ŽEMAITIJOS PIENAS AB

Independent Auditor’s Report,
Consolidated Annual Report,
Financial Statements,
and Consolidated Financial statements
for the year ended 31 December 2021

CONTENTS

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of AB ŽEMAITIJOS PIENAS

Report on the Audit of the Company's and Consolidated Financial Statements

Opinion

We have audited the accompanying separate financial statements of AB ŽEMAITIJOS PIENAS, a public limited liability company registered in the Republic of Lithuania (hereinafter the Company), and the consolidated financial statements of AB ŽEMAITIJOS PIENAS and its subsidiary (hereinafter the Group), which comprise the Consolidated and company's statements of financial position as at 31 December 2021, and the Consolidated and company's statements of comprehensive income, the Consolidated and company's statements of changes in equity and the Consolidated and company's statements of cash flows for the year then ended, and the notes to the Consolidated and company's statements, including significant accounting policies and explanatory information.

In our opinion, the accompanying Consolidated and company's financial statements present fairly, in all material respects the separate and consolidated financial position of the Company and the Group as at December 31, 2021, and their separate and consolidated financial performance and separate and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public – interest entities (regulation (EU) No 537/2014 of the European Parliament and of the Council). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the requirements of the Law on Audit of Financial Statements of the Republic of Lithuania that are relevant to audit in the Republic of Lithuania, and we have fulfilled our other ethical responsibilities in accordance with the Law on Audit of Financial Statements of the Republic of Lithuania and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Inventory net realizable value and allowance for obsolescence

Inventories of the Company and the Group amount to EUR 41 302 thousand and EUR 43 426 thousand, respectively, before impairment allowance and to EUR 41 056 thousand and EUR 42 871 thousand, respectively, after impairment allowance as of 31 December 2021 (Note 9). This is significant to our audit since it is a material figure for the Company and the Group comprising 32,14 % or the Company's and 32,09 % the Group's total assets, and requires management judgment in assessing whether the carrying value of some inventories is not higher than their net realizable value at the balance sheet date. There is also management judgment required in determining the inventory obsolescence allowance, as it is based on management's assessment of historical and forecast of particular inventory sales, physical obsolescence rates and other relevant factors.

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Among other audit procedures, we have gained an understanding of how management evaluates inventory net realizable value and calculates allowance for obsolescence. We have reviewed the calculations of inventory net realizable value, which was performed by the management of the Company and the Group based on review of subsequent sales after the year-end. We have also tested the ageing of the inventories and the computation of the obsolescence level. Further, we have also analyzed various obsolescence related information and management's forecast of future sales, applied in the calculations of impairment allowance. Finally, we have evaluated the adequacy of the Company's and the Group's disclosures included in Note 9.

Other information

The other information comprises the information included in the Consolidated and company's annual report, including Company's Corporate Governance Code Compliance Report, Remuneration statement and Consolidated Social Responsibility Report, but does not include the financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, except as specified below.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

In addition, our responsibility is to consider whether information included in the Consolidated and company's annual report, including Corporate Governance Code Compliance Report and Remuneration statement, for the financial year for which the financial statements are prepared is consistent with the financial statements and whether annual report has been prepared in compliance with applicable legal requirements. Based on the work carried out in the course of audit of financial statements, in our opinion, in all material respects:

- The information given in the Consolidated and company's annual report, including Corporate Governance Code Compliance Report and Remuneration statement, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- The Consolidated and company's annual report, including Corporate Governance Code Compliance Report and Remuneration statement, has been prepared in accordance with the requirements of the Law on Consolidated Financial Reporting by Groups of Undertakings of the Republic of Lithuania and the Law on Financial Reporting by Undertakings of the Republic of Lithuania.

We also need to check that the Corporate Social Responsibility Report has been provided. If we identify that Consolidated Social Responsibility Report has not been provided, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Law of the Republic of Lithuania on accounting and financial reporting, and Business Accounting Standards/International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's consolidated financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In accordance with the decision made by shareholders meeting on August 02, 2021 we have been chosen to carry out the audit of Company's financial statements and Group's consolidated financial statements for the year 2021 and 2022. Our appointment to carry out the audit of Company's financial statements and Group's consolidated financial statements in accordance with the decision made by shareholders meeting has been renewed every two years and the period of total uninterrupted engagement is four years.

We have been chosen for the first time on June 07, 2019 to carry out the audit of Company's financial statements and Group's consolidated financial statements for the year 2019 and 2020.

We confirm that our opinion in the section 'Opinion' is consistent with the additional report which we have submitted to the Company and Audit Committee.

We confirm that in light of our knowledge and belief, services provided to the Group are consistent with the requirements of the law and regulations and do not comprise non-audit services referred to in Article 5(1) of the Regulation (EU) No 537/2014 of the European Parliament and of the Council.

In the course of audit, we have not provided any other services except for audit of financial statements.

Report on the compliance of format of the consolidated and the company financial statements with the requirements for European Single Electronic Reporting Format

We have been engaged based our agreement by the management of the Company to conduct a reasonable assurance engagement for the verification of compliance with the applicable requirements of the European single electronic reporting format of consolidated and company financial statements, including Consolidated and company's annual report, for the year ended 31 December 2021 (the "Single Electronic Reporting Format of the consolidated financial statements").

Description of a subject and applicable criteria

The Single Electronic Reporting Format of the consolidated and company financial statements has been applied by the management of the Company to comply with the requirements of art. 3 and 4 of the Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (the "ESEF Regulation"). The applicable requirements regarding the Single Electronic Reporting Format of the consolidated financial statements are contained in the ESEF Regulation. Furthermore, the Company has voluntarily performed the marking of the separate financial statements in accordance with the requirements applicable to the consolidated financial statements

The requirements described in the preceding paragraph determine the basis for application of the Single Electronic Reporting Format of the consolidated and company financial statements and, in our view, these requirements constitute appropriate criteria to form a reasonable assurance conclusion.

Responsibilities of management and those charged with governance

The management of the Company is responsible for the application of the Single Electronic Reporting Format of the consolidated and company financial statements that complies with the requirements of the ESEF Regulation.

This responsibility includes the selection and application of appropriate markups in iXBRL using ESEF taxonomy and designing, implementing and maintaining internal controls relevant for the preparation of the Single Electronic Reporting Format of the consolidated and company financial statements which is free from material non-compliance with the requirements of the ESEF Regulation.

Those charged with governance are responsible for overseeing the financial reporting process.

Our responsibility

Our responsibility was to express a reasonable assurance conclusion whether the Single Electronic Reporting Format of the consolidated and company financial statements complies with the ESEF Regulation.

We conducted our engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) 'Assurance Engagements other than Audits and Reviews of Historical Financial Information' (the ,,ISAE 3000 (R)"). This standard requires that we comply with ethical requirements, plan and perform procedures to obtain reasonable assurance whether the Single Electronic Reporting Format of the consolidated financial statements is prepared, in all material aspects, in accordance with the applicable requirements. Reasonable assurance is a high level of assurance, but it does not guarantee that the service performed in accordance ISAE 3000 (R) will always detect the existing material misstatement (significant non-compliance with the requirements).

Summary of the work performed

Our planned and performed procedures were aimed at obtaining reasonable assurance that the Single Electronic Reporting Format of the consolidated financial statements was applied, in all material aspects, in accordance with the applicable requirements and such application is free from material errors or omissions. Our procedures included in particular:

- obtaining an understanding of the internal control system and processes relevant to the application of the Single Electronic Reporting Format of the consolidated financial statements, including the preparation of the XHTML format and marking up the consolidated financial statements;
- verification whether the XHTML format was applied properly;
- evaluating the completeness of marking up the consolidated and company financial statements using the iXBRL markup language according to the requirements of the implementation of single electronic format as described in the ESEF Regulation;
- evaluating the appropriateness of the Group's' use of XBRL markups selected from the ESEF taxonomy and the creation of extension markups where no suitable element in the ESEF taxonomy has been identified; and
- evaluating the appropriateness of anchoring of the extension elements to the ESEF taxonomy.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Conclusion

In our opinion, the Single Electronic Reporting Format of the consolidated and company financial statements for the year ended 31 December 2021 complies, in all material respects, with the ESEF Regulation.

The engagement partner on the audit resulting in this independent auditor's report is Arvydas Ziziliauskas.

Auditor
Arvydas Ziziliauskas
March 21, 2022
Jonavos str. 60C, Kaunas

Auditor's certificate No. 000467
Grant Thornton Baltic UAB
Audit firm certificate No. 001513

CONSOLIDATED AND COMPANY'S

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER, 2021

CONTENTS

(All amounts in EUR thousands unless otherwise stated)

I.GENERAL INFORMATION

Reporting period for which the report is developed

Consolidated semi-annual report are prepared and provided for period of 2021, moreover, the report contains the significant events occurred after the end of the reporting period. This document refers to ŽEMAITIJOS PIENAS, AB (hereinafter referred to as the Company or Issuer), Šilutės Rambynas, ABF (hereinafter referred to as the Group Company or Associated Company), and in cases when facts on both Companies are described and/or specified, the Companies shall refer to as the Companies of the Group.

Brief history of the Company

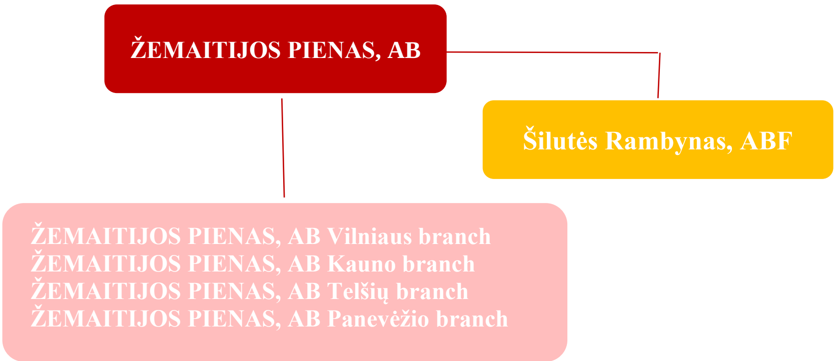
The beginning of ŽEMAITIJOS PIENAS, AB dates back to 1924, when Telšiai dairy plant of high capacity was incorporated. In the end of 1984 Telšiai dairy plant activity moved to new premises and operated until opening and privatization of Telšiai cheese plant which was one of the largest in the Baltic States. ŽEMAITIJOS PIENAS, AB was registered in the Register of Legal Entities on 23 June 1993 in Telšiai District Board and on 16 October 1998 it was re-registered in the Ministry of Agriculture of the Republic of Lithuania. Upon the decision of the General Meeting of Shareholders of 1 May 2004, it was reorganized by way of division, separating a part of assets, rights and liabilities, and establishing Žemaitijos pieno investicija, AB. Upon the decision of the General Meeting of Shareholders of 18 December 2019, the Company was reorganized by merging the Public Limited Liability Company Baltijos mineralinių vandenų kompanija, which after the merging on 10 January 2020 was deregistered from the Register of Legal Entities.

Company information and contact details

Name of the Company:	**Stock company ŽEMAITIJOS PIENAS**
Legal status:	Stock company
Company code:	180240752
VAT number:	LT802407515
Authorized share capital:	13,448,750 EUR
Address:	Sedos g. 35, Telšiai, Lietuva
Telephone number:	+ 370 444 22201
Fax number:	+ 370 444 74897
E-mail address:	info@zpienas.lt
Internet site:	www.zpiennas.lt
Stock trading code:	ZMP1L
ISIN number:	LT0000121865
LEI number:	5299005U9E85Y55OHK45

Data on AB "ŽEMAITIJOS PIENAS" are collected and stored in the Register of Legal Entities of the State Enterprise Centre of Registers.

STRUCTURE OF THE GROUP



ŽEMAITIJOS PIENAS, AB branches:

Name of the branch	Information
Vilnius Branch	Id. number 123809154, address: Algirdo Str. 40/13,
Kaunas Branch	Id. number 134853981, address: Europos Ave. 36, Kaunas
Telšiai Branch	Id. number 110893017, address: Sedos str. 35, Telšiai
Panevėžys Branch	Id. number 148133399, address: J. Janonio Str. 9,

Branches of the Company fulfil the functions related to sale of goods (dairy products) within the set territory of the branch and take other actions or fulfil orders of the Company.
The Company has no incorporated representative offices.

Associated company – Šilutės Rambynas, ABF

The basic activity of Šilutės Rambynas, ABF is the production and sale of fermented cheese and cheese products, as well as the production and sale of pasteurized cream, pasteurized whey and concentrated whey (NACE: C 10.5. Manufacture of dairy products; C 10.51. Operation of dairies and cheese making). Furthermore, the company provides transportation and storage Services, Services related to servicing of milk buying-up points and other Services.

Name of the company:	Stock company (firm) Šilutės Rambynas
Legal status:	Stock company (firm)
Company code:	277141670
VAT number:	LT714167015
Authorized share	2,493,028.50 EUR
Address:	Klaipėdos g. 3, Šilutė, Lietuva
Telephone	+ 370 441 77442
Fax number:	+ 370 441 77443
E-mail:	info@rambynas.lt

Šilutės Rambynas, ABF has no incorporated branches and representative offices.

Basic objectives and nature of economic activities

The Companies of the Group pursue economic and commercial activities (production, trade, provision of services, etc.) in order to get benefit for themselves and their shareholders. The objectives of the activity are the organisation and pursuing of the activities provided for in the Articles of Association to earn income and profit, satisfy the property interests of shareholders and the interests of employees. Basic activity of ŽEMAITIJOS PIENAS, AB is the development, production (NACE: C 10.5. Manufacture of dairy products; C 10.51. Operation of dairies and cheese making), and sales at Lithuanian and foreign markets of dairy products (fermented cheese and cheese products, pre-packaged cheese and cheese products, processed cheese and cheese products, cream, cream cheese, butter, dairy spreads, mixed spreads, milk fat, pasteurised cream, buttermilk, whey, dried milk products, fresh dairy products (milk, cream, curd, cheese products, yoghurt, desserts, curd cheese, glazed curd cheese, and fermented dairy products)).

According to the ICB (Industry Classification Benchmark) widely used global company activity classification standard, ŽEMAITIJOS PIENAS, AB refers to the companies - everyday consumer goods - food, beverages and tobacco.

II. INFORMATION OF SALES OF SECURITIES BY THE ISSUER AT THE REGULATED MARKET

On 16 July 2004 the Company concluded a contract with Šiaulių bankas, AB, address: Tilžės Str. 149, Šiauliai, under which management of securities accounts of the Company was delegated to Šiaulių bankas, AB competence as of 23 July 2004. The register (accounting) of securities of Šilutės Rambynas is kept by Šiaulių bankas, AB under the contract dated of 16 July 2004.

ŽEMAITIJOS PIENAS, AB shares	
ISIN number:	LT0000121865
Abbreviation:	ZMP1L
List / segment:	Baltic Secondary List
Nominal value:	0.29 EUR
Name of securities:	Ordinary registered shares
Issued number (pcs.):	46,375,000
Listed issued number:	46,375,000
Number of shares with voting rights:	46,375,000
Listing start date:	13-10-1997

Shares listed in supplementary list	13-10-1997
Share capital:	13,448,750 EUR

Only the shares issued by the Company are quoted on the supplementary list of NASDAQ OMX Vilnius (hereinafter referred to as Vilnius Stock Exchange) (Ticker symbol: ZMP1L). Securities of ŽEMAITIJOS PIENAS, AB were first time listed at Vilnius Stock Exchange on 13 October 1997. ISIN code of the securities: LT0000121865.

Below is the schedule of the Company's securities trading on the public exchange, from which it can be seen that from 1 January 2021 until 31 December 2021 the price of the shares decreased during the year, the change at the end of the reporting period is (- 0.11 euros or - 5.76 %). During reporting period, 403,496 units of shares were transferred in transactions. Capitalization of ŽEMAITIJOS PIENAS, AB shares on 31 December 2021 was 83.48 million Euros, compared to 2020 the value of the Company's capital decreased by 6,01 million Euros.

During the reporting period, the sales volumes of shares and their price dynamics are demonstrated in the diagram (see below).

Historical data on shares is presented in the table below (see below):

SECURITY TRADING HISTORY

PRICE	2018	2019	2020	2021	2022
Open price €	1.74	1.52	1.74	1.86	1.81
High price €	2.16	1.89	1.88	2.18	1.84
Low price €	1.42	1.51	1.4	1.7	1.6
Last price €	1.5	1.74	1.85	1.8	1.76
Traded volume	412,420	104,835	119,288	403,496	47,998
Turnover mln €	0.71	0.35	0.21	0.77	0.08
Capitalization mln €	72.56	84.17	89.49	83.48	81.62

Securities of the Issuer have not been sold at other stock exchanges and other organized regulated markets.

Securities (shares) of Šilutės Rambynas, ABF

Šilutės Rambynas, ABF shares	
ISIN number:	LT LT0000109217 LT 0000118945 LT 0000125668
Nominal value:	2.90 EUR
Name of securities:	Ordinary registered shares
Issued number (pcs.):	859,665
Listed issued number:	Non-listed
Number of shares with voting rights:	859,665

Šilutės Rambynas, ABF shares are not traded on the Vilnius Stock Exchange and other organized regulated markets.

ŽEMAITIJOS PIENAS, AB owns 87.82% of Šilutės Rambynas, ABF ordinary registered shares (has both property and non-property rights without any restrictions), Šilutės Rambynas, ABF does not own ŽEMAITIJOS PIENAS, AB shares. Both Companies do not hold shares of each other neither based on orders nor on other contractual bases.

Dividends

The Ordinary General Meeting of Shareholders of ŽEMAITIJOS PIENAS, AB of 2 April 2021 decided to allocate part of the profit to employee bonuses in the amount of EUR 900,000 and annual bonuses of raw material suppliers in the amount of EUR 1,000,000 and did not pay dividends to the shareholders. The shareholders of Šilutės Rambynas, ABF also did not pay dividends, and the shareholders of both Companies decided not to pay bonuses.

Authorised capital

As of 31 December 2021 the authorised capital of ŽEMAITIJOS PIENAS, AB consisted of:

Type of shares	Number of shares (pcs.)	Nominal value (EUR)	Total nominal value (EUR)	Share of the authorized capital (%)
Ordinary registered shares	46,375,000	0.29	13,448,750	100

All shares of the Company are fully paid up and were not the subject to restrictions on stock reassignment (in so far as the Issuer knows) over the course of the reporting period. The Issuer is unaware of any individual agreements between the shareholders, which may result in restrictions on stock reassignment and (or) voting rights. According to the data available to the Company there are no shareholders who would have special control rights.

As of 31 December 2021, the authorized capital of Šilutės Rambynas, ABF consisted of:

Type of shares	Number of shares (pcs.)	Nominal value (EUR)	Total nominal value (EUR)	Share of the authorized capital (%)
Ordinary registered shares	859,665	2.90	2,493,028.50	100

All Šilutės Rambynas, ABF shares are fully paid up and are subject to no restrictions on stock reassignment (in so far as the Issuer knows). The Issuer is also unaware of any individual agreements between the shareholders, which may result in restrictions on stock reassignment and (or) voting rights. According to the Company's knowledge there are no shareholders who would have special control rights.

Acquisition and disposal of own shares

As of 2 April 2021, the General Meeting of Shareholders adopted a decision to allocate a reserve for the acquisition of own shares, as well as established the conditions for the purchase of shares. During the reporting period, the Board of the Company made the decisions to repurchase own shares, and 2,645,999 pcs. of shares were repurchased when implementing the decisions. At the end of accounting period, the Company held 4,637,500 of own shares, which makes up 10,00 % of all listed shares of ŽEMAITIJOS PIENAS, AB at the NASDAQ OMX Vilnius Stock Exchange.

The shareholders of ŽEMAITIJOS PIENAS, AB have set the main objectives of the share purchase - (i) to ensure the possibility for the shareholders to sell the shares in order to increase, maintain and / or stabilize the liquidity of the Company's shares; (ii) increase, maintain and / or stabilize the market price of the Company's shares; (iii) have the ability to allocate its own shares to stimulate employees of the Company, so that they would contribute to the Company's performance, and to sell their shares to employees of the Company other than employees who are members of the Board or Supervisory Board of the Company or employees who are Shareholders of the Company; (iv) have the opportunity to use own shares in possible exchange processes when the Company acquires shares of other companies or sells them; (v) hold a reserve of own shares which, if necessary, could be used for other specified purposes (or one or more of them) upon decision of the Board of the Company.

