	(16)
<b>Net cash flows from financial activities</b>	<b>(13)</b>	<b>595</b>	<b>(50)</b>	<b>375</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>3.205</b>	<b>5.003</b>	<b>(1.397)</b>	<b>4.732</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>7.018</b>	<b>2.015</b>	<b>6.224</b>	<b>1.492</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>10.223</b>	<b>7.018</b>	<b>4.827</b>	<b>6.224</b>

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

The financial statements were approved on 15 March 2016 and signed by:

  
Robertas Pažemeckas  
General Director

  
Dalia Gecienė  
Senior accountant