It is also important to mention, that during the reporting period, based on the decision of the General Meeting of the Company held on 21 August 21 2021, the authorized capital of the Company was reduced by EUR 580,000, canceling 2,000,000 ordinary registered shares of par value of EUR 0.29. These shares were held by the Company. The purpose of the reduction of the authorized capital is to cancel a part of the shares purchased and owned by the Company.

Following this cancellation, the share capital of the Company decreased to EUR 13,448,750 which is divided into 46,375,000 ordinary registered shares with a par value of EUR 0.29. Prior to the cancellation the Company owned 10 % or 4,836,327 units shares.

During the reporting period, the Company did not dispose its own shares, did not enter into any other transactions, for example, the shares have not been pledged or otherwise restricted, their rights are not the subject to any other limitations or restrictions, there are no disputes or claims regarding these shares.

Šilutės Rambynas, ABF did not purchase own shares; it also does not hold own shares on other basis.

III. OVERVIEW OF ECONOMIC ACTIVITIES OF THE GROUP COMPANIES, RISKS AND OUTLOOK

Product safety and international recognition

ŽEMAITIJOS PIENAS, AB constantly invests in the renewal and modernisation of the equipment of individual production units in order to: optimise production processes, ensure the efficiency of production risk management related to food safety.

The Company was assessed in accordance with the requirements of international food safety and quality management standards:

1. In March 2021, the auditors of Bureau Veritas, UAB performed a remote risk assessment inspection of ŽEMAITIJOS PIENAS, AB to extend the validity term of the certificates ISO22 000/FSSC 22 000 until October 2021;

2. In June 2021, an audit performed by the US Force (NATO) assessed the compliance of the mineral water production unit with the requirements of NATO;

3. In August 2021, Kosher performed a remote audit to verify the compliance of the products with the OU requirements;

4. In August 2021, Bureau Veritas, UAB performed an audit of ŽEMAITIJOS PIENAS, AB regarding the compliance of the mineral water production unit with the BRC requirements.

5. In August 2021, Halal Correct performed a verification of compliance of the products with the Halal requirements;

6. In September 2021, Bureau Veritas, UAB performed a verification of compliance of ŽEMAITIJOS PIENAS, AB with the requirements of FSSC 22 000;

7. In November 2021, Public Institution Ekoagros performed an inspection of the undertaking handling organic products;

8. NBCU performed a remote audit, during which it assessed the compliance of environmental and social responsibility of ŽEMAITIJOS PIENAS, AB regarding the use of the *Minions* image.

The conclusions of the audits: the Company meets the requirements of the certified standards. The audits were carried out without prior agreement of the audit date and plan. ŽEMAITIJOS PIENAS, AB has complied with the requirements of the above-mentioned international food safety standards recognized by the Global Food Safety Initiative (GFSI).

ŽEMAITIJOS PIENAS, AB does not stay behind global sustainability trends. The amount of used wrapping and packaging materials are being optimized:

- changing the construction of corrugated cardboard boxes has facilitated the packaging of products and at the same time abandoned adhesive tape. The changes were made in order to reduce the amount of corrugated board, and at the same time to implement the requirements of the shelves of retail chains;
- Possibilities to reduce the amount of plastic for product packaging are being evaluated;
- Tests are being carried out to convert „7Other“ multi-component plastics into one-component, more recyclable plastics;
- Packaging containing PVC has been abandoned. It has been modified accordingly to the main packaging used;
- After evaluation of logistical properties, corrugated cardboard boxes made of 100% recycled cardboard are used for product packaging;
- Tests are performed to reduce the amount of wrapping / packaging materials for internal use.

ŽEMAITIJOS PIENAS, AB continues to use only green energy for its production processes, which has been continuously purchased since 2017.

Šilutė Rambynas, ABF also pays great attention to ensuring the quality and safety of products. Therefore in 2021 the company worked according to the following integrated food safety and quality management systems:

- Food safety management system in accordance with the requirements of the ISO 22000 standard – since 2009;
- BRC Global Standard for Food Safety (BRC – British Retail Consortium – since 2010 and since 2014 – A + level of unannounced audit);
- Certified according to the requirements of the HALAL standard since 2015;
- EkoAgros – for the production of organic products – since 2007;
- Production of Pik-Nik peelable cheese strings according to VLOG Ohne Gentechnik Standard (GMO-free products) – since 2017;
- IFS Food (International Food Standard) – since 2018;
- FSSC 22000 food safety management system – since 2018.

Investments and on-going investment projects

In 2021, the main goal of the investments made by the Company, as well in previous years, was to increase the Company's competitiveness, to apply and use measures that would solve environmental problems, to improve product quality and working conditions and safety of employees.

The main directions of the investment made focused on the fresh dairy and processed packaged products production unit, i.e., to the development of the curd workshop, modernisation of packaging and refrigeration equipment, development of grated cheese production, which will ensure and allow to improve the quality of the products and will allow to increase the outcome of our production. In addition, the Company invested in the reduction of difficult jobs, automatization and robotization of processes. Moreover, the Company carried out a lot of small-scale operation, repair, programming works, which will improve the safety of works and the technical level of equipment, will reduce the pollution discharged into wastewater and add to the efficient use of energy costs. The aim was to ensure that the equipment and technological processes meet the expectations of the customers and to make the final product delivered to the buyers safer and of better quality. Many years of experience and unique recipes allow us to offer a wide range of excellent taste and high-quality products for our customers to enjoy.

During 2021, the subsidiary Šilutės Rambynas, ABF acquired and put into operation fixed assets for EUR 185,000, when in 2020 assets were purchased for EUR 375,000 (decrease of 51%). Largest purchases are: EUR 44,000 for vehicles; EUR 37,000 for Pik-Nik packaging box labeling line; EUR 21,000 for chlorine dioxide dosing-monitoring system, EUR 19,000 for unloading shed, EUR 63,000 for purchase of various equipment and inventory for cheese production, computer equipment, etc.

Products and trademarks

The Company is constantly evolving; therefore, it can always offer some new products. A new brand introduced in the first half of the year 2021: yoghurt line ACTIFEEL. This line of yoghurts without added sugar and enriched with soluble dietary fibre consists of 3 different flavours:

1. Greek type yoghurt Actifeel, 0,2% fat, 300 g. It is a natural source of protein suitable for daily nutrition;

2. Actifeel yoghurt with inulin, 3,0% fat, 300 g. A source of dietary fibre for excellent intestinal function;

3. Actifeel yoghurt with Spanish sage seeds, 2,7% fat, 300 g. A harmony of taste and nutritional properties in yoghurt.

In order to move forward not only in the development of high-quality, healthy and delicious dairy products, but also in adapting to today's trends in trade, the Company launched a trade on a foreign website. In the first half of 2021, ŽEMAITIJOS PIENAS, AB launched e-commerce through e-commerce company Amazon in the United Kingdom. Hard cheese Džiugas, 180 g, which has received many international awards, is sold directly from the Amazon warehouse. This enables high-quality and fast delivery of products throughout the UK.

In addition, ŽEMAITIJOS PIENAS, AB conducted a study that revealed the benefits of the brand SAULUTĖ: a line of the products with vitamin D. The project took place from 22 January 2021 to 18 March 2021 in all Baltic countries: Lithuania (65 participants), Latvia (57 participants) and Estonia (26 participants). The study was conducted with three products in the line: milk SAULUTĖ with vitamin D, 2.5 fat, 0.9 l, sour cream SAULUTĖ with vitamin D, 30% fat, 400 g. and curd SAULUTĖ with vitamin D, half-fat, 9% fat, 180 g. The project was implemented in four stages:

I. In the first stage, the participants were selected in Lithuania, Latvia and Estonia to take a free vitamin D test;

II. In the second stage, only those participants who had vitamin D deficiency or shortage, established during the first stage, were selected for further study;

III. In the third stage, the participants consumed the sets of dairy products Saulutė with vitamin D for 4 weeks in a row (as to the norms established by the nutritionists and technologists);

IV. In the fourth stage, after 4 weeks of consuming dairy products the participants had to repeat the vitamin D test.

The final results of the study revealed that as many as 70 per cent of those who consumed dairy products Saulutė with vitamin D for 4 weeks in a row had higher amount of vitamin D in their blood. In Estonia, 63 per cent of participants had increased the level of vitamin D in their blood, and in Latvia – 44 per cent of participants had increased the level of vitamin D in their blood. Thus, we are pleased that the project turned out to be a success, and the results obtained positively delighted the employees of ŽEMAITIJOS PIENAS, AB.

In 2021, commemorating the 800th birthday of the warrior DŽIUGAS, ŽEMAITIJOS PIENAS, AB carries out the social campaign Grow With Džiugas and aims to contribute to the noble mission: to commemorate the 800th anniversary of the birth of the legendary mythological Samogitian hero DŽIUGAS. Every child born from 1 May 2021 to 31 December 2021 and given a name of Džiugas, was awarded with a one-off cash prize and a certificate of name.

The traditional festival of DŽIUGAS® cheese called DŽIUGAS DAY, which is organised by ŽEMAITIJOS PIENAS, AB every year, has moved everyone to the virtual space this year. The participants of the festival met each other differently - remotely. However, modern technologies have made it possible to achieve the main goal: to certify the cheese with the help of independent evaluators and to take the participants of the festival on a wonderful journey of legendary cheese flavours. This year, the representatives from as many as six European countries became independent evaluators of hard cheese, with 15 authoritative evaluators from Poland, Germany, France, Croatia, Hungary and England. DŽIUGAS DAY is celebrated on the first Friday of May each year. The sets for the professional evaluation and cheeses for the entertainment tasting with various ingredients compatible with the cheese were sent to all independent cheese evaluators. The virtual DŽIUGAS DAY was broadcasted live with simultaneous translation into English, German, French and Polish. During DŽIUGAS DAY, as many as 4 matured cheese samples were evaluated according to the classic criteria: taste, smell, colour, appearance and consistency. It is gratifying that the distinguished foreign guests could at least virtually feel a part of the taste of Lithuania and Samogitia, whose capital produces the legendary cheese DŽIUGAS®.

Despite the ongoing complicated pandemic situation, ŽEMAITIJOS PIENAS, AB maintains its creative thinking and is able to amaze the world even under such difficult conditions. Recently, the Company's pride legendary cheese DŽIUGAS® has added 9 more international awards to its achievements and now it has 78 of them. In the Great Taste Awards 2021, which took place in the United Kingdom, the gold star was awarded to cheese DŽIUGAS® Delicate, 24 months, 100 g., crumbled.

The Company's cheesemakers have something to offer children as well. In the Smakuje Dzieciom competition, which took place in Poland, the gold medal in the category Clean Label was awarded to Eko DŽIUGAS® for Children, 40 g. The second medal that the Company received in Poland was a silver medal for cheese DŽIUGAS® 12 months, 100 g., crumbled received in the competition Good Cheese.

Cheese DŽIUGAS® enjoyed a real shower of awards in the Advertising and Marketing Forum Baltic Brand Forum 2021, which took place in Riga. The brands of the three Baltic States: Lithuania, Latvia and Estonia, competed in seven categories: most beloved, most sustainable and most humane, fastest growing, most unique, most beloved by media and most beloved brand in all the Baltic countries and in each country separately. Cheese DŽIUGAS® won the second nomination in the category of the Most Beloved Brand in the Baltic States, and the third in Lithuania. These awards to the cheese made with love is a well-deserved reward from our customers.

In the category Most Unique Brand, the portal Delfi in Lithuania awarded a special award for cheese DŽIUGAS®: the fifth nomination. The brands competed in five different categories: quality, uniqueness, value for money, organic nature and social responsibility. Such significant achievements for cheese DŽIUGAS® are brought by the long-term experience of cheese masters gained since 1924. A Samogitian origin, an impeccable taste and, of course, the legend were appreciated by the world. It is nearly a century now that the Company ŽEMAITIJOS PIENAS, AB, located in Telšiai, produces dairy products the best appraisers of which are time and our customers.

From July 15 to September 15, national RAMBYNO® campaigns were held in Lithuania, Latvia and Estonia. During the RAMBYNO® game, the purchase vouchers were registered and the winners of the exclusive and valuable prizes were announced every week. The main prizes of the campaign: speakers, smart watches, wireless headphones and, of course, 180 RAMBYNO® snack sets.

The brand RAMBYNO® has also become a sponsor of the 2021-2022 LKL Championship, thus, the brand integration (during the matches and as advertisements on television) is and will be performed until June 2022.

The brands PIK-NIK® and MAGIJA have partnered with the international company NBC Universal and released packaging with the heroes of the cartoon MINIONS. Packagings were well received in the Baltic states, Poland and Hungary. When purchasing a package of peelable cheese strings PIK-NIK®, the customers would find inside the package the free tattoos with the adventurous characters well known around the world.

Meanwhile, glazed curd cheeses MAGIJA® presented a promotion to customers in Hungary and Poland, during which the customers could win tablets, wireless speakers, branded MAGIJA® sports bags and, of course, glazed curd cheeses.

The sunny and unique brand of ŽEMAITIJOS PIENAS, AB Saulutė + Vitamin D also surprised the buyers of the products under this brand. It is well known that vitamin D is important for the normal functioning of the immune system and good mood, therefore, a new package of 1 kilogram of cottage cheese, supplemented with vitamin D, was introduced to consumers this year! From now on, this curd of a special pearl like consistency will be available to the buyers in a large family packaging! In addition, Saulutė + Vitamin D awarded the most loyal lovers of the brand: in the campaign Sun To Your Home - All Year Round! the buyers could win Saulutė + Vitamin D products with a totally free home delivery.

The brand of a premium quality natural mineral water TICHĖ®, which contains more than 10 different naturally dissolved minerals, such as calcium, magnesium, lithium, sulphates, also delighted the purchasers of the brand with a special national promotion. The TICHĖ® promotion, which took place throughout the summer (from June to August), attracted more than 21,000 participants in Lithuania and Latvia. The promotion that received special attention awarded the lucky ones with the prizes especially suitable for summer entertainment and holidays: high-quality mountain bikes, paddles, volleyballs and TICHĖ® towels.

On the Best New Launch Award elections organized by Nielsen on 2021, spicy pieces of cheddar cheese won 1-st place in Lithuania in the dairy category.

Pik Nik Kids Original was awarded a gold medal in the "Ready to go" category in the Good Cheese competition (Poland) on 2021.

In the Good Cheese competition (Poland) on 2021: Pik-Nik Kids Original was awarded a bronze medal in the children's category "Na długą przerwę" (Long break).

Financial information

The Company has selected the key standard financial indicators for its analysis, which many companies use in their practice to analyse their financial data.
The main financial performance indicators reflecting the activities of the Group and the Company for the years 2021-2020 are as follows:

Financial indicators	The Group			The Company		
	2021	2020	Change, %	2021	2020	Change, %
Turnover, thousand euros	201,246	182,427	***10.3***	200,178	181,394	***10.4***
Gross profitability, %	21.59	22.78	***-5.2***	21.25	22.29	***-4.7***
Net profitability, %	3.99	5.38	***-25.8***	4.03	5.29	***-23.8***
EBITDA, thousand euros	14,734	17,111	***-13.9***	14,403	16,667	***-13.6***
EBITDA profitability, %	7.32	9.38	***-21.9***	7.20	9.19	***-21.7***
ROE profitability, %	8.11	10.18	***-20.3***	8.89	10.89	***-18.4***
ROA profitability, %	6.01	7.58	***-20.7***	6.32	7.97	***-20.7***
Current ratio	2.75	3.26	***-15.5***	2.40	3.08	***-22.1***
Quick ratio	1.04	1.67	***-37.7***	0.92	1.49	***-38.3***
Debt-to-Equity ratio	0.35	0.34	***2.9***	0.41	0.37	***10.8***
Debt ratio	0.26	0.26	***0***	0.29	0.27	***7.4***
Amount of investments in fixed assets, thousand euros	10,755	2,344	***4.6 times more***	10,298	1,977	***5.2 times more***

The indicators presented above are calculated using the following formula:

Gross profitability = gross profit / sales revenue. *Gross profitability (or gross margin) is the ability of a company to earn a profit from its main business, to control the level of sales revenue and cost of sales. The higher the gross margin earned for each euro of sales revenue, the more efficient a company is.*

Net profitability = net profit / sales revenue. *Net profitability ratio is the financial result of a business, one of the most important (if not the most important one) ratios for a business owner. Net profitability, as a ratio of sales revenue and net profit, properly describes ultimate profitability of a company. The monetary value demonstrates the net profit for one euro of sales. A higher value indicates higher profitability of a company.*

EBITDA = Net profit + income tax + interest expense + depreciation and amortization expenses. *Earnings before interest, taxes, depreciation and amortization (EBITDA) are easily calculated by adding income tax and interest expense to net profit, and the amount of depreciation and amortization. This amount is important to separate the cost of financing an entity's operations and the impact of amortization and depreciation. EBITDA profit is often used together or even in place of the value of cash flows.*

EBITDA profitability = EBITDA / sales revenue

ROE profitability = net profit / equity. *The Return on Equity (ROE), also known as Return on Net Worth, is a measure of the efficiency of use of the funds invested by owners. It helps to see how effective is the use of owners' funds. It mainly depends on a company's capital structure. ROE shows how much the management of a company has earned through the use of the company's capital owned by the shareholders.*

ROA profitability = net profit / assets. *Return on Assets (ROA) is a measure of how well the assets are used. Return on assets describes the ability to use all assets in a more profitable manner. It shows the share of total assets recovered in the form of profit. ROA shows how much the management of a company has been able to earn from the total assets used.*

Current ratio = current assets / short-term liabilities. *Current ratio, also known as Current Liquidity ratio, shows the ability of a company to meet short-term liabilities with its current assets. It determines how much current assets exceed short-term liabilities. It defines the ability of a company to cover its short-term liabilities with its current assets. The value shows how much current assets cover a single euro of short-term liabilities.*

Quick ratio = (current assets - inventories) / short-term liabilities. *Critical Liquidity ratio, also known as Quick ratio, shows the ability of company to use promptly (quickly) sold current assets to meet short-term liabilities, which is why the inventories are subtracted from the current assets as low-liquidity assets. It determines how much the most liquid assets exceed short-term liabilities. Critical liquidity determines the ability of a company to meet short-term liabilities using its most mobile (quickly monetizable) assets.*

Debt-to-Equity ratio = amounts payable and liabilities / equity. *Debt-to-Equity ratio, also known as Leverage ratio, shows how much debt there is for each euro of equity. This indicator is also used as an indicator of the capital structure and financial leverage group. In this case, in contrast to the gross solvency ratio, the higher the value of the ratio, the worse a company`s solvency position.*

Debt (Indebtedness) ratio = amounts payable and liabilities / assets. *Indebtedness ratio, also known as Debt ratio, shows how much debt there is for each euro of assets. The lower the value of this indicator, the more the assets cover the debts, which is why banks and other creditors value low debt ratio. This indicator is also used as an indicator of the capital structure and financial leverage group.*

When calculating the financial indicators for the years 2021 and 2020, all changes in the statement of financial position were assessed in accordance with the requirements of IFRS 16. What is more, the amortization of the received support and the depreciation of the assets owned by the right of use were also assessed.

Although in 2021, the sales under the contracts concluded with customers grew, compared to 2020, the Company's gross profitability in 2021, compared to 2020, decreased from 22.29 % to 21.25 %. In 2021, the Group's gross profitability decreased by 5.2 per cent. In 2021, the gross profit of both the Company and the Group decreased due to a significant increase in the average purchase price of raw materials. The increase in production costs was also a result of the shortage of skilled labour force or the demand for higher salary from the existing employees. In addition, oil products are at a higher level than last year, electricity price has almost doubled compared to last year, gas is also more expensive.

The calculation of net profit includes all expenses of the Company and the Group, even those that may not be related to direct activities or may be one-off, as well as estimated expenses such as accruals, depreciation, etc. The net profitability of the Company and the Group in 2021 decreased due to the increase in prices of raw materials, energy resources and the increase in remuneration expenses. The net sales profitability indicator reflects the actual profitability of the sales, taking into account all revenue and expenses.

In 2021, the Company's and the Group's EBITDA decreased by 14 %, if compared to the year 2020, and this was the effect of a decrease in net profit.

In 2021, the current ratio of the Company was 2.40, compared to 3.08 in 2020. In 2021, the current ratio of the Group was 2.75, compared to 3.26 in 2020. The current ratio shows how many times current assets of a company exceed its short-term liabilities. The most acceptable variation of the indicator is in the range of 1.2-2.0. The range limits vary in different industry sectors.

The quick (solvency) ratio of the Company in 2021 was 0.92, compared to 1.49 in 2020. The quick (solvency) ratio of the Group in 2021 was 1.04, compared to 1.67 in 2020. The quick (solvency) ratio shows whether a company could quickly pay off its short-term liabilities from its most mobile (potentially quick to cash) assets. A normal value reads from 0.5 to 1.5, a value lower than 0.5 is considered unsatisfactory.

The debt-to-equity ratio (indicator) of the Company and Group increased in 2021, if compared to 2020. The debt-to-equity ratio, which can be referred to elsewhere as the financial dependency ratio, reveals the capital structure of a company. This is done by comparing the debts of a company with the equity of a company. This solvency ratio is close to the equity-to-debt ratio (constant solvency ratio), the only difference being that it is the opposite, i.e., the numerator and denominator change their places with each other. As a rule, if the value of the indicator does not differ much from the number 1, then a company's condition in terms of solvency is considered normal, the value close to 0.5 is considered as good. It should be noted that the interpretation of the meaning of this indicator is highly dependent on the industry in which the company operates. Let's say that in industries that require large capital investments, even a value of 2 can be considered as good.

In 2021, the debt ratio / coefficient of the Company was 0.29, compared to 0.27 in 2020. The debt ratio / coefficient of the Group did not change in 2021 and 2020. This indicator shows what proportion of borrowed funds is used to form the assets of a company. A lower value of this indicator is considered to be better because then a company is considered to be less risky.

As the Company had financial liabilities in 2021, the Company calculated the *interest coverage ratio.* Interest service ratio is a financial indicator that compares a company's EBIT profit with its interest expenses. This coefficient indicates the ability of a company to redeem its debts. The lower this indicator is, the worse is the situation of a company. The higher this ratio is, the easier it is for a company to cope with its financial leverage. If the interest coverage ratio was close to or below 1, it would signal a critical situation for a company. The interest ratio is calculated as follows:

Interest ratio = EBIT / Interest expense.

The interest (coverage) ratios of the Company and the Group for the year 2021 are higher than 100.

The Company's operating expenses in 2021 accounted for (EUR 34.134 million) 17.05 % from its turnover, whereas in 2020 it accounted for (EUR 29.028 million) 16.0 % from its turnover. In 2021, the turnover of the Company increased by 10.36 % and operating expenses grew by 17.6 %. Operating expenses mainly consisted of remuneration expenses and marketing expenses, which grew at a rapid pace in 2021. In addition to the increase in remuneration, operating expenses increased due to the increase in operating taxes (especially the pollution tax) and other expenses. The Group's operating expenses in 2021 (EUR 35.180 million) accounted for 17.48 % from its turnover, whereas in 2020 (EUR 29.921 million) it accounted for 16.40 % from its turnover. In 2021, the sales of the Group increased by 10.32 %, whereas operating expenses increased by 17.58 % due to higher remuneration, marketing expenses and operating taxes.

Comparison of amounts and prices of raw milk purchased by **ŽEMAITIJOS PIENAS, AB** in 2020 and 2021

Purchase of raw milk (converted to basic content*)	2021	2020	Change when comparing 2021 to 2020, %
Amount of purchased milk, thousand tons	411	392	4.85 %
Milk purchase price, EUR/t	277	242	14.46 %

** The milk purchased is converted into a basic fat and protein content, using a specific coefficient*

ŽEMAITIJOS PIENAS, AB has been paying farmers a competitive price for high quality milk production for many years. Average amount of milk purchased in 2021 amounted to 411 thousand tons, which is 4.85 per cent more than in 2020 (in 2020 – 392 thousand tons). The growth of raw milk purchases in 2021 was related to the structural changes in dairy farms, growth of dairy farms. The amount of milk produced is increasing because the level of entrepreneurship on the farms is increasing.

The average price of converted milk purchased in 2021 is 277 Eur/t and it is 14.46 per cent higher than in 2020 (the price of converted milk purchased in 2020 was 242 Eur/t). One of the reasons for the increase in milk purchase price in 2021 was a favourable situation in the global dairy product market when the milk production figures in many major milk-producing countries are disappointing and the demand for the products is high. Another major reason for the rise in milk prices: rising prices of raw materials for feed, rising prices of energy products, increasing employee remuneration. In recent months, the purchase prices of raw milk in Lithuania have reached an all-time high: the average price was equal to the European Union average, and the price paid to large farms exceeded the average. Since the middle of summer, raw milk prices in Lithuania have been growing faster than in Latvia or Estonia.

For many years, ŽEMAITIJOS PIENAS, AB has based its activities with milk producers on a fair partnership and promoted dairy farm owners who achieve the best milk quality indicators. In 2021, ŽEMAITIJOS PIENAS, AB paid farmers an annual partnership bonus in the amount of EUR 914,815 for the natural milk sold in 2020.

The subsidiary company Šilutės Rambynas, ABF does not buy raw milk directly from dairy farms as it buys raw milk for the production of its products from ŽEMAITIJOS PIENAS, AB.

In 2021, the sales of ŽEMAITIJOS PIENAS, AB Group amounted to EUR 201 million (EUR 201,246 thousand). This is an increase of 10 per cent compared to the year 2020 (in 2020, the sales amounted to EUR 182,427 thousand). In 2021, the sales of the Company amounted to EUR 200 million (EUR 200,178 thousand), which is an increase of 10.36 % compared to the year 2020 (in 2020, the sales amounted to EUR 181,394 thousand).

ŽEMAITIJOS PIENAS, AB receives the largest share of income from Lithuania, which amounts to more than half of all income (50.71 per cent in 2021). The export countries with the highest turnover in 2021 included Poland, Latvia, Germany, Estonia, Kazakhstan, Ukraine, USA. The Company's products are well known all over the world.

The sales of **ŽEMAITIJOS PIENAS, AB** according to geographic segments (secondary segments) in 2020-2021:

Row No.	Geographic breakdown of sales, thousand euros	2021	Per cent from total revenue in 2021	2020	Per cent from total revenue in 2020	Change when comparing 2021 to 2020, per cent
1	Lithuania	101,501	50.71%	94,756	52.24%	7.12%
2	EU countries	61,283	30.61%	51,949	28.64%	17.97%
3	Other countries	37,394	18.68%	34,688	19.12%	7.80%
4	**Total:**	**200,178**	**100%**	**181,394**	**100%**	**10.36%**

The sales of the companies of **the Group** according to geographic segments (secondary segments) in 2020-2021:

Row No.	Geographic breakdown of sales, thousand euros	2021	Per cent from total revenue in 2021	2020	Per cent from total revenue in 2020	Change when comparing 2021 to 2020, per cent
1	Lithuania	99,622	49.50%	93,322	51.16%	6.75%
2	EU countries	63,650	31.63%	53,932	29.56%	18.02%
3	Other countries	37,974	18.87%	35,173	19.28%	7.96%
4	**Total:**	**201,246**	**100%**	**182,427**	**100%**	**10.32%**

In 2021, ŽEMAITIJOS PIENAS, AB exported its products to 47 countries. In spite of unrewarding COVID-19 pandemic, we managed to retain our position and brand awareness in the markets we worked with before the pandemic. In the competitive struggle, we have successfully expanded in the Polish market: consistent awareness building of the brands *Džiugas, PIK NIK, Magija* and *Rambyno* in external communication channels and active sales promotion at the points of sale has yielded some excellent results. We made our preparations for the Brexit process that started in 2021: we continue to work successfully with our customers in England and strengthen our position in the English market. There is an active development in the Croatian and Hungarian markets both in horizontal and vertical dimensions. We are successfully continuing trade (which we started in 2020) in our products in the Spanish market. A good starting point, timely preparations and constant cooperation strengthened the position of the brand PIK NIK in this market. Moreover, we are expanding sales volumes in the Scandinavian countries. To position ourselves in the export markets as strongly as possible, we sign direct contracts with major retail chains, thus striving to meet the needs of the end users as much as possible, ensure product adaptation in the market, the opportunity to work directly with shelf owners. We are closer to our customers, closer to our buyers and sales channels.

As the awareness of our brands grows and the number of sales channels increases, we face the need to improve our service processes, implement the requirements of the individual countries for the product and its storage, initiate and implement advertising projects, i.e., we need to continuously strengthen our management, marketing, technology, personnel management, financial law and other competencies. This is particularly relevant in cooperation with distant markets with unique cultures and traditions, such as, for example, Japan.

Due to rising raw material and production costs, we had faced considerable challenges and difficult negotiations with our Partners on new supply prices in all countries where we supply our products.

The Company's goal is to develop its universal brands with only a minimal adaptation to export markets. With such goal in mind, we are constantly analysing markets and available resources in a global context. Thus, we face significant challenges: to stand out in the context of competitors, to create exceptional benefits for market consumers, to increase the frequency of shopping in each country individually by considering market maturity, traditions, level of competition. Nevertheless, we believe in what we do. We grow in a sustainable manner and do this together with our Partners, markets, Consumers, employees of our Company who create and change our daily lives.

The distribution of products sold by **ŽEMAITIJOS PIENAS, AB** in 2020-2021 by groups of products was as follows:

Row No.	Sales by groups of products, thousand euros	2021	Per cent from total revenue in 2021	2020	Per cent from total revenue in 2020	Change when comparing 2021 to 2020, per cent
1	Fermented and processed cheeses	88,946	44.43%	83,447	46.00%	6.59%
2	Fresh dairy products	59,204	29.58%	61,026	33.64%	-2.99%
3	Butter and spreads	17,535	8.76%	14,658	8.08%	19.62%
4	Dry dairy products	19,148	9.57%	13,628	7.51%	40.51%
5	Other	15,345	7.67%	8,634	4.76%	77.72%
6	**Total:**	**200,178**	**100%**	**181,394**	**100%**	**10.36%**

The distribution of products sold by ŽEMAITIJOS PIENAS, **AB Group** in 2020-2021 by groups of products was as follows:

Row No.	Sales by groups of products, thousand euros	2021	Per cent from total revenue in 2021	2020	Per cent from total revenue in 2020	Change when comparing 2021 to 2020, per cent
1	Fermented and processed cheeses	92,390	45.91%	86,367	47.35%	6.97%
2	Fresh dairy products	59,552	29.59%	61,319	33.61%	-2.88%
3	Butter and spreads	17,535	8.71%	14,658	8.03%	19.63%
4	Dry dairy products	19,148	9.51%	13,628	7.47%	40.50%
5	Other	12,621	6.28%	6,455	3.54%	95.52%
6	**Total:**	**201,246**	**100%**	**182,427**	**100%**	**10.32%**

Other products include sales of raw milk, raw cream, curds, water products and ice cream. Comparing 2021 with 2020, the sales of other products increased by 77.72 per cent. This was due to the increase in the price of raw cream.

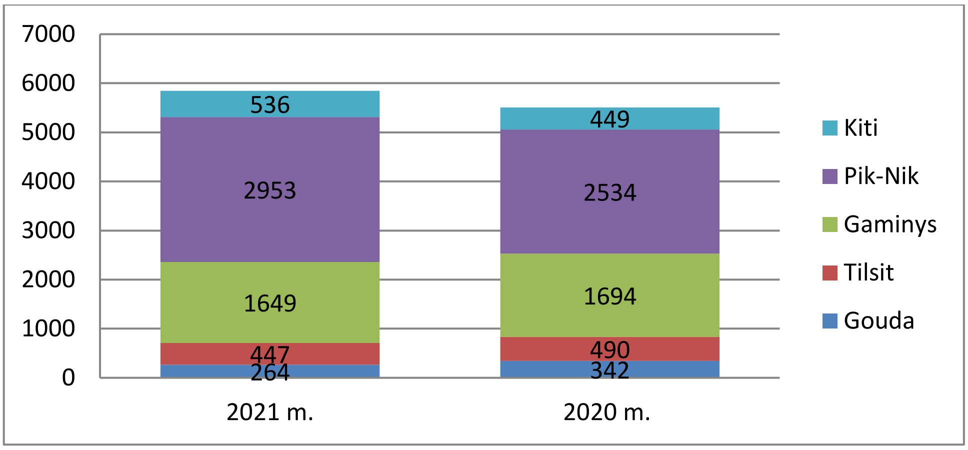
Comparing 2021 with 2020, the sales turnover of butter and spreads increased by 19.62 %. This was a result of the increase in the average sales price of butter and spreads (compared to 2020, in 2021 the average sales price increased by 5.42 per cent). The sales turnover of dry dairy products increased by 40.51 per cent, also as a result of the increase in the average sales price (compared to 2020, in 2021 the average sales price
increased by 21.21 per cent). The sales of fresh dairy products decreased by -2.99 % in 2021 compared to 2020.

Overview of Šilutės Rambynas, ABF activities

The main activity of the company is production of dairy products. Moreover, the company provides rental, transportation, storage, maintenance of milk purchasing points and other services.

The company does not buy raw materials directly from producers - the milk required for production is purchased from ŽEMAITIJOS PIENAS, AB. The purchase price of the raw material is determined according to the formula: milk price plus collection costs of ŽEMAITIJOS PIENAS, AB without transportation costs. In 2021 6,463 tons of natural milk were purchased, while in 2020 – 6,341 tones. The increase is 122 tones or 1.9 %. The price of purchased milk recalculated according to the basic parameters was 287.5 EUR/t, while in 2020 – 239.4 EUR/t, so the price of raw milk increased by 48.1 EUR/t or 20 % during the period. The decrease in the amount of purchased raw material was determined by the reduced demand for the company's products due to the spread of COVID-19 virus.

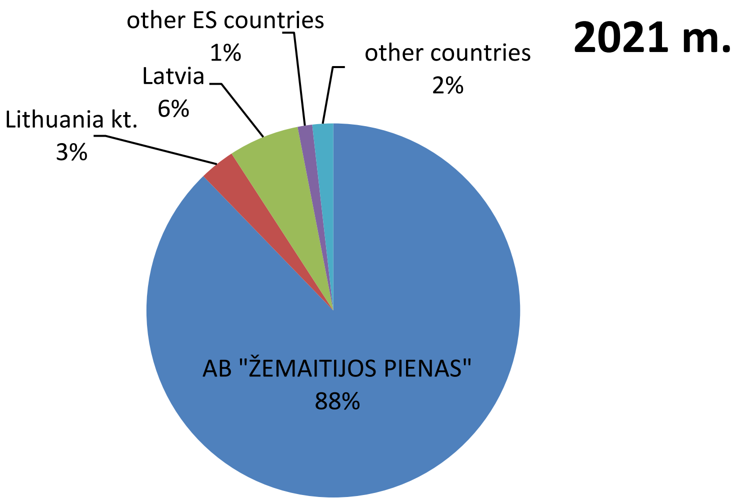
Šilutės Rambynas specializes in the production of cheese. Production volumes in 2020 – 2021 are shown in the diagram below:

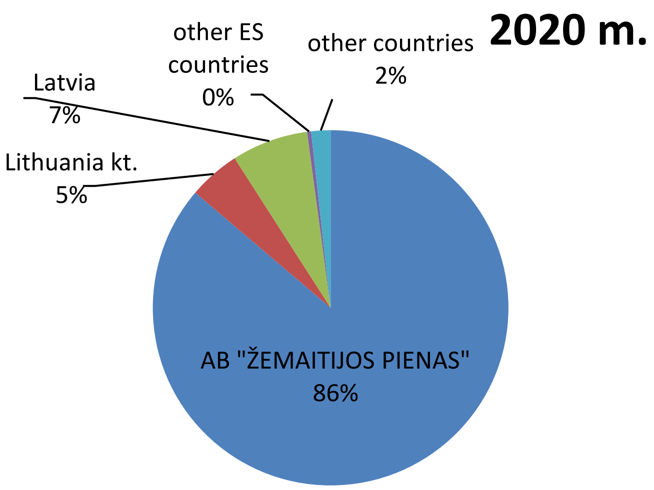


During 2021, 5,849 tons of cheese were produced, or 340 tons (6.2 per cent) more compared to 2020 period. **Production growth was limited by the unfavourable market situation, i. e. declining demand and rapidly rising** raw material prices. The new production line of semi-hard fermented cheeses at ŽEMAITIJOS PIENAS, AB plant also had a significant impact. As a result, production of fermented cheeses (Gouda and Tilsit) continued to decline in 2021, by 14.5 %, from 832 tones to 711 tones. Production of fermented cheese product during 2021 decreased by 45 t or 2.6 %. Meanwhile, the production of ripened cheese sausages increased by 16.5% in the comparative period. from 2,534 t in 2020 to 2,953 t in 2021. Production of other cheeses increased by 19.4%. or 87 t. In both 2020 and 2021 all the raw material was processed into cheeses.

Most of the products produced in Šilutės Rambynas are sold through the parent company - ŽEMAITIJOS PIENAS, AB. During 2021, production was sold for EUR 32,150 thousand or 18.3 % more than in 2020, when sales amounted to EUR 27,180 thousand. The growth in sales was determined by the significant increase in the prices of cheese and raw materials in the second half of the year. In the comparable period, the average price of raw cream with 40 % fat content increased from 1,544 Eur / t to 1,999 Eur / t.

The structure of sales by markets is graphically represented:





Whereas the main sales are carried out through ŽEMAITIJOS PIENAS, AB, the company does not invest separately in marketing. In 2021 insignificant amounts were allocated to the development of sales in the markets of the Middle East.

For the same reason that large sales are carried out through the parent company, the company is not directly exposed to significant risks due to market uncertainty and customer reliability. In order to manage the risk of direct sales, customers are subject to a prepayment system for production or a deferral of payments, but transactions are prohibited within the insurance limit set by the trade credit insurance company "Coface".

Type of risks, their factors and uncertainties, risk management

Information on the extent of risk and risk management, current and potential types of risks, uncertainties, risk mitigation measures and the internal control system implemented in the company is provided in the Company's Governance Report.

Financial and other risks and their management have also been disclosed in Chapter 29 "Financial Risk Management" of the Explanatory Notes to the Annual Audited Financial Statements for the year 2021.

Also should be mentioned, that the Company and the Group companies have Activity and Product and Management Liability Insurance.

Business environment uncertainty, challenges, management of COVID-19 pandemic impact risks

The impact of the COVID-19 pandemic has significantly affected organizations of all sizes in all industrial sectors. Management of Companies has to make complex decisions on operational, financial and strategic issues almost on a daily basis. During 2021, prior to the date of submission of the financial statements, the Company's and the Group's management tried to manage the situation in the circumstances of the COVID-19 pandemic. In order to manage the risks of the COVID-19 pandemic impact on employees, business partners, society and the environment, the Company's and the Group's management regularly reviews and updates the risk management strategy and measures as necessary. Implemented and ongoing measures:

1. Procedures and instructions recommended by the Government of the Republic of Lithuania, the Ministry of Health of the Republic of Lithuania, the State Food and Veterinary Service, the State Labour

Inspectorate, and the Company's Emergency Management Plan have been prepared and updated as necessary. The implementation and effectiveness of the prevention, education, organizational and management measures provided for in the internal regulatory acts are supervised by the appointed responsible managers and specialists of the Company;

2. In accordance with the recommendations of the Ministry of Health of the Republic of Lithuania and the State Labour Inspectorate, an occupational risk assessment has been prepared and is constantly reviewed;

3. Employees and visitors of the Company and the Group are regularly provided with personal protective equipment;

4. In order to avoid and reduce the number of direct contacts, the Company's production employees are provided with free meals to their auxiliary premises, organised access to the Company's territory without meeting with other shift employees, differentiated lunch break time for employees;

5. Electronic systems have been prepared, employees have been provided with the necessary means of communication, employees' remote work from home has been maximized as far as possible, and the number of visitors has been limited;

6. Visitors are admitted only in urgent cases and, if necessary, after having undergone medical tests for COVID-19;

7. Employees of the Company and the Group are regularly instructed on the use of personal protective equipment, compliance with the established rules, specialized training of disinfectants is carried out, teams of disinfectors are formed.

8. Schedules of delivery of raw milk by milk producers to milk purchasing points are compiled. Preventive recommendations have been prepared and distributed to milk suppliers. Only one person delivering milk is admitted to milk purchasing points, if possible, milk is delivered to the point door. The premises of milk purchasing points and their accesses are equipped with disinfectants, and permanent disinfection is carried out. Raw milk sampling devices are treated with hot water. In addition to general protective and preventive measures, milk carriers and laboratory technicians must avoid direct contact with the producers, cleaning and disinfecting the vehicle cab and load compartment is done every day after work;

9. Employees who have been in contact with a person infected or potentially infected with COVID-19, who experience symptoms of the disease and in other internal circumstances are isolated for a specified period of time;

10. The Company has a personal health care institution‘s license issued by the State Health Care Accreditation Agency under the Minitr under the Ministry of Health, which allows independent periodic testingo f employees (performing rapid serological tests for antibodies and SARS-CoV-2 antigen, entering test orders and results into the information systems for Electronic Health Services and Collaboration Infrastructure) at the Company's health care institution (within the Company).

Measures that are implemented on an on-going basis and are relevant in the event of COVID-19 pandemic and other similar situations:

- The reserve of managers formed in the Company and the Group to ensure the replacement of employees - the employees of the Company and the Group, selected and prepared to hold the position of the manager if necessary. Specialists are also trained and assigned the appropriate functions, which they perform during vacations, illnesses of colleagues, and in other cases. A contract has been signed with a company providing staffing services to ensure the replacement of production personnel;

- Efforts are made to maintain the most secure communication tunnel possible between remote workplaces and company resources. This security and maintenance is ensured by the Company's IT team with the help of external specialists and IT auditors. Firewall solutions are constantly updated according to the latest technology. In order to maximize the protection of employee data and Company resources from cyber-attacks and intrusions, which becomes particularly relevant and increases the associated risks when employees are working remotely:

➢ Employees working in remote workplaces can use the Internet only when they are not connected to the Company's resources. To use the Internet, you must first disconnect from the Company's resources;
➢ Antivirus program is constantly strengthened;
➢ Password security measures are reviewed.

The Company and other companies of the Group are insured against general civil liability of the activities and products produced, the insurance cover is valid worldwide.

The situation is constantly monitored and scenarios are forecasted regarding the short-term, medium-term, long-term business prospects of the Company and companies of the Group, social, environmental and financial performance are analysed and projected, the necessary management and organizational decisions are made, including cost optimization.

Unprecedented uncertainty about the economy, future revenue, and many other revenues that are key elements of financial reporting complicates financial reporting and auditing tasks. In preparing the financial statements for 2021, it was necessary to take into account a number of items in the financial statements in the short and, where appropriate, medium term.

The responsibility for the preparation and supervision of the financial statements lies with the management of the companies. The management of the Company and the Group has to make complex assessments and make significant decisions in the current business environment. Particularly important:

- Consistency between the timeliness of the reports and the reliability and integrity of the information they provide that reflects management's best judgment and assessment;
- Appropriate business continuity assessment and disclosure of essential / material uncertainties, if any;
- Correct presentation of the company's results of operations and position, which requires detailed disclosure of the impact of future-oriented information and cash flows;
- Fostering the integrity and transparency of the business environment, which is the basis for trust and ethical decision-making.
- Ensuring effective internal control over financial reporting and emerging risk management.

Business plans and forecasts of the Companies of the Group

When considering the business plans and strategy, the Company's management confirmed that 2022 will be the year of SUSTAINABILITY AND UNDISCOVERED OPPORTUNITIES.. The main goal is to sell the Company's and the Group's products directly to the shelves of strategic foreign countries with their own brands and brands and to ensure that the Company's and the Group's products in their segment are of the highest quality and best meet customer expectations. The products manufactured and sold by the Company in various countries of the world and this makes Lithuania and the region of Samogitia. The Company's goal is to preserve and conserve what's created by finding ways to do things that haven't been tried before.

The Company still seeks to use the opportunities for quick development in the competitive environment.

The long-term goals of Group companies are to become and be strong, competitive, technically modern, reliable, attractive companies for investors, so that the Company's return to shareholders would be one of the largest among equal companies. To find and maintain the most profitable markets for our products in the European Union, the Baltic and other countries of the world by giving priority to the closest markets, as well as to the markets of Germany, France, England, and Hungary. To make maximum possible use of the existing production capacities. To make maximum possible use of the existing production capacities, in addition, the consumer market studies are carried out continually, the consumer demand for new products is taken into account, tastings are carried out, and dairy products are perfected and new products. One more goal is to become as close as possible to a consumer by providing and selling the products directly to a customer.

The essential current objectives and plans of the Company are as follow:

- to purchase milk in accordance with market conditions but not at a higher price than that paid for raw milk by other market participants in Lithuania and purchase high-quality milk only;
- encourage and assist farmers in improving milk quality;
- to increase sales at the prices favourable to the Company;
- to focus on the sales of higher value-added products on export markets.

The lack of skilled labour forces the Company to focus on human resources, so special attention is paid to team building, development of competence and qualification, formation of special skills, revision, and improvement of motivation systems.

Regularly changing and dynamic market of the sale of products and the purchase of raw milk, as well as other factors, force the Group to refrain from publishing the turnover and profit forecasts for the upcoming activity period.

Information of research and development activities of the Company

The Company and its subsidiary (jointly or separately) continuously make investments and seek ways to ensure continuous growth of income and improvement of activity effectiveness. In 2022 the Company plans to allocate up to 15 million euros for investments. All investments are planned to reduce energy costs, improve product quality and for the purchase of new milk carriers.

The goal of the companies is to ensure production and supply of products complying with the highest possible quality standards and creating maximum possible added value, which is why the technologists cooperate with scientists from Lithuanian University of Health Sciences, Vilnius University, Kaunas University of Technology as well as experts from Lithuania and abroad. In cooperation with scientific institutions and foreign laboratories, new products are developed, adapted to the needs of the modern consumer. The development of products aims to consider sustainable raw materials and technologies, and seeks added value for the functionality of products (protein products, products with fibre, vitamins, etc.). The Company's specialists are constantly doing internships in foreign countries, participating in exhibitions, improving their qualifications in training and seminars.

Laboratory tests of products are carried out regularly at the National Food and Veterinary Risk Assessment Institute, Eurofins, Hamilton, KTU MI, LSMU Veterinary Academy and other laboratories. Uninterruptible tests are mainly oriented to improvement of available product cart.

Activities of the Companies of the Group in the field of environmental protection

ŽEMAITIJOS PIENAS, AB, a company that produces and sells dairy products, which, in accordance with the criteria laid down in the Regulations for the issue, amendment and revocation of Integrated

Pollution Prevention and Control Permits, refers to companies that use the equipment subject to a special permit for the performance of its activities in accordance with the above rules. Still in 2006 the Company received an Integrated Pollution Prevention and Control Permit, which is not limited in time, but is the subject to adjustment due to changes. The Company does not have a negative impact on the environment, which should be mitigated by immediate measures, however, the Company constantly monitors its performance indicators, plans and implements the latest technologies that would reduce production and operating costs and energy costs, and improve the Company's environmental condition in every way.

The Company is constantly improving the integrated quality and food safety management system that meets the requirements of international standards BRC, ISO 22000, FSSC (ISO 22000, ISO / TS 22002-1).

ŽEMAITIJOS PIENAS, AB aims to maximize the use of natural resources by various means. As we know, natural resources determine the economic development of countries. Countries that conserve natural wealth have much greater opportunities to develop production, trade and the social sphere. The Company is well aware that its activities can cause significant damage to the environment, and only the complex use of economic, legal, technical, and biological tools can guarantee the rational use of natural resources now and in the future, so environmental impacts are controlled by harmonized monitoring programs. As the Company expands or upgrades its facilities and technology, an environmental impact assessment is carried out to ensure that the Company's development does not exceed the permissible environmental norms, as well as the production wastewater, the quality of biofuels and other factors that may affect the surrounding environment. The Company is constantly updating its fleet to reduce air pollution from mobile sources. To ensure the reduction of pollution from stationary pollution sources, the Company uses the best available production methods.

The waste is managed in accordance with the established environmental requirements, through the through the environmental electronic data collection system GPAIS (waste product package information system). Moreover, the Company provides (forms) quarterly waste accounting reports and shipped exported waste package accounting reports. Within the territory, hazardous and non-hazardous waste is stored and handled in a way that does not adversely affect the environment; Waste is shipped to waste recycling and timely disposal companies. ŽEMAITIJOS PIENAS, AB carries out sorting of packaging at the place of waste generation, presses it and prepares it for recycling. It also separates packaging waste for recycling but is suitable for energy recovery and systematically transmits this waste to collectors and processors.

Packaging plays an important role in the production process of ŽEMAITIJOS PIENAS, AB. The products are packed in glass, PET, plastic, paper, combined, wooden and other packaging. For the purposes of efficient packaging waste management in 2021 the Company cooperates with the Public Institution Gamtos ateitis, which takes care of packaging collection and recycling. Public Institution Gamtos ateitis, for a fee received from ŽEMAITIJOS PIENAS, AB (for the submitted documents proving that the waste has been disposed of), is committed to educating the public on packaging (garbage) management issues, as well as to contribute to the development of packaging collection from consumer infrastructure to supply the population with containers).

The Company is constantly implementing investment projects, during which it implements new advanced technologies that allow more efficient use of energy renewable resources, reduction of emissions and other environmental measures. ŽEMAITIJOS PIENAS, AB is constantly conducting research and develops by searching new, environmentally friendly business models. In 2018 a new version of the business management system AXAPTA, which helps us to more accurately record, prepare and report and transfer data to other systems was introduced.

During 2021 the Company implemented other investments planned for 2021-2022 aimed at production development, which increased the Company's competitiveness, raising of automation level, increase of occupational safety, improved product quality, employee conditions and safety, ensuring of technical level, implemented measures to reduce wastewater pollution and ensure sustainable compliance with environmental requirements.

In order to reduce emission of gases contributing to the greenhouse effect ŽEMAITIJOS PIENAS, AB has assumed the initiative and either completely eliminated equipment relying on Freon gas for its processes or obtained equipment that uses a more environmentally friendly type of this gas.

The Company is constantly improving its management structure for environmental issues. It was believed that all employees and their managers should contribute to the reduction of energy costs, pollution reduction, therefore from 2018 it will be necessary to reduce emissions. Environmental responsibility is not the sole responsibility of one person, one office ecologist-engineer. At the same time, the Company started measuring wastewater pollution in each unit separately, which also allowed controlling, analyzing and carrying out preventive work to prevent the discharge of polluting wastewater into the wastewater, at the same time allowed to improve the overall communication between the units, to see where more investment or organizational measures are needed to solve the problems.

The Company is actively implementing and promoting the use of renewable resources. ŽEMAITIJOS PIENAS, AB has a 10MW bio-fuel boiler house, which uses renewable energy resources - wood chips (SM2) instead of natural gas. During 2021, the Company consumed 14,845 MWh of gas; this is 2.25 % less than in previous year. In 2021 the Company consumed 4,595.357 t of bio-fuel. It means that comparing to 2020 bio-fuel consumption increased by 9.93 %.

The Company, being socially responsible and caring for the environment and preserving it, buys electricity from renewable energy sources. In 2021 ŽEMAITIJOS PIENAS, AB consumed 22,422 MWh of electricity, which means that compared to 2020 electricity consumption increased by 3.91%. Looking at data on indirect energy consumption, most energy in 2021 was used for the preparation of ice water, that is 4,797.729MWh.

In 2021, ŽEMAITIJOS PIENAS, AB consumed 911,659 m^3 of water, which is 3.69% more than in 2020.

The increase in energy resources was influenced by the higher amount of processed natural milk and the increased production of dairy products in the most energy-intensive production units (production of fermented cheeses, milk powder).

The Company respects and complies with the laws of the Republic of Lithuania related to environmental protection, pays all mandatory pollution taxes on due time.

When selecting suppliers, ŽEMAITIJOS PIENAS, AB considers how they apply environmental protection strategies, whether they comply with environmental requirements and requires guarantees that the transferred waste will be properly managed.

In future, ŽEMAITIJOS PIENAS, AB will continue to take every effort to become an increasingly environmentally friendly company. It is expected to be able to use more energy from renewable sources in its activities and to reduce emissions into the environment.

Šilutės Rambynas, ABF for several years has been paying great attention to the environment, and the most important goal is to reduce industrial waste and save natural resources:

- after concentrating the whey, the remaining whey water is purified by a membrane system to water suitable for washing equipment, so reducing the amount of water and wastewater used;

- for the treatment of industrial wastewater, the company is equipped with wastewater storage and mixing tanks, which allow to avoid instantaneous pollution and control the quality of wastewater discharged into Šilutė water treatment plants;
- high concentration wastewater is collected in a separate tank and, depending on the production volume, 1-2 times a week is transported to Tytuvėnai and delivered to biogas producers.

Industrial wastewater treatment system of the Šilutės Rambynas gives its results, which are reflected in the table below and are significantly lower than required by law.

Indicators	Maximum permissible concentration	Basic concentration	Average actual concentration in 2020.
BDS7 mgO2/l	800	350	318
Reaction in pH units	6,5-8,5	6,5-8,5	8,1
Suspended solids mg/l	350	350	145
Total nitrogen mg/l	50	50	42,2
Total phosphorus mg/l	10	10	9,7

Political and economic environment in the field of climate change

Climate change is a global challenge that requires a global response. The EU is committed to helping increase the global effort, and EU countries have agreed to ensure climate-neutral effects by 2050 according to the Paris Agreement. The European Green Course provides an action plan:

- Promoting resource efficiency in the transition to a clean circular economy;
- Restoring biodiversity and reducing pollution.

Climate neutrality will require a transformation of European society and economy. The European Council considers legislative and other initiatives under the European Green Course after they have been proposed by the European Commission. Political commitments are transformed into legal commitments. There is a clear need for significant public investment and a major effort to channel private sector capital into climate and environmental action, avoiding the link to unsustainable models.

Achieving the goals of climate neutrality will require action in all sectors of the economy:

- Investment in environmentally friendly technologies;
- Support of industrial renewal through innovation and innovation;
- Introduction of cleaner, cheaper and healthier forms of private and public transport;
- Reduction of greenhouse gas emissions, increasing the share of renewable resources and energy efficiency;
- Ensuring of greater energy efficiency of buildings;
- Work with international partners to improve global environmental standards.

The EU also plans to provide financial support and technical assistance to those most affected by the transition to a green economy.

The Company and the Group always:

1. Monitor the climate change situation, current affairs, trends, related policy initiatives and legislation;

2. Assess the risks associated with climate change issues;

3. Integrate operational threats and opportunities into the risk management framework.

Aspects on management of employees and human resources of the Companies of the Group

The main assets of the Company are its employees, the most important link in achieving goals of the Company. The Company's personnel policy is focused on the formation of teamwork, continuous process and professional development, optimal use of work resources, development of competent employees and the formation of the Company's culture that creates greater added value and improvement of internal communication.

There has been an increase in the number of highly qualified employees, but there is still lack of highly qualified employees. These problems are solved by creating and developing long-term relationships with employees, adapting them, educating, promoting professional development. Opportunities are created for employees to deepen and improve their knowledge and skills, to improve their qualifications by participating in various seminars and courses. Employees are taught foreign languages in courses organized by the Company, the above-mentioned training are also carried out in other forms of learning and development.

During the reporting period, the focus was on several areas of training: improving the qualifications of employees to ensure compliance with the quality of work requirements, as well as training on protection against COVID-19. To ensure the rotation and multi-function of employees, employees are additionally trained, and a reserve of managerial rotation is prepared.

ŽEMAITIJOS PIENAS, AB

According to the data available by 31 December 2021, AB "ŽEMAITIJOS PIENAS" had **1249 employees**.

According to the data available by 31 December 2020, the Company had 1242 employees.

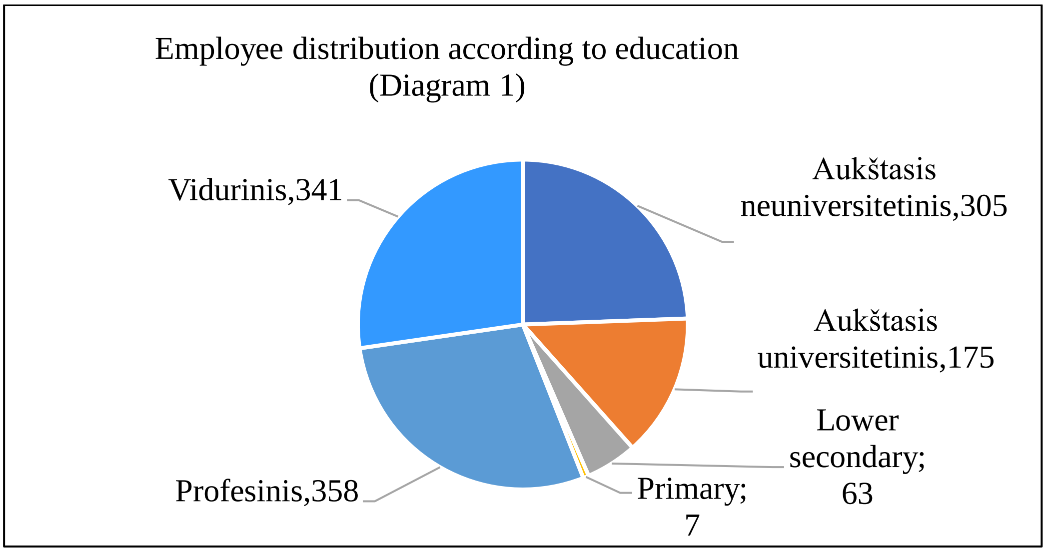
According to the data available by 31 December 2019, the Company had 1210 employees.

According to the data available by 31 December 2018, the Company had 1185 employees.

Comparing to the previous year the number of employees **slightly increased.**

Groups of ŽEMAITIJOS PIENAS, AB employees by education (2019, 2020, 2021):

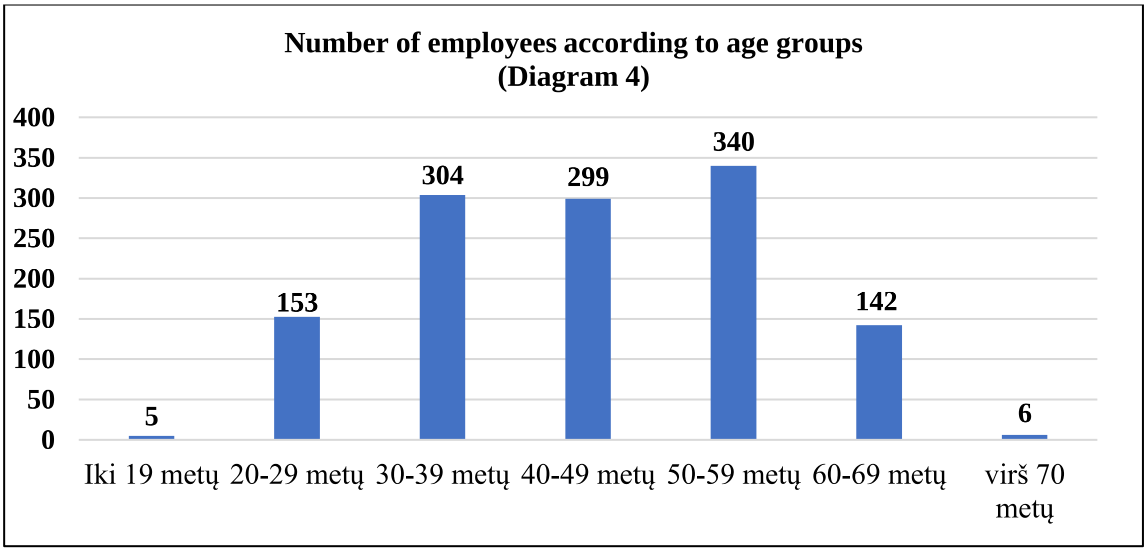
Number of employees	31-12-2019	31-12-2020	31-12-2021
With university education (masters degree)	72	73	175
With university education	126	124	
With college degree	265	283	305
With vocational education	344	351	358
With secondary education	335	332	341
With unfinished secondary education	68	79	70
Is viso:	**1210**	**1242**	**1249**



Number of ŽEMAITIJOS PIENAS, AB employees by their corresponding groups and their average wages in EUR for corresponding employee work groups make up:

Number of employees by groups	**12/31/2019**		**12/31/2020**		**12/31/2021**	
	Number of employees	Average wage, Eur	Number of employees	Average wage, Eur	Number of employees	Average wage, Eur
Director	9	7429	9	7193	6	7314
Specialists	288	2246	311	2285	316	2453
Workers	913	1194	922	1257	927	1466
In total:	**1210**		**1242**		**1249**	

Number of employees by age groups 2021:



Šilutės Rambynas, ABF

At the end of the period, the company had 166 employees, their number decreased by 10 employees (5.7 %) compared to 2020. Changes of groups of employees by education are provided in the Table below:

Education of employees	31-12-2021	31-12-2020
With Master's degree	7	8
With University Degree	18	25
With College Degree	42	24
With Vocational Education	60	59
With Secondary Education	28	44
With unfinished Secondary Education	11	16
In total:	**166**	**176**

The average salary during 2021 was 1770 EUR/month or 12.7% higher than in 2020. Changes in wages by employee groups are given in the Table below:

Number of employees by groups	31-12-2021		31-12-2020	
	Number of employees	Average wage, EUR/month	Number of employees	Average wage, EUR/month
Director	7	3584	7	3375
Specialists	24	2179	28	1915
Workers	135	1603	141	1412
In total:	**166**	**1770**	**176**	**1570**

The Company seeks to develop and maintain long-term relationships with its employees, especially when the labour market is not satisfying - the lack of highly qualified employees. Therefore, employees are constantly encouraged to develop in the professional field. The Company employees could improve their knowledge and skills in seminars and courses. There are training programs that train and certify specialists, production workers, technicians, operators, locksmiths, brigades, masters, and masters.

IV.OTHER INFORMATION

Transactions with associated parties

Transactions of associated parties during the first half of the current financial year that have a material effect on the financial position or performance of the company and / or group of companies during that period, including the amounts of those transactions, are reported in Explanatory Note for the year 2020.

Legal disputes

- As of 2019, the Company is participating as a third interested party in an administrative case pending before the Supreme Administrative Court of Lithuania. The case is currently suspended by order of the Supreme Administrative Court of Lithuania in 2019 pending the outcome of other related cases;

- The company is the plaintiff in a civil case for the award of EUR 96,020 in damages. The defendant in this case is the Public Enterprise Pakuočių tvarkymo organizacija (Packaging Management Organisation). The Vilnius Regional Court has suspended this civil case at the request of the defendant in 2018, pending the decision of the Vilnius Regional Administrative Court in administrative case No eI-1570-789/2018 related to this case. The outcome of this case is difficult to predict;

- There are currently no other proceedings in which the Company is a party to civil, criminal or administrative proceedings which could have any material impact on the Company's financial position.

Regulated information published by the Company

During the reporting period, the Company submitted 33 notices via the information system of the Vilnius Stock Exchange (AB NASDAQ OMX Vilnius) (on the website). All facts (events) are stored in the

Central Regulated Information Database, as well as this information is available on the Company's website www.zpienas.lt. Public notices shall be published in accordance with the procedure established by legal acts and submitted in the electronic publication of the Manager of the Register of Legal Entities. Notices on convocation of the General Meeting of Shareholders and other material events are published in accordance with the procedure established by the Law on Securities in the Central Regulated Information Database www.crib.lt and on the Company's website www.zpienas.lt. The most important events of the reporting period were published of 2021:

Date	The most important notices of the reporting period
2021-09-14	Half-year information and financial results of Žemaitijos Pienas AB for the first six months of 2021
2021-09-01	NOTICE OF PURCHASED 10 PER CENTO F OWN SHARES (VOTES) OF AB "ŽEMAITIJOS PIENAS
2021-09-01	REGARDING COMPLETION OF PURCHASE OF AB "ŽEMAITIJOS PIENAS" SHARES
2021-08-25	Notification of a change in the voting rights package
2021-08-24	On the recall of the members of the Board of Directors and the election of new members of the Board of Directors
2021-08-24	Regarding acquisition (purchasing) of AB "Žemaitijos pienas" own shares
2021-08-18	Regarding the loss of treasury shares (part) of Žemaitijos Pienas AB
2021-08-18	Regarding the total number of voting rights and capital of Žemaitijos Pienas AB
2021-08-17	On the registration of the new version of the Articles of Association of Žemaitijos Pienas AB

2021-08-02	Decisions of the Extraordinary General Meeting of Shareholders of "Žemaitijos pienas", AB of the 2nd of August, 2021
2021-07-13	ABOUT 10% OF ACQUIRED OWN SHARES (VOTES) OF ŽEMAITIJOS PIENAS AB
2021-07-13	On the End of the Repurchase of Shares of Žemaitijos Pienas ab
2021-07-09	Regarding the decision of the Vilnius Regional Administrative Court
2021-07-08	Regarding the resignation of a member of the Supervisory Board
2021-07-08	Regarding the convening of the Extraordinary General Meeting of Shareholders of Žemaitijos Pienas AB
2021-07-02	Regarding acquisition (purchasing) of AB "Žemaitijos pienas" own shares
2021-07-01	Regarding Dismissal of a Member of the Supervisory Board of the Company
2021-06-29	Decisions taken by the Extraordinary General Meeting of Shareholders of AB ŽEMAITIJOS PIENAS held on June 29, 2021
2021-06-28	Asquisition or disposal of block of shares
2021-06-23	Notice of voting rights package
2021-06-23	Notification of persons holding managerial positions and transactions of closely related persons
2021-06-22	Notification of loss of a voting rights package
2021-06-22	Notification of the acquisition of a voting rights package
2021-06-22	Regarding the change of the place and registration time of the Extraordinary General Meeting of Shareholders of AB ŽEMAITIJOS PIENAS
2021-06-18	Supplemented notification of the Board of the Company regarding the intention to delist the company's shares from trading on the regulated market of AB Nasdaq Vilnius and to terminate public offering of the shares
2021-06-08	The announcement of the Company's Management Board of its intention to delist the Company's shares from trading on the regulated market of Nasdaq Vilnius, AB and to discontinue to offer the shares to the public
2021-06-07	Regarding the convening of the Extraordinary General Meeting of Shareholders of AB "Žemaitijos pienas"
2021-04-15	Regarding the decision of the Supreme Administrative Court of Lithuania
2021-04-02	Annual information of AB "ŽEMAITIJOS PIENAS"
2021-04-02	ON THE APPOINTMENT OF A MEMBER OF THE BOARD

2021-04-02	**Decisions made by Ordinary General Meeting of Shareholders of AB "ŽEMAITIJOS PIENAS"**
2021-03-23	**Regarding the draft alternative resolution submitted to the Ordinary General Meeting of Shareholders of AB ŽEMAITIJOS PIENAS**
2021-03-11	**Regarding the convening of the Ordinary General Meeting of Shareholders of AB ŽEMAITIJOS PIENAS**

Information related to the Corporate Governance Code of the Companies.

During the reporting period there were no significant changes related to compliance with the Corporate Governance Code of the Companies. Other information related to compliance with the Corporate Governance Code is provided in consolidated annual report of the Company for 2021, in the annex to this annual report - in the report on compliance with the Governance report.

The most important post-reporting events

The outbreak of war between Russia and Ukraine on 24 February 2022 has disrupted plans to increase sales to Ukraine, Belarus. AB Žemaitijos pienas' sales to these countries accounted for around 2.5% of total sales. The Company and the Group conducted sale to these countries in a secure manner, i.e. deliveries were made only against prepayment or Credit Insurance limits. As at 1 March 2022, the Company and the Group do not have any receivables from customers located in those countries and therefore there is no impairment of accounts receivable.

Within a few months, the Group has lost 4 (four) export markets such as Ukraine, Belarus, China and Russia (lactose could have been shipped). These are countries which were logistically very close and acceptable to AB Žemaitijos Pienas. Sales to these countries were planned to increase each year.

The ongoing war in Ukraine and the closure of the above-mentioned export countries are adjusting AB Žemaitijos Pienas' plans and sales are being redirected to other markets.

AB Žemaitijos Pienas did not own any real estate in these countries and therefore does not assess any impairment of fixed assets.

The Group's management is currently assessing the potential financial impact in future periods, but due to significant uncertainties as well as anticipated energy price spikes, it is not possible to reliably estimate the impact.

There were no other material post balance sheet events, that could make a significant impact to the financial statement of the Company and the Group as at 31st December 2021

Chief Executive Officer	Robertas Pažemeckas
Chief Accounting Officer	Dalia Gecienė

(All amounts in EUR thousands unless otherwise stated)

		The Group		The Company	
ASSETS	**Notes**	**As at 31 December 2021**	**As at 31 December 2020**	**As at 31 December 2021**	**As at 31 December 2020**
Non-current assets					
Intangible assets	**5**	199	266	199	263
Property, plant and equipment	**5**	58.853	53.130	52.373	46.627
Investment property	**6**	2.832	3.371	2.746	3.297
Right-of-Use assets	**7**	945	1.103	945	1.103
Investments in subsidiaries and associates	**1**	-	-	3.150	3.150
Loans granted	**8**	1.636	1.818	1.636	1.818
Other financial assets		160	67	160	67
Deferred income tax asset	**27**	-	-	-	-
Total non-current assets		**64.625**	**59.755**	**61.209**	**56.325**
Current assets					
Inventories	**9**	42.871	34.043	41.056	32.982
Prepayments		293	240	272	215
Trade accounts receivable	**10**	19.674	16.799	19.484	16.789
Other accounts receivable	**11**	2.372	2.494	2.337	2.494
Cash and cash equivalents	**12**	3.756	16.093	3.398	11.606
Total current assets		**68.966**	**69.669**	**66.547**	**64.086**
TOTAL ASSETS		**133.591**	**129.424**	**127.756**	**120.411**
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	**13**	13.449	14.029	13.449	14.029
Own shares (-)	**13**	(8.151)	(3.914)	(8.151)	(3.914)
Legal reserve	**13**	1.403	1.403	1.403	1.403
Other reserves	**13**	14.250	12.350	14.250	12.350
Retained earnings		76.440	70.832	69.895	64.263
Equity attributable to equity holders of the Company		**97.391**	**94.700**	**90.846**	**88.131**
Non-controlling interest	**16**	1.590	1.615	-	-
Total Equity		**98.981**	**96.315**	**90.846**	**88.131**
Non-current liabilities					
Grants received	**14**	3.033	3.082	2.683	2.937
Loans received	**19**	2.500	4.500	2.500	4.500
Obligations under finance lease	**18**	392	647	392	647
Deferred Corporate income tax liability		181	46	340	136
Long term provision for defined employee benefits	**15**	3.427	3.439	3.232	3.248
Total non-current liabilities		**9.533**	**11.714**	**9.147**	**11.468**
Current liabilities					
Loans received	**19**	2.000	1.500	2.000	1.500
Obligations under finance lease	**18**	834	844	834	844
Trade accounts payable	**20**	15.756	12.156	19.104	12.341
Income tax payable		66	1.132	66	1.132
Accrued expenses and other current liabilities	**15, 21**	6.421	5.763	5.759	4.995
Total current liabilities		**25.077**	**21.395**	**27.763**	**20.812**
Total liabilities		**34.610**	**33.109**	**36.910**	**32.280**
TOTAL EQUITY AND LIABILITIES		**133.591**	**129.424**	**127.756**	**120.411**

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

The financial statements were approved on March 21, 2022 and signed by:

Robertas Pažemeckas
General Director

Dalia Gecienė
Chief accountant

(All amounts in EUR thousands unless otherwise stated)

		The Group		**The Company**	
	Notes	**2021**	**2020**	**2021**	**2020**
REVENUE FROM CONTRACTS WITH CUSTOMERS	**22**	**201.246**	**182.427**	**200.178**	**181.394**
SALES	**22**				
Cost of sales		(157.805)	(140.870)	(157.631)	(140.959)
GROSS PROFIT		**43.441**	**41.557**	**42.547**	**40.435**
Operating expenses	**23**	(35.180)	(29.921)	(34.134)	(29.028)
Other operating income and expenses	**24**	297	129	264	141
PROFIT (LOSS) FROM OPERATIONS		**8.558**	**11.765**	**8.677**	**11.548**
Financial income and expenses	**25**	234	(233)	233	(233)
PROFIT (LOSS) BEFORE TAX		**8.792**	**11.532**	**8.910**	**11.315**
Income tax benefit (expense)	**26**	(767)	(1.726)	(836)	(1.717)
NET PROFIT (LOSS)		**8.025**	**9.806**	**8.074**	**9.598**
ATTRIBUTABLE TO:					
Equity holders of the Company		8.050	9.802	8.074	9.598
Non-controlling interest		(25)	4	-	-
		8.025	**9.806**	**8.074**	**9.598**
Basic and diluted earnings per share (EUR)	**17**	**0,19**	**0,22**	**0,19**	**0,21**
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods					
Actuarial gains (losses) from long term provision for defined employee benefits, less deferred income tax		158	(96)	158	(96)
Net other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods		**158**	**(96)**	**158**	**(96)**
Total comprehensive income (loss) for the year, net of tax		**8.183**	**9.710**	**8.232**	**9.502**
ATTRIBUTABLE TO:					
Equity holders of the Company		8.208	9.706	8.232	9.502
Non-controlling interest		(25)	4	-	-
		8.183	**9.710**	**8.232**	**9.502**

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

The financial statements were approved on March 21, 2022 and signed by:

Robertas Pažemeckas
General Director

Dalia Gecienė
Chief accountant

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

The Group	Share capital	Own shares (-)	Legal reserve	Other reserves	Retained earnings	Equity attributable to equity holders of the Company	Non-controlling interest	Total equity
Balance as of 31 December 2019	**14.029**	**(3.801)**	**1.401**	**10.274**	**63.204**	**85.107**	**1.611**	**86.718**
Net profit	-	-	-	-	**9.802**	**9.802**	**4**	**9.806**
Other comprehensive income	-	-	-	-	(96)	(96)	-	(96)
Total comprehensive income	-	-	-	-	**9.706**	**9.706**	**4**	**9.710**
Acquisition of own shares	-	(113)	-	-	-	(113)	-	(113)
Transfer to/from reserves	-	-	2	12.350	(12.352)	-	-	-
Used of reserves	-	-	-	(10.274)	10.274	-	-	-
Authorized capital increase-decrease	-	-	-	-	-	-	-	-
Balance as of 31 December 2020	**14.029**	**(3.914)**	**1.403**	**12.350**	**70.832**	**94.700**	**1.615**	**96.315**
Net profit	-	-	-	-	**8.050**	**8.050**	**(25)**	**8.025**
Other comprehensive income	-	-	-	-	158	158	-	158
Total comprehensive income	-	-	-	-	**8.208**	**8.208**	**(25)**	**8.183**
Acquisition of own shares	-	(5.517)	-	-	-	(5.517)	-	(5.517)
Transfer to/from reserves	-	-	-	1.900	(1.900)	-	-	-
Used of reserves	-	-	-	-	-	-	-	-
Authorized capital increase-decrease	(580)	1.280	-	-	(700)	-	-	-
Balance as of 31 December 2021	**13.449**	**(8.151)**	**1.403**	**14.250**	**76.440**	**97.391**	**1.590**	**98.981**

(All amounts in EUR thousands unless otherwise stated)

The Company	**Share capital**	**Own shares (-)**	**Legal reserve**	**Other reserves**	**Retained earnings**	**Total equity**
Balance as of 31 December 2019	**14.029**	**(3.801)**	**1.401**	**10.274**	**56.839**	**78.742**
Net profit	-	-	-	-	**9.598**	**9.598**
Other comprehensive income	-	-	-	-	**(96)**	**(96)**
Total comprehensive income	**-**	**-**	**-**	**-**	**9.502**	**9.502**
Acquisition of own shares	-	(113)	-	-	-	(113)
Transfer to/from reserves	-	-	2	12.350	(12.352)	-
Used of reserves	-	-	-	(10.274)	10.274	-
Authorized capital increase-decrease	-	-	-	-	-	-
Balance as of 31 December 2020	**14.029**	**(3.914)**	**1.403**	**12.350**	**64.263**	**88.131**
Net profit	-	-	-	-	**8.074**	**8.074**
Other comprehensive income	-	-	-	-	**158**	**158**
Total comprehensive income	**-**	**-**	**-**	**-**	**8.232**	**8.232**
Acquisition of own shares	-	(5.517)	-	-	-	(5.517)
Transfer to/from reserves	-	-	-	1.900	(1.900)	-
Used of reserves	-	-	-	-	-	-
Authorized capital increase-decrease	(580)	1.280	-	-	(700)	-
Balance as of 31 December 2021	**13.449**	**(8.151)**	**1.403**	**14.250**	**69.895**	**90.846**

Please refer to Note 17 for dividends paid information.

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

The financial statements were approved on March 21, 2022 and signed by:

Robertas Pažemeckas
General Director

Dalia Gecienė
Chief accountant

(All amounts in EUR thousands unless otherwise stated)

		The Group		The Company	
	Notes	**2021**	**2020**	**2021**	**2020**
Cash flows to operating activities					
Profit (loss) for the period		8.025	9.806	8.074	9.598
Adjustments:					
Depreciation and amortization	**5,6**	5.458	4.947	4.960	4.700
Amortization of grants received	**14**	(304)	(275)	(255)	(255)
Depreciation right-of-use assets	**7**	704	736	704	736
Gain (loss) on disposal and write offs of non-current assets		(13)	134	(30)	126
Decrease (increase) in deferred tax asset	**27**	135	594	204	584
Impairment (reversal) of accounts receivable	**10**	(780)	(2)	(260)	(2)
Net financial expenses (income)		(7)	(117)	31	(117)
Impairment (reversal) of inventories to net realizable value	**9**	203	65	(106)	144
Elimination of non-cash items		158	(96)	158	(96)
Net cash flows from ordinary activities before changes in working capital		**13.579**	**15.792**	**13.480**	**15.418**
Changes in working capital:					
(Increase) decrease in inventories	**9**	(9.032)	(1.781)	(7.968)	(2.365)
(Increase) decrease in trade receivables	**10**	(2.094)	1.527	(2.387)	1.433
(Increase) decrease in prepayments		(54)	28	(57)	14
(Increase) decrease in other receivables		184	(430)	219	(1.033)
(Decrease) increase in trade payables	**20**	3.600	792	6.762	(1.225)
(Decrease) increase other accounts payable	**21,22**	1.224	1.897	1.327	1.795
Decrease) increase income tax payables		(1.066)	1.132	(1.066)	1.132
Net cash flows from operating activities		**6.341**	**18.957**	**10.310**	**15.169**
Cash flows from (to) investing activities					
(Acquisition) of intangible assets and property, plant and equipment.	**5**	(10.755)	(2.344)	(10.298)	(1.977)
Proceeds on sale of property, plant and equipment		193	64	188	64
Acquisition of right-of-use assets	**7**	(670)	(1.510)	(670)	(1.510)
Repayment of loans granted	**8**	988	907	988	907
Loans granted	**8**	(868)	(940)	(868)	(940)
Interest received	**26**	89	83	89	83
Net cash flows (to) investing activities		**(11.023)**	**(3.740)**	**(10.571)**	**(3.373)**
Cash flows from (to) financing activities					
(Acquisition) of own shares	**13**	(5.517)	(113)	(5.517)	(113)
Grants received	**14**	424	-	129	-
Financial lease payments	**18**	(814)	(948)	(814)	(948)
Loan (payments)	**19**	(1.500)	(7.998)	(1.500)	(7.998)
Other financial (income) and expenses	**26**	(164)	205	(161)	205
Interest (payments)		(84)	(171)	(84)	(171)
Net cash flows from (to) financial activities		**(7.655)**	**(9.025)**	**(7.947)**	**(9.025)**
Net increase (decrease) in cash and cash equivalents		**(12.337)**	**6.192**	**(8.208)**	**2.771**
Cash and cash equivalents at the beginning of the year		**16.093**	**9.901**	**11.606**	**8.835**
Cash and cash equivalents at the end of the year		**3.756**	**16.093**	**3.398**	**11.606**

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

The financial statements were approved on March 21, 2022 and signed by:

Robertas Pažemeckas General Director	Dalia Gecienė Chief accountant

(All amounts in EUR thousands unless otherwise stated)

1.GENERAL INFORMATION

Reporting entity

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

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

AB "Žemaitijos Pienas" is a Lithuanian public listed company with shares traded on AB NASDAQ OMX Vilnius. The nominal value of one share is 0,29 EUR.

As at 31 December 2021 and 2020, its shares are held by the following shareholders:

Shareholder	31 12 2021		31 12 2020	
	Number of shares	Ownership %	Number of shares	Ownership %
Pažemeckas Algirdas	14.063.152	30,32%	14.034 581	29,01%
Pažemeckienė Danutė	14.014.581	30,22%	14.014.581	28,97%
AB Klaipėdos pienas, code 240026930, Šilutės pl. 33, 91107 Klaipėda	2.901.844	6,26%	2.901.844	6,00%
UAB Baltic Holding, code 302688114. Vilhelmo Berbomo g. 9-4, Klaipėda	4.739.880	10,22%	4.713.018	9,74%
Other shareholders	6.018.043	12,98%	9.219.475	19,06%
"Žemaitijos pienas" AB	4.637.500	10,00%	3.491.501	7,22%
Total share capital, shares units	**46.375.000**	**100,00%**	**48.375.000**	**100,00%**

The management report provides detailed information about the main shareholders, see p.11

As at 31 December 2020 and 2019 the share capital of the Company was EUR 14.028.750. The authorized capital was divided into 48.375.000 units of ordinary registered shares of EUR 0,29 par value each.

On 2 August 2021, the Extraordinary General Meeting of Shareholders adopted a resolution to reduce the share capital of the Company by EUR 580.000 (five hundred and eighty thousand) by cancelling (part) 2.000.000 (two million) ordinary registered shares of the Company with a nominal value of EUR 0,29 per share. The purpose of the reduction of the authorized capital is the cancellation of a part of the company's own shares purchased and owned by the Company. The method of reduction of the authorized capital is cancellation of shares (part).
After cancelling 2.000.000 pcs. of the own bought-up shares, the Company's share capital as at 31 December 2021 amounted to EUR 13.448.750, divided into 46.375.000 ordinary registered shares with a par value of EUR 0,29 per share.

As at 31 December 2021 and 2020 the Group consisted of AB "Žemaitijos Pienas" and the subsidiary of the Company ABF Šilutės Rambynas:

Subsidiary	Registration address	Ownership of the Group	Percentage in consolidation	Cost of investment 2021	Cost of investment 2020	Net assets as of 31 December 2021	Main activities
Šilutės Rambynas ABF	Klaipėdos g. 3, Šilutė, Lietuva	87,82%	87,82%	3.150	3.150	13.054	Cheese production and selling

The subsidiary ABF Šilutės Rambynas does not hold any shares of AB "Žemaitijos Pienas" as at 31 December 2020 and 2021.

The Company employed 1.249 employees as at 31 December 2021 (1.242 employees as at 31 December 2020). The Group employed 1.415 employees as at 31 December 2021 (1.418 employees as at 31 December 2020).

The Company's management authorized these financial statements on March 21, 2022 The shareholders of the Company have a statutory right to either approve these financial statements or not approve them and require the management to prepare a new set of financial statements.

2. BASIS FOR DRAWING UP FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (EU).

Basis of preparation of the financial statements

The amounts in these financial statements are presented in EUR, rounded to thousands. Due to rounding errors, the numbers in the statements may not match.

The financial statements are prepared on the historical cost basis.

The financial year of the Company and other Group companies coincides with the calendar year.

When preparing financial statements in accordance with IFRS adopted for EU application, management is required to make calculations and estimates on the basis of certain assumptions that influence the choice of accounting principles and the amounts of Assets, Liabilities, Income and Costs. Estimates and related assumptions are based on historical experience and factors reflecting current conditions. On the basis of the above assumptions and estimates, the residual values of assets and liabilities are deduced from other sources. Actual results may differ from estimates. The estimates and their assumptions are reviewed on an ongoing basis. The effect of a change in an accounting estimate is recognized in the period in which the estimate is revised if it only affects that period, or in the period of the revision and subsequent periods if the estimate affects both the revision and future periods (Note 4).

The accounting policies set out below have been consistently applied and are in line with those applied last year.

Principles of consolidation and investments in subsidiaries and associates

The consolidated financial statements of the Group include AB Žemaitijos Pienas and its subsidiary and associate. The financial statements of the subsidiary and the associate are prepared for the same reporting period and use the same accounting principles.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date on which control is transferred outside the Group. All intercompany transactions, balances and unrealized profit and losses on transactions between Group companies have been eliminated. Equity and net income attributable to a minority of shareholders, if any, are disclosed separately in the statement of financial position and comprehensive income.

Control is achieved when the Group determines whether it is entitled to variable returns from its involvement in the investment and has the ability to affect that return through its influence on the investment. The Group controls an investment when, and only when, the Group has:

- Impact on the investment (i.e. rights exist that allow the management of the investment activity in question);
- The right to variable returns from its participation in the investment;
- The ability to use its influence on the investment to influence returns.

It is commonly assumed that most voting rights confer control.

The net result of a subsidiary is attributable to a minority of shareholders even if the result is negative.

Acquisitions and disposals of minority interest in the Group are accounted for as an equity transaction: the difference between the net assets acquired/transferred to the minority in the Group's financial statements and the purchase/sale price of the shares is recognized directly in equity.

Investment in an associate

An associate is an entity over which the Company has significant influence, but does not control the financial and operating policies. Significant influence is presumed to exist when the Company holds between 20 and 50 percent of the voting power of another company.

The Group accounts for investments in associates using the equity method. Under the equity method, an investment in an associate is carried in the statement of financial position at cost adjusted for the change in the net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not subject to depreciation or individual impairment. The result of the associate is recognized in the statement of comprehensive income.

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is determined by adding the fair value of the consideration transferred at the acquisition date to the amount of the minority interest in the acquire, if any. For each business combination, the acquirer shall measure the minority interest in the acquire either at fair value or at the proportionate share of the acquire's identifiable net assets. Acquisition costs incurred are written off and included in administrative expenses.

If the business combination is achieved in stages, the acquirer's previously owned interest in the acquire is measured at fair value at the acquisition date through the statement of comprehensive income. A contingent consideration to be paid by the buyer is recognized at fair value at the acquisition date. Subsequent estimates of the contingent consideration that is considered an asset or liability are recognized at fair value through profit or loss or as a change in other comprehensive income. If the contingent consideration is classified as equity, it is not remeasured and its subsequent payment is recognized in equity.

Goodwill is recognized at cost and is the amount by which the full amount of the consideration transferred, including the amount recognized as a minority interest, exceeds the net amount of the assets acquired and liabilities recognized. If this consideration is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized in the statement of comprehensive income.

Subsequent to initial recognition, goodwill is stated at cost less any accumulated impairment losses. For the purpose of assessing impairment, goodwill acquired in a business combination from the acquisition date is allocated to those cash generating units of the Group that are expected to benefit from the combination, whether or not the acquire's other assets or liabilities are classified as such.

When goodwill forms part of a cash-generating unit and part of the activities of that unit is sold, the goodwill relating to the sale is included in the carrying amount of the sale of the business for the purpose of determining profit or loss on disposal. In this case, the goodwill sold is measured by the relative value of the activity sold relative to the rest of the cash-generating unit.

Investments (Companies in separate statements)

Investments in an associate

The Company accounts for its investments in subsidiaries using the acquisition cost method. The Company determines at the end of each period whether there are objective reasons that could determine the value of an investment in a subsidiary.

Investments in subsidiaries

In the statement of financial position of the Company, investments in subsidiaries are accounted for at cost less impairment. Accordingly, at initial recognition, the investment is carried at cost, being the fair value of the consideration paid, less any impairment loss. The carrying amount of an investment is measured when events or changes in circumstances indicate that the investment's carrying amount may exceed its recoverable amount (higher of fair value less costs to sell or value in use). In case of such circumstances, the Company makes an assessment of the recoverable amount of the investment. If the carrying amount of an investment exceeds its recoverable amount, the investment is written down to its recoverable amount. Impairment is recognized in the statement of comprehensive income, under general and administrative expenses.

The impact of new accounting standards, amendments to existing standards and new interpretations on the financial statements

Adoption of new and/or changed interpretations of IFRS and International Financial Reporting Interpretations Committee (IFRIC)

In the current year, the Group ant the Company has adopted all of the new and revised Standards and Interpretations that are relevant to its operations and effective for accounting periods beginning on 1 January 2021

(a) The following new standards, amendments and interpretations are mandatory for accounting periods beginning on or after 1 January 2021

(b)

Amendments to IFRS 16 Leases: COVID-19 Related Rent Concessions beyond 30 June 2021 (Amendments) (issued on 31 March 2021, effective from 1 April 2021)

These amendments extend the scope of the 2020 amendments by increasing the period of eligibility to apply the practical expedient from 30 June 2021 to 30 June 2022.

On 28 May 2020, the Board issued COVID-19-Related Rent Concessions, which amended IFRS 16 Leases. The 2020 amendments permit lessees, as a practical expedient, not to assess whether rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and, instead, to account for those rent concessions as if they were not lease modifications. Among other conditions, the 2020 amendments permit a lessee to apply the practical expedient only to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2021. If a rent concession reduces lease payments both before and after 30 June 2021, IFRS 16 does not permit the practical expedient to be applied to that concession.

The amendments are effective in European Union for annual reporting periods beginning on or after 1 April 2021. The management of the Group ant the Company has assessed that these amendments have no significant impact on these financial statements as no significant concessions/discounts have been received during the reporting period and are not expected to be received in subsequent periods.

Interest Rate Benchmark Reform – Phase 2 – IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (Amendments) (issued on 27 August 2020, effective from 1 January 2021)

These amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR).

The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

The amendments are effective in European Union for annual periods beginning on or after 1 January 2021. The management of the Group ant the Company has assessed that these amendments have no significant impact on these financial statements.

Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform (published on 27 August 2020, effective from 1 January 2021 and must be applied retrospectively)

Amendments to IFRS 9, IAS 39 and IFRS 7 will conclude phase two focused on issues that could affect financial reporting when an existing interest rate benchmark is replaced with a risk-free interest rate (an RFR). These amendments will not have an impact on the Group and the Company financial statements.

(c) Standards and amendments that have been approved but are not yet effective and have not been applied in advance

New standards, amendments and interpretations that are not mandatory for reporting period beginning on 1 January 2021 and have not been early adopted when preparing these financial statements are presented below:

IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets as well as Annual Improvements 2018-2020 (Amendments) (All issued 14 May 2020, effective from 1 January 2022)

The IASB has issued narrow-scope amendments to the IFRS Standards as follows:

- IFRS 3 Business Combinations (Amendments) update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
- IAS 16 Property, Plant and Equipment (Amendments) prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss of SPLOCI.
- IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendments) specify which costs a company includes in determining the cost of fulfilling a contract for the purpose of assessing whether a contract is onerous.
- Annual Improvements 2018-2020 make minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples accompanying IFRS 16 Leases.

The amendments are effective in European Union for annual reporting periods beginning on or after 1 January 2022 with earlier application permitted.

The management of the Group and the Company is currently assessing the impact of these amendments on the financial statements.

Amendments to IFRS 17 and IFRS 4: The deferral of effective dates for IFRS 17 and IFRS 9 for insurers (published 25 June 2020, effective from 1 January 2021, but not before approval by the EU)

The amendments to IFRS 17 are effective, retrospectively, for annual periods beginning on or after 1 January 2023, with earlier application permitted. The amendments aim at helping companies implement the Standard. In particular, the amendments are designed to reduce costs by simplifying some requirements in the Standard, make financial performance easier to explain and ease transition by deferring the effective date of the Standard to 2023 and by providing additional relief to reduce the effort required when applying IFRS 17 for the first time.

The amendments to IFRS 4 change the fixed expiry date for the temporary exemption in IFRS 4 Insurance Contracts from applying IFRS 9 Financial Instruments, so that entities would be required to apply IFRS 9 for annual periods beginning on or after 1 January 2023.

The management has assessed that these amendments will not have any impact on the Group and the Company's financial statements.

IFRS 17: Insurance Contracts (published 18 May 2017, effective from 1 January 2023, but not before approval by the EU)

The standard is effective for annual periods beginning on or after 1 January 2021 with earlier application permitted if both IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments have also been applied. In its March 2020 meeting the Board decided to defer the effective date to 2023. IFRS 17 Insurance Contracts establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that contracts within the scope of IFRS 17 have on the financial position, financial performance and cash flows of an entity. This IFRS will not have any impact on the financial position or performance of the Group ant the Company as insurance services are not provided.

Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (issued on 7 May 2021, effective from 1 January 2023, but not before approval by the EU)

The amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The amendments are effective for annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted. The Amendments have not yet been endorsed by the EU. The Group and the Company has not yet evaluated the impact of the implementation of these amendments

Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (issued on 12 February 2021, effective from 1 January 2023, but not before approval by the EU)

The amendments introduce a new definition of accounting estimates, defined as monetary amounts in financial statements that are subject to measurement uncertainty. Also, the amendments clarify what changes in accounting estimates are and how these differ from changes in accounting policies and corrections of errors.

The amendments become effective for annual reporting periods beginning on or after January 1, 2023 with earlier application permitted and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. The Amendments have not yet been endorsed by the EU. The Group and the Company has not yet evaluated the impact of the implementation of these amendments.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current (issued on 23 January 2020 and 15 July 2020 respectively, effective from 1 January 2023, but not before approval by the EU)

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position debt and other liabilities with an uncertain settlement date should be classified as current or non-current. The amendments affect the presentation of liabilities in the statement of financial position and do not change existing requirements around measurement or timing of recognition of any asset, liability, income or expenses, nor the information that entities disclose about those items. Also, the amendments clarify the classification requirements for debt which may be settled by the company issuing own equity instruments.

The Group and the Company is currently assessing the impact of this amendment on their financial statements.

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021, effective from 1 January 2023, but not before approval by the EU)

The Amendments are effective for annual periods beginning on or after January 1, 2023 with earlier application permitted. The amendments provide guidance on the application of materiality judgements to accounting policy disclosures. In particular, the amendments to IAS 1 replace the requirement to disclose 'significant' accounting policies with a requirement to disclose 'material' accounting policies. Also, guidance and illustrative examples are added in the Practice Statement to assist in the application of the materiality concept when making judgements about accounting policy disclosures. The Amendments have not yet been endorsed by the EU. The Group and the Company has not yet evaluated the impact of the implementation of these amendments

3. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

Property, plant and equipment

Recognition and evaluation
Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. The cost of acquisition of an asset of the Company/Group consists of the costs directly attributable to the acquisition of the asset. The cost of an item of property, plant and equipment includes the cost of materials, direct labour, and other costs incurred in producing the asset before it is used, dismantling, removing, and reconditioning the asset.

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

Subsequent costs

Subsequent to initial recognition, any costs incurred in replacing a component of property, plant and equipment or related to its reconstruction are capitalized only to the extent that it is probable that future economic benefits will flow to the asset and the cost of the new component can be measured reliably. All other costs are recognized as an expense when they are incurred.

Depreciation

Depreciation (amortization) starts on the month following the commencement date of the respective unit of plant, property and equipment. The commencement date is the date when the asset is actually ready for use. The transfer of non-current assets for use is formalized by the transfer and acceptance of non-current assets.

Depreciation (amortization) is no longer calculated from the following month when the non-current asset is classified as held for sale or is written off, sold or otherwise disposed of.

Depreciation (amortization) on property, plant and equipment and intangible assets is calculated using the proportional (straight-line) method of depreciation (amortization) over the estimated useful life of the asset. The amount of depreciation (amortization) accrued during the period is recorded in the depreciation (amortization) expense accounts.

If, after the repair of an item of property, plant and equipment or after an impairment assessment, an asset changes its useful life, the carrying amount of the asset, beginning at the date of adjusting its useful life, shall be depreciated over the restated useful life.

The useful lives of the Company's/Group's property, plant and equipment and intangible assets are determined separately for each asset, taking into account future economic benefits as well as the expected period of use in the Company/Group, the intensity of use, the environment in which the asset is used, changes in its useful life, technological and economic progress, morally aging assets, legal and other factors limiting the useful life of property, plant and equipment.

Based on the resolution of the Company/Group Management Board, as at 1 January 2017, the useful life of newly acquired production lines accounted for in "Machinery and equipment" is 10-15 years.

In 2018, the Company and the Group restated the carrying amounts and useful lives of property, plant and equipment as defined in IAS 16 Property, Plant and Equipment and decided to adjust the carrying amounts and useful lives of those items that were not fully depreciated as at 1 January 2018, prospectively. Based on the assessment made, the amendments became effective on 1 January 2018 (Note 5).

As at 1 January 2019, new non-current assets useful lives/depreciation/amortization rates have been approved.

According to the approved terms of reorganization, after the merger of the company AB Baltijos mineralinių vandenų kompanija with AB Žemaitijos Pienas, non-current assets were taken over. For the transferred non-depreciated property, plant and equipment, new residual values of assets have been determined and the useful life has been extended in accordance with the norms approved by AB Žemaitijos Pienas.

Below are the average useful lives of the Company's/Group's property, plant and equipment by asset class:

- Buildings and structures 20-40 years
- Machinery and equipment 5-15 years
- Production lines 10-15 years
- Vehicles and other assets 3-10 years

Depreciation methods, residual values and useful lives of assets are/will be reviewed at the reporting date to ensure that the depreciation period is consistent with the expected useful lives of the property, plant and equipment.

Construction in progress (non-current assets prepared for use)

Construction in progress is stated at cost less impairment losses. Cost includes design, construction, plant and equipment outsourced and other direct costs. Depreciation on unfinished construction is not calculated. Construction in progress is transferred to the appropriate groups of property, plant and equipment when it is completed and the asset is ready for its intended use.

When property, plant and equipment is derecognised or otherwise disposed of, its cost and related depreciation are no longer recognized in the financial statements and the related profit or loss, calculated as the difference between the proceeds and the carrying amount of the non-current tangible asset disposed of.

Investment assets

Investment property of the Company/Group includes land and buildings that are leased and earns lease income and are not used for the Group's and the Company's operating activities. Investment property is stated at cost less accumulated depreciation and impairment losses.

Depreciation is calculated on a straight-line basis over the estimated useful life of 20 to 40 years.
Investment property is written off only when the property is sold or permanently discontinued and no economic benefits are expected from its sale. Any profit or loss on disposal or sale of an investment property is recognized in the statement of comprehensive income in the period in which the asset is sold or otherwise disposed of.

Transfers to investment property are made when, and only when, there is a change in use, when the owner discontinues the use of the property for its own use or when the operating lease begins. Transfers from investment property are made when, and only when, there is a change in use through the use of the property by the owner or the beginning of reconstruction with a view to sale.

Property, plant and equipment

Intangible assets with finite useful lives that are comprised of purchased computer software and licenses and trademarks are stated at cost less accumulated amortization and impairment.

Amortization is charged to the statement of comprehensive income on a straight-line basis over its estimated useful life. The useful lives of intangible assets are as follows:

- Software, licenses, acquired rights 3 years

Subsequent expenditure on an intangible asset is capitalized only when it increases the future economic benefits of the asset to which it relates. All other costs are expensed as incurred.

Intangible assets are reviewed for impairment whenever there is an indication that the asset may be impaired.

The useful lives, residual values and amortization method are reviewed annually to ensure that they are consistent with the expected pattern of use of the intangible asset. The Company/Group has no intangible assets with indefinite useful lives.

Leased property

Leases where the Company/Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Assets acquired under finance leases are recognized as assets of the Company/Group at the commencement date of the lease term and are stated at the lower of fair value of the asset and the present value of the minimum lease payments, less depreciation and impairment losses. All other leases are treated as operating leases.

Assets treated as leases shall be depreciated over the expected useful life on the same basis as the property.

A decision or agreement is a lease based on the substance of the agreement, at the time the agreement is made, to determine whether performance of the agreement is dependent on the use of the particular asset or on whether the agreement grants the right to use the asset.

Stocks

Stocks, including in-progress and finished production, shall be accounted for in the financial statements as the lower of the values (cost or net realised value), after the valuation of impairment for slow-moving and obsolete stocks. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The write-down of stocks to net realizable value below their cost is made when the cost of inventories may not be recoverable through their sale or use. Unrealisable stocks are written off completely. The cost of stocks is calculated using the FIFO method.

Where stocks are produced and in the case of unfinished production, the cost price shall also include an appropriate proportion of the indirect cost of production, allocated at rates calculated on the basis of the utilisation of production capacity. Auxiliary materials and stocks are accounted for as costs when they are put into use or included in the price of finished goods if they are used in production.

Cash and cash equivalents

Cash consists of cash on hand and in bank accounts. Cash equivalents are current, highly liquid investments that are easily converted into a known amount of money. Such investments have a maturity of less than 3 months at the date of the contract and the risk of a change in value is negligible. Bank accounts held for automated payment of taxes and repurchase of overpayments are also considered cash equivalents.

For the purposes of the cash flow statement, cash and cash equivalents include cash on hand and in bank current accounts, deposits with maturity equal to or less than 3 months at the date of the agreement and tax accounts with the bank.

Government grants related to cost compensation

Grants are accounted for on an accrual basis, i.e. grants received or parts of grants are recognized as being used in the periods in which they are incurred.

Grants related to property compensation

Grants related to assets include grants received in the form of non-current assets or intended for the acquisition of non-current assets. Grants are recognized as deferred income at the fair value of the non-current assets received or acquired and subsequently recognized as income. Amortization of a grant reduces the depreciation expense of the related non-current assets over the useful life of those non-current assets.

Impairment of non-financial assets

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

The recoverable amount of intangible assets with indefinite useful lives and intangible assets not yet available for use is estimated at the reporting date.

An impairment loss is recognized when the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest group of cash-generating assets that generates cash flows that are independent of other assets or groups of assets. Any impairment loss is recognized in the statement of comprehensive income.

Calculation of recoverable amount

The recoverable amount of a non-financial asset is the greater of its fair value less costs to sell and value in use. The value in use of an asset is calculated by discounting the future cash flows from the use of the asset to its present value using a tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Reversal of impairment

If there is any change in the events or circumstances that led to the measurement of the recoverable amount of the non-financial asset that indicate that the carrying amount of the non-financial asset may be recovered, an impairment loss is reversed. An impairment loss is reversed so that the carrying amount of the asset does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Dividends

Dividends are recognized as a liability in the period in which they are declared (i.e. approved by the general meeting of shareholders).

Foreign currency

Valuation of foreign currency amounts in national currency
Foreign currency transactions are translated into euro at the official exchange rate between the euro and the foreign currency (hereinafter referred to as the official exchange rate) published by the Bank of Lithuania on the day of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the euro at the official exchange rate ruling at the date of the statement of financial position. Exchange differences arising on the settlement of these transactions are recognized in the statement of comprehensive income.

The following exchange rates were used for the preparation of the financial statements as at 31 December 2021:

2021			**2020**		
USD 1	=	EUR 0,88230	USD 1	=	EUR 0,814266

Financial instruments

A financial instrument is any contract that gives rise to a financial asset between one entity and a financial liability or equity instrument.

Financial assets

Initial recognition and evaluation

Financial assets at initial recognition are classified as subsequently measured at amortized cost, fair value through other comprehensive income, or fair value through profit or loss.

The designation of financial assets at initial recognition depends on the contractual cash flow characteristics of the financial assets and the business model of the Group/Company that governs the management of the financial assets. Except for trade receivables and contract assets (if any) that do not have a significant financing component, the Group/Company measures at initial recognition financial assets at fair value plus, when financial assets are not carried at fair value through profit or loss, transaction costs. Trade receivables and contract assets (if any) that do not include a significant financing component are measured at the transaction price in IFRS 15.

For a financial asset to be designated and measured at amortized cost or fair value through other comprehensive income, the cash flows arising from a financial asset need only be the principal and the interest payable (SPPI) on the uncovered principal. This assessment is called the SPPI test and is performed for each financial instrument.

The Group/Company's financial asset management model describes how the Group/Company manages its financial assets to generate cash flows. The business model determines whether the cash flows will be generated by collecting the contractual cash flows, selling the financial asset, or both.

A regular way purchase or sale of a financial asset is recognized on the trade date, i.e. the date on which the Group/Company commits to purchase or sell financial assets.

Subsequent assessment

After initial recognition, the Company evaluates financial assets:
a) Amortized cost (debt instruments);
b) At fair value through other comprehensive income, when the profit or loss on derecognition is transferred to profit or loss (debt instruments). As at 31 December 2021 and 2020, the Group/Company did not have such measures;
c) At fair value through other comprehensive income, when the gain or loss is derecognised, it is not transferred to profit or loss (equity instruments). As at 31 December 2021 and 2020, the Group/Company did not have such measures;
d) At fair value through profit or loss. As at 31 December 2021 and 2020, the Group/Company did not have such measures;

Financial assets at amortized cost (debt instruments)

The Group/Company measures financial assets at amortized cost if both of the following conditions are met:
i) Financial assets are held in accordance with a business model that seeks to hold financial assets for the purpose of collecting contractual cash flows; and
ii) The contractual terms of financial assets may give rise to cash flows at specified dates that are only interest payments on the principal and the principal outstanding.

Financial assets carried at amortized cost are subsequently measured using the effective interest rate method (EIR), less impairment losses. Gains and losses are recognized in the statement of comprehensive income when the asset is derecognised, replaced or impaired.

The Group's/Company's financial assets at amortized cost include trade receivables, other current and non-current receivables, loans issued.

Impairment of financial assets

In accordance with IFRS 9, the Group/Company generally recognizes an expected credit loss (ECL) for all debt instruments that are not measured at fair value through profit or loss. The ECL is based on the difference between the contractual receivable cash flows and the cash flows the Group/Company expects to receive, discounted at the approximate effective initial interest rate. ECLs are recognized in two stages. For credit exposures where the credit risk has not materially increased since initial recognition, the ECL shall be calculated for the credit losses arising from default events occurring within the next 12 months (12-month ECL). For those credit exposures with a significant increase in credit risk since initial recognition, the impairment loss is formed by the amount of credit loss expected to be incurred during the remaining life of the credit exposure, regardless of the default maturity (ECL).

For trade receivables and assets arising from customer contracts (if any), the Group/Company applies a simplified method of calculating ECL. Therefore, the Group/Company does not monitor changes in credit risk, but recognizes impairment at each reporting date based on the effective ECL.
The Group/Company has constructed a matrix of expected loss rates based on historical credit loss analysis and adjusted to reflect future factors specific to borrowers and the economic environment (market macroeconomic factors, employment rate, consumer price index, etc.).

The Company estimates and records the expected credit loss for 12 months when issuing a loan. In subsequent reporting periods, in the absence of a significant increase in the credit risk associated with the borrower, the Company adjusts the expected credit loss balance for the 12 months against the outstanding loan amount at the measurement date. If the borrower's financial position is determined to have materially deteriorated compared to the condition prevailing at the time of the loan issuance, the Company accounts for all expected credit losses over the life of the loan. Loans with expected credit losses during the life of the loan are considered to be credit impaired financial assets.

The Group/Company considers that a debtor has defaulted on a financial asset if the contractual payments are overdue by more than 90 days, or where there are indications that the debtor or group of debtors is in serious financial difficulties, defaulting on payments or interest, it is probable that they will enter bankruptcy or reorganization proceedings, and where observable data indicate that future cash flows are expected, such as changes in debt arrears or changes in economic conditions that correlate with defaults. The total amount of expected credit losses on trade receivables and trade receivables is recognized through profit or loss using a counterpart receivable account. Financial assets are derecognised when there is no reasonable expectation of recovering the contractual cash flows.

Financial liabilities

Initial recognition and evaluation

Financial liabilities at initial recognition are classified as financial liabilities at fair value through profit or loss, loans and receivables. All financial liabilities are initially recognized at fair value and, in the case of loans and receivables, less any directly attributable transaction costs. Financial liabilities of the Group/Company include trade and other payables, loans received and finance lease liabilities.

Subsequent assessment

The assessment of financial liabilities depends on their classification as described below.

Financial liabilities

Loans received and similar accounts payable
Subsequent to initial recognition, loans and receivables are carried at amortized cost using the effective interest rate method (EIR). Gains and losses are recognized in the statement of comprehensive income when the liabilities are derecognised or amortized. Amortized cost is calculated by taking into consideration the discount or premium on the acquisition as well as the taxes or expenses that are an integral part of the EIR. Amortization of an EIR is included in financial expenses in the statement of comprehensive income.

Write-offs of financial instruments

Financial assets and financial liabilities are offset and the net amount is recognized in the statement of financial position if there is an enforceable right to clear recognized amounts and it is intended to be settled on a net basis, i.e. realize assets and fulfil liabilities at the same time.

Contingent non-current liabilities to employees

Social security contributions

The Company and the Group pay social security contributions to the State Social Insurance Fund (hereinafter referred to as the Fund) for their employees in accordance with a defined contribution plan and in accordance with the laws of the country. A defined contribution plan is a plan under which the Company and the Group make a defined contribution and will have no future legal or constructive obligation to continue to pay such contributions if the Fund does not have sufficient assets to pay all employees related benefits in the current or prior periods. Social security contributions are recognized as an expense on an accrual basis and classified as an expense for employees.

Non-current employee benefits

1. Non-current liabilities (Employee benefit plans under company ordinances)

The Company and the Group recognizes a liability and an expense for additional benefits based on the Company's and the Group's additional benefit policy, the amount of which depends on the length of service completed in the Company and the Group under 10, 15, 20, 25, etc. years of service. Such changes to the Order came into effect in 2017.

The liability under the entity's employee benefit orders is calculated on the basis of actuarial estimates using the projected unit credit method. Reassessments of actuarial profits and losses are recognized immediately in the statement of financial position with an appropriate debit or credit in retained earnings in other comprehensive income in the period in which they are incurred. Reassessments are not carried forward to profit or loss in subsequent periods.

The liability is recognized in the statement of financial position and reflects the present value of those benefits at the statement of financial position date. The present value of the employee benefit obligation is determined by discounting the estimated future cash flows based on the interest rate on government securities denominated in the same currency as the benefits and having a payout period similar to the expected payout period.

2. Retirement benefits for employees

In accordance with the requirements of the Labour Code of the Republic of Lithuania, every employee leaving the Company/Group at the age of retirement is entitled to a lump sum of 2 months' salary.

Liabilities to employees are recognized as an expense in the current year in the statement of comprehensive income. Past costs are recognized as an expense on an equal basis over the average period until the benefits become vested. Any gain or loss resulting from a change (decrease or increase) in the benefit terms is recognized immediately in the statement of comprehensive income.

The retirement benefit obligation is calculated on the basis of actuarial assumptions using the projected unit credit method. Reassessments of actuarial profits and losses are recognized immediately in the statement of financial position with an appropriate debit or credit in retained earnings in other comprehensive income in the period in which they are incurred. Reassessments are not carried forward to profit or loss in subsequent periods.

The liability is recognized in the statement of financial position and reflects the present value of those benefits at the statement of financial position date. The present value of the employee benefit obligation is determined by discounting the estimated future cash flows based on the interest rate on government securities denominated in the same currency as the benefits and having a payout period similar to the expected payout period.

Revenue

Revenue from contracts with customers. Sales

The Company and the Group are engaged in the production, sale and distribution of dairy products.

Revenue from contracts with customers is recognized when the control of goods or services passes to the customer, the amount the Group/Company expects to receive in exchange for the goods or services. The Company/Group estimates that the contracts have only one operating obligation. Revenue from contracts with customers is recognized net of value added tax, excise duties and discounts directly attributable to the sale (usually at the time of sale).

Management considers the impact of other items on revenue recognition, such as:

1) Whether the contracts contain several different operational obligations;
2) Whether the contracts provide for variable consideration (other than discounts at the point of sale as described above) and restrictions, if any;
3) Whether the contracts include non-monetary consideration or significant funding components;
4) Whether there other promises in the contracts that should be considered as part of the transaction price;
5) Whether the contractual arrangements (if any) are considered consideration or purchase from the buyer to the customer;
6) Whether the contracts include a non-refundable advance payment to the customer.

The Company sells to its subsidiary raw material (i.e. milk) which is purchased from milk suppliers. The raw material is used by the subsidiary for the production of cheese, which is subsequently purchased by the Company and sold to third parties. Because these raw materials are the major ingredient used in cheese production, the income and expense of such transactions are recorded net in the Company's separate financial statements to avoid artificially inflating revenue as customer contracts are made with the Company and the subsidiary operates as a production unit.

When the Company sells goods purchased from its subsidiary to third parties (retail entities), the Company assumes all risks associated with these transactions, so that income is not offset as stated in IFRIC 15 relating to the assessment of whether the Company is acting on its own account or as an agent.

Due to the Group's/Company's business model, management has not made any significant accounting judgments, estimates or assumptions related to the recognition of contract revenue with customers other than those disclosed in Note 4.

Services rendered, assets transferred, interest income

Revenue from the rendering of services is recognized in the statement of comprehensive income on the basis of the level of performance of the services over the period. Revenue is recognized net of value added tax and discounts.

Lease income is recognized in the statement of comprehensive income on a straight-line basis over the lease term.

Revenue from disposal of assets is recognized in the statement of comprehensive income when the control of goods or services is transferred to the customer, in the amount that the Group/Company expects to receive in exchange for the goods or services.

Revenue is not recognized if there are significant doubts about the recovery of the revenue or the incurrence of the expense associated with the revenue, or when the expected return of the goods or the probable significant risk and the goods cannot be considered as passed on to the buyer.

Interest income is recognized in the statement of comprehensive income as it accrues, using the effective interest method. The interest expense component of finance lease payments is recognized in the statement of comprehensive income using the effective interest method.

Costs

Costs are recognized on an accrual basis as incurred.

Operating lease payments
Operating lease payments under operating leases are recognized in the statement of comprehensive income on a systematic basis over the lease term.

Financial lease payments
Minimum lease payments are apportioned between the finance charge and the outstanding liability, using the effective interest method. Finance charges are spread over the term of the finance lease at a constant periodic rate of interest on the outstanding balance of the liability.

Net financing costs
Net financing costs include interest expense, calculated using the effective interest rate method, interest income on invested funds and the effect of changes in foreign exchange rates.

Borrowing costs
Borrowing costs that are directly attributable to the acquisition, construction or production of assets that take time to be prepared for their intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed as incurred. The Group capitalizes borrowing costs on assets whose construction commenced after 1 January 2009.

Debts are initially recognized at the fair value of the proceeds received, less the transaction costs. They are subsequently carried at amortized cost (using the effective interest rate method) and the difference between the proceeds and the amount that will be payable on the debt (excluding the capitalized portion) is included in profit or loss for the period.

Segment disclosure

A segment is a significant part of the Company's/Group's operations, distinguished by the products or services being supplied (business segment) or by the provision of products or services in a particular economic environment with specific risks and economic benefits (geographical segment). For the purposes of this financial statements, a business segment is a distinguishable component of the Group's and the Company's operations that are involved in the production of a single product or service or a group of related products or services with different risk and returns.

Income tax

Current and prior tax assets and liabilities are measured at the amount expected to be recovered or paid to the tax authorities, including adjustments for prior years. The tax rates used to calculate this amount are those that are (in principle) applicable before the date of the statement of financial position.

The calculation of the income tax is based on the annual profit, taking into account the calculation of the deferred income tax. Income tax is calculated according to the requirements of Lithuanian tax laws.

In 2021, the corporate tax rate in the Republic of Lithuania is 15 percent (in 2020 – 15 percent).

Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

Deferred income taxes are calculated using the liability method.

Deferred tax assets and liabilities are calculated using tax rates that are expected to apply to taxable profit in the year in which the temporary differences are realized, taking into account the tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets are recognized in the statement of financial position to the extent that the management of the Company/Group expects it to be realized in the foreseeable future, based on taxable profit forecasts. If part of the deferred tax is not expected to be realized, this part of the deferred tax is not recognized in the financial statements.

From 1 January 2014, the amount of deductible tax losses carried forward cannot exceed 70 percent of the taxable profit for the current year. Tax losses may be carried forward for an indefinite period, except for losses arising from the disposal of securities and/or derivatives.

Such a transfer is terminated if the Company/Group discontinues operations that caused the loss, unless the Company/Group discontinues operations for reasons beyond its control.

Losses arising from the disposal of securities and/or derivative financial instruments may be carried forward for 5 years and only be offset against profits from transactions of the same nature.

Deferred tax assets and liabilities are offset to the extent that the laws permit the offsetting of the income tax expense and the deferred tax assets of the same enterprise and the same tax authority.

In accordance with applicable tax laws, the tax office may at any time during the 5 consecutive years following the reported tax year carry out a tax audit of the Company and the Group and recalculate additional taxes and fines. The management of the Group believes that all taxes have been correctly calculated and paid in accordance with applicable law and are not aware of any circumstances that could give rise to a potential material liability for unpaid taxes.

Basic and diluted earnings per share

The Company/Group reports basic earnings (losses) per share and diluted earnings (losses) per share. Earnings per share is calculated by dividing the profit/loss attributable to shareholders of the Company/Group by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share are calculated by adjusting the profit (loss) attributable to shareholders and the weighted average number of ordinary shares outstanding during the period by all potential ordinary shares. During the reporting period, the Company/Group had not issued any potential ordinary shares.

Post-balance sheet events

Subsequent events that provide additional information about the financial position of the Group and the Company at the balance sheet date (adjusting events) are reflected in the financial statements. Subsequent events that are not adjusting events are disclosed in the notes when material.

4. MATERIAL VALUATIONS IN THE CONTEXT OF GROUP AND COMPANY ACCOUNTING POLICIES

Estimates and assumptions are reviewed on an ongoing basis and are based on historical experience and other factors, which reflect the current situation and the reasonably foreseeable future events. The management of the Company/Group, having regard to forecasts and budget, borrowing requirements, performance of its obligations, products and markets, financial risk management, after conducting business continuity assessment, believes that there are no uncertainties and uncertainties regarding the Company's/Group's business continuity.

The Company/Group makes estimates and assumptions about future events, so accounting estimates by definition will not always be consistent with actual results. The preparation of the financial statements of the Group and the Company requires management to make judgments, estimates and assumptions that affect the reported amounts of income, expenses, assets and liabilities and contingencies at the reporting date. However, the uncertainty about these assumptions and estimates may affect results, which may require a significant adjustment to the carrying amounts of assets or liabilities in the future.

As of the date of these financial statements, there was no material risk that the carrying amounts of assets and liabilities would be materially adjusted in the next reporting year due to changes in the related estimates in the following financial years.

Revenue

The management of the Group and the Company has adopted a significant accounting valuation assumption relating to accounting for marketing services (purchased from customers) (whether considered as consideration payable to the customer or purchase from the customer as noted above). Based on management's assessment, marketing services acquired from customers (retail entities) are treated as a separate service related to various advertising and marketing services provided to the Group, therefore all advertising and marketing expenses incurred during the financial year are accounted as operating expenses in the consolidated and separate reports.

Impairment of loans and receivables

The Company/Group regularly reviews receivables for impairment. As described in the accounting policy, the Company/Group uses the ECL provisioning matrix defined in IFRS 9 for the measurement of impairment, in addition to which individual debtors are individually assessed. The Company/Group has determined that credit losses are less than 1% of total receivables, and, considering the effect of future factors, they have been determined to have no impact on the level of losses. The Company/Group used a matrix of expected credit loss provisions for most receivables, and individual estimates were used for a few individual, non-homogeneous cases as described below. In assessing whether an impairment loss should be recognized in the statement of comprehensive income, the Company/Group adopts an estimate of whether there is an indication of a material decrease in expected cash flows from the receivables portfolio and whether the decrease can be related to a separate receivable in that portfolio. Such evidence may include data showing the existence of adverse changes in borrowers' payments or in national or local economic conditions that are directly correlated with the class of receivables.

Impairment losses on receivables are usually recognized in the event of late payment by the debtor by 90 days or more depending on the payment terms that have been set.

Management estimates the expected cash flows from borrowers based on the historical loss experience of borrowers with similar credit risk. The methods and assumptions used to estimate the amount and timing of cash flows are reviewed regularly to reduce any difference between loss estimates and actual loss experience.

Loans granted by management are rated as having low credit risk. Such an assessment is based on an assessment of the structure of debtors and their ability to repay debt, including historical (very low) default rates and the projected impact of the economic environment. In addition, it is noted that loan repayment is secured by a pledge of assets with a high loan-to-value ratio (LTV). Therefore, the expected credit losses are considered to be insignificant.

An estimate of the impairment of receivables from related parties is disclosed in Note 30.

Net realizable value of inventories and impairment of obsolete inventories

Inventories represent a significant proportion of the assets of the Group and the Company. As at 31 December 2021 and 2020, the management of the Group and the Company had assessed whether the carrying amount of inventories was greater than their net realizable value (summarized in Note 9). Management has also assessed the value of obsolete inventories by applying depreciation rates (based on historical data and projected sales) and assessing whether the amount of depreciation of obsolete inventories was sufficient.

As at 31 December 2021, Impairment losses recognized by the Group and the Company were EUR 555 thousand and EUR 246 thousand, respectively (as at 31 December 2020: EUR 352 thousand and EUR 352 thousand, respectively). The impairment was based on information such as the date of manufacture, product quality specifications and management's sales forecast calculations. The summarized information related to impairment of stocks is disclosed in Note 9.

Transactions with related parties

The Company and the Group conducts business with related parties in the ordinary course of business. These transactions are mainly aimed at market prices. In the absence of an active market for these transactions, the valuation is used to determine whether the transactions correspond to market prices or not. The basis for measurement is pricing for similar transactions with unrelated parties, if such information is available to the Company or the Group.

Non-current liabilities to employees

As disclosed in Note 3 to the financial statements, the Company and the Group has accounted for non-current liabilities to the employees in accordance with the Labour Code of the Republic of Lithuania and the applicable Company/Group employee benefits policy.

As disclosed in Note 15, the present value of the liabilities includes a range of significant estimates for the assumptions used regarding the level of inflation, the employee turnover rate, the discount rate, etc.

Profit sharing bonuses for milk suppliers

The Company and the Group pay various bonuses to milk suppliers, which are calculated on the basis of the quantity and quality of milk delivered, with regular payments. In addition, the Company/Group may pay additional bonuses to suppliers based on market conditions, annual results of the Company/Group, etc.

The decision as to the fact and the amount of the additional payments to the milk suppliers is a matter of significant appreciation.

As at 31 December 2021, the Company and the Group did not recognize any liabilities relating to the payment of additional bonuses as the Company and the Group had no contractual obligation to the suppliers for these benefits. These benefits are a unilateral decision by the Company and the Group.

About the annual bonuses assigned and accumulated as at 31 December 2020 and 2021 by the Company to raw material suppliers are disclosed in Note 20

Contingent liabilities

As disclosed in Note 28 to these financial statements, the Company and the Group have been involved in a number of ongoing legal disputes whose outcome and potential economic loss or gain could not be measured reliably to date. Management estimates that the Company and the Group does not expect to incur material losses in the future due to legal disputes.

The effect of legal disputes on financial statements for the purpose of measuring the amount of a potential liability and its recognition in balance sheet items, and the appropriate disclosure of such disputes in the notes to the financial statements, is within the scope of significant measurement.

Valuation of deferred tax assets and liabilities

Deferred tax assets and liabilities are recognized at the balance sheet date, taking into account temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Significant amounts of deferred tax assets are recognized based on the Company's and the Group's management's estimates, taking into account the expected periods and amounts of future taxable profits and the Company's/Group's tax planning strategies.

Correction of accounting estimates and errors

Change in accounting estimate is an adjustment to the carrying amount of an asset or liability or the amount of a periodic disposal of an asset by measuring the present condition of the asset or liability, its expected future benefits and future liabilities. Changes in accounting estimates result from new information or new circumstances and are not considered as corrections to errors.

The accounting estimate shall be revised if the circumstances on which it was based change or if new information or experience becomes available. Revisions to the estimate, by their nature, are not related to prior reporting periods and are not a correction of an error. The result of a change in an accounting estimate is recognized prospectively.

In 2018, the Company and the Group reviewed the applicable rates of depreciation of property, plant and equipment for certain classes of property, plant and equipment as disclosed in Note 5.

To the extent that a change in an accounting estimate changes an asset or a liability or relates to an equity item, the result of that change is the adjustment to the carrying amount of the related asset, liability or equity item during the period.

Previous period errors – omissions or misstatements omission or misstatement of the data in the prior period financial statements due to failure to use or misuse reliable information available for the reporting periods for which the financial statements were requested to be published; and could have been received and used properly (and could reasonably have been expected) in the preparation and presentation of the financial statements for that reporting period.

Such errors include the consequences of inaccurate mathematical calculations, misapplication of accounting policies, errors, misinterpretation of facts in the recognition, measurement or presentation of financial statements.

Impact of COVID-19 outbreak on activity, its outcomes and on financial statements 2021, complying with consistent application of requirements in International Financial Reporting Standards (IFRS)

As mentioned previously, the Company and the Group managed to hold in the situation under the conditions of the COVID-19 pandemic by mitigating the impact of risks to an acceptable level. While preparing the financial statements 2021 of the Company and the Group, information has been analysed, upon which critical decisions have been and will continue to be made. To accurately and completely reflect the facts in all material respects, this information has been classified, evaluated and is presented below. Prospective information indicates what is expected in 2022, simulation of different scenarios is not presented due to ethical aspects: The forecasts provided in the presence of a high level of uncertainty may be misleading, provide unreasonable assumptions for the assessment to those who read and evaluate the financial statements.

The impact of the COVID-19 pandemic outbreak on the Company's and Group's operations and results in 2021:

- In both 2020 and 2021, time and effort was needed to reorganise and adapt production processes, operational functions. No shutdowns had to be declared and therefore no targeted State support measures were needed. The situation was managed through the use of accumulated leave days and organisational measures for working time schedules.
- In 2021, prices of raw milk, assembly raw materials, packaging and other production factors increased significantly. In the second half of 2021, we already had official proposals for price increases for energy resources.
- Wages of employees have risen.
- The company was forced to set price in several stages in light of the changes in the prices of raw materials, materials, energy costs. Currently, the momentum of the price increases has slowed down, but the upward trend is still in place.
- In 2022, the targets to develop e-commerce and export trade channels through intermediaries remained.
- Thanks to the smooth organisation of the Group's centralised purchasing department, the smooth operation of the Company's Logistics Department, as well as a well-developed own freight transport fleet, the delivery of raw materials to the Company and the Group's companies and the delivery of products to customers and distribution channels did not experience any delay in 2021. A smooth functioning of the logistics chain in western countries is also expected in 2022.
- There were no significant effects of exchange rate fluctuations and delays in customer payments in 2021.
- Cash flows remained stable in 2021, with timely settlements with business partners and financing institutions. Cash flow and liquidity stability is expected to continue in 2022.

Impact of the COVID-19 outbreak on the Company's and the Group's annual financial statements 2021:

ABBREVIATIONS USED: **FS** – Financial statements. **C19 -** Impact and outcomes of COVID-19. **FVM** – Fair value measurement. **ECL** – Expected credit losses.
GOING CONCERN
1. At the date of submission of the FS, there is no reliable information on uncertainties other than employee health related to C19 that are considered significant and could affect business continuity.
2. At the date of submission of the FS, it was not planned to avail any C19 mitigation initiatives, state support, EU funds measures. These measures are usually intended for small and medium-sized enterprises, companies that already have to deal with survival and employee retention, liquidity issues. So far, this does not apply to the Company and the Group companies, and at the date of submission of the FS there were no indications that this could happen in 2022.
3. There was no need for changes in accounting policies or methods of calculating carrying amounts due to C19.
EVENTS AFTER THE REPORTING PERIOD
CONTEXT (what was taken into account when disclosing this type of information): *- With respect to reporting periods of 2021 or before, there is a general consensus that the effects of the C19 are the result of events that arose after the reporting date. For later reporting dates, including for the year 2021, it is likely to be a current-period event which will require ongoing evaluation to determine the extent to which developments after the reporting date should be recognized in the reporting period.* *- If management concludes the impact of non-adjusting events are material, the company is required to disclose the nature of the event and an estimate of its financial effect. If it cannot be reliably quantitatively estimated, there still needs to be a qualitative disclosure, including a statement that it is not possible to estimate the effect. Examples of non-adjusting events that would generally be disclosed in the financial statements include breaches of loan covenants, management plans to discontinue an operation or implement a major restructuring, significant declines in the fair value of investments held and abnormally large changes in asset prices, after the reporting period.*
1. The amounts recognized in the 2021 FS did not need to be adjusted to include adjusting events after the reporting period. At the date of submission of the FS, there was no information that such events would occur.

2. In the opinion of the Management, there were no significant non-adjusting events, the financial or descriptive effects of which should be disclosed in the 2021 FS. Such information, which may be interesting and useful, is provided in the descriptive section of this section previously.
FAIR VALUE MEASUREMENT AND IMPAIRMENT OF NON-FINANCIAL ASSETS
CONTEXT (what was taken into account when disclosing this type of information): *- According to the European Securities and Markets Authority (ESMA), a negative C19 will require many issuers to apply one or more impairment indicators.* *- ESMA's Annual Report on Priorities for FS states that the recoverable amount of goodwill, tangible and intangible assets may be affected by the deterioration of the economic outlook in one or more sectors. In order to reflect uncertainty in estimating future cash flows, it is advisable to model several scenarios to describe possible economic alterations.* *- The impairment test cannot be replaced over by the one already performed for the last interim reporting period, it is performed at the same time each year, and all hypotheses and assumptions of such tests should be reassessed and, if necessary, updated in an annual test. It is recommended to disclose how assumptions and estimates have changed, if any, since the last annual and interim reports.* *- Forecasts should reflect the current condition of the assets. They should not reflect cash inflows and outflows expected to arise from a future restructuring to which the entity is not yet committed or from improving or enhancing the asset's performance.* *- If a discounted cash flow model is used in the FVM, the discount rate must also be proportionate to the risks inherent in the expected cash flows that are likely to change due to the current environment.* *- If the FVM was based on level 2 inputs, there should be indicated: quoted prices for similar assets / liabilities in active, inactive markets, interest rates, yield curves, implied volatility, credit interest allocations, other market-based data. If the FVM was based on level 3 inputs (not observed in the market, exclusively company data), there should be indicated - the nature and the base of the input.* *- If the C19 necessitated the FVM, or a change in the FVM:* *a) it is necessary to disclose the assessment methodologies and data used in those assessments;* *b) for the recurrent FVM using significant unobservable (level 3) inputs - the effect of those measurements on profit or loss or other comprehensive income for the period;* *c) to disclose and explain whether the pre-crisis return on assets was real and what period was considered in the post-C19 scenario.*
1. The C19 did not affect the review of the fair value of assets and liabilities and / or their groups in the 2021 FS.
2. The FVM of the available non-financial assets has not been reviewed due to the C19 as well as the decisions regarding the best use of these assets.
3. No amendments in FVM methods have been made due to C19.
4. There were no cases where, due to C19, the fair value of certain assets / liabilities could not be determined on the basis of the quoted price in an active market and therefore certain insights / estimates (level 2, 3 inputs) had to be applied to determine the fair value (e. g. a significant decrease in the turnover / volume of certain assets / liabilities in an active market).
5. There were no need to write off any inventories (a decrease in their share of the value to the possible realizable value) due to lower sales, changed contract conditions under the C19 conditions.
EXPECTED CREDIT LOSSES FOR FINANCIAL ASSETS
1. No additional risks of any kind arising from the financial instruments have been incurred as a result of the C19. No additional hedging measures (e. g. collateral received, other credit protection measures) have been applied due to the C19.
2. The C19 has not yet affected changes in liquidity risk / liquidity risk management, including the maturity of non-derivative and derivative financial liabilities.
3. The C19 did not lead to (no change in condition) agreements that are supply chain financing or, more precisely, reverse factoring transactions.
4. The Company and the Group companies have not applied any deferrals to their debtors due to the C19, nor were any payment deferrals granted to the Company and the Group.
5. At the date of submission of the FS, there were no clear indications that C19 could affect / will affect additional credit losses. Trade receivables are valued by the company at the established transaction price.

6. There were no need to change current ECL model / -s (or the logic for estimating expected credit losses) due to complicated current conditions and C19.
7. Due to the C19, the macroeconomic scenarios to be assessed and all their possible changes compared to the scenarios used in last year's forecasts and last interim reports may be innumerable. Due to the high level of uncertainty, such scenarios are not even evaluated.
8. There were no changes in the total carrying value of financial instruments (due to the sale or write-off of financial instruments, grants, acquisitions, etc. (e. g. arising from deferrals of payments), because of which financial assets are not derecognised in accordance with IFRS 9) that would contribute to changes in performance due to C19.
LEASE ACCOUNTING
CONTEXT (what was taken into account when disclosing this type of information): - C19-Related Rent Concessions, issued in May 2020, added paragraphs 46A, 46B, 60A, C20A and C20B. A lessee shall apply that amendment for annual reporting periods beginning on or after 1 June 2020. - Tenants should carefully consider disclosing additional information that, in particular with respect to the C19, may supplement information already available to users of financial statements about the impact of the pandemic on the issuer 's financial position, performance and cash flows. Such information is likely to be relevant to users of financial statements if it helps to understand: i) the flexibility provided or particular restrictions imposed by lease contracts, ii) the sensitivity of reported information to key variables, and iii) the exposure to other risks arising from leases including, for example, liquidity risks, deviations from industry practice, unusual or unique lease terms and conditions that affect a lessee's lease portfolio.
1. During 2021, the Company and the Group companies, both as lessors and tenants, did not have any changes in property (real estate, movable, tangible, intangible, investment) lease agreements due to the C19 (termination of agreements, changes in lease terms, lease price discounts, received or granted rent support measures). At the date of submission of the FS, no such changes were expected in 2022.
HEDGE ACCOUNTING
1. The Company and the Group companies do not have any hedging instruments that would be a part of the risk management strategy and those to be accounted for under IAS 39 "Financial Instruments: Recognition and Measurement" or IFRS 9 "Financial Instruments". No such transactions were planned at the date of conclusion of the FA.
DEFERED TAX ASSETS / GOVERNMENT SUPPORT
1. In the current circumstances, the impact of C19 has not affect the Company's and the Group's companies' forecasts of future taxable profit, and, at the date of submission of the FS, there were no significant indications and reliable information that could affect: - changes in cashflow forecasts - e. g., expected decrease in production or sales prices compared to an increase in costs; - modifications in the companies' tax strategy; - applied Government measures to businesses in response to C19; - other circumstances that may give rise to a deferred tax liability (i.e., additional taxable temporary differences).
REVENUE RECOGNITION
1. At the date of submission of the FS and with a view to 2022, there were no customers with whom contracts had been entered into, but the impact of C19 on these customers will lead to difficulties in meeting contractual obligations. Regarding the time and amount of income recognition, the recognition of income has not changed, and at the date of submission of the FS there were no indications that should change in 2022.
2. At the date of submission of the FS and looking to the perspective of 2022, the rights of the Company and the Group companies to timely debts receipt for goods / services are entitled under all available contracts (there were no such contracts when, for example, C19 contracts are subject to force majeure or similar terms).
3. There were no contracts whose terms were changed by customers due to the C19, sought to change on the date of conclusion of the FS, and there was no information about such upcoming changes.
4. There were no agreements that transfer control of goods / services, and therefore revenue is recognized over a period of time (IFRS 15, paragraph 35).

Effects of climate-related matters on financial statements 2021, complying with consistent application of requirements in International Financial Reporting Standards (IFRS)

Most industries have been, or may be, affected by climate change and efforts to manage its effects. It is therefore a topic in which investors and other stakeholders are increasingly interested due to its potential impact on corporate business models, cash flows, financial position and financial performance. IFRSs do not explicitly address climate-related matters, however companies must consider those issues in applying IFRSs when the effect of those matters is material in the context of the financial statements taken as a whole. Information is material if its omission, misstatement or non-disclosure could reasonably be expected to influence decisions made by major users of financial statements (investors).

The Company's and the Group's Management understands the importance of integrating climate-related matters into the risk management system and disclosing these risk management solutions in the financial statements. The following are key climate issues and Management's assessment of the impact of climate issues in applying the principles of many IFRSs, IASs (International Accounting Standards). When preparing the financial statements, it was also considered whether additional information is available if the specific requirements of IFRS are not sufficient to enable investors to understand the impact of climate-related matters on the Company's and the Group's financial position and financial performance:

ABBREVIATIONS USED: **FS** – Financial statements.
GOING CONCERN
1. At the date of submission of the FS, the Company and the Group companies did not have (and / or did not receive such information) any real estate, movable property, infrastructure objects, which had some carrying value at December 31 2021, but in 2022 or later will have to be written off, dismantled, utilized due to the requirements of climate change policy and environmental regulations, regardless of whether they are completely depreciated.
2. At the date of submission of the FS, the Company and the Group companies did not have (and / or did not receive such information) any real estate, movable property, infrastructure objects, which regardless of their carrying value, will continue to be used in the company's operations in 2022 (or longer), but adapting to the requirements of climate change policy and environmental regulations requires investments, expensive permits, or other significant costs continuing to use such objects in activities.
3. When preparing FS 2021, the Company's and the Group's Management considered whether in 2022 or further significant investments in production technologies or other significant costs (e. g. expensive staff training, increased fees, etc.) will be required to adapt, to meet climate change policies, to comply with environmental regulations. At the date of submission of the FS there was no such information, except for the fact that the tax from stationary and mobile sources of pollution has been increasing since 2021. According to preliminary estimates, the increased pollution tax will not have a significant impact on performance and financial condition of the Company and Group in 2021.
4. At the date of submission of the FS no information was known, other than the general guidelines for climate change policy, on specific existing climate change and environmental issues that give rise to uncertainty in the future: - how they will need to be addressed, - what the regulations might be, how they will need to be implemented.
INVENTORY VALUATION
1. At the date of submission of the FS, the Company and the Group companies did not have (and / or did not receive such information) any goods, whose realizable value may have been decreased due to the requirements of climate change policy and environmental regulations, compared to: - the price at which the goods were expected to realize, - the self-cost (carrying value).
2. At the date of submission of the FS there were no (and / or no any information was received) such raw materials, materials, other production component inventory, whose value has decreased or has been lost due to the climate change policy and environmental regulation requirements.

3. At the date of submission of the FS there was no any reasonable information / facts / circumstances on the likely increase in the cost of certain products in the near future (2022) due to the requirements of the climate change policy and environmental regulations (e. g. more expensive or additional production components). The Company and the Group have identified potential threats to cost growth beyond 2022 financial periods. The 2022 budget does not provide for self-cost growth. Examples of such threats may be: - 2019 an EU directive on the restriction of single-use plastics has been adopted: In the production of PET bottle in 2025, it will have to contain 25% secondary, i.t. - processed raw materials. This can lead to self-cost growth (if in 2025 the supply of secondary raw materials will remain the same as in 2021), but there may be no such effect (if e. g. there were to occur more companies involved in plastics recycling who are willing and able to offer more secondary raw materials to the market). - Rising pollution charges for the handling of packaging placed on the market.
DEFERRED TAX ASSETS
1. At the date of submission of the FS no such facts / prospective information was known, that the climate change policy and the requirements of environmental regulations may affect the assessment of a company's taxable profit in 2022, and in such a way that the enterprise will not be able to recognize the deferred tax asset or will be forced to restore the recognition of the previously recognized deferred tax asset.
BUSINESS ADAPTION AND FAIR VALUE OF PRODUCTION ASSETS
1. At the date of submission of the FS there was no any specific and reasonable information, that climate-related matters may prompt expenditure to change or adapt business activities and operations of the Company and the Group in 2022, including research and development.
2. No climate change related costs were recognized as an asset (long-term tangible and intangible) during the reporting period 2021. In 2022 there are no such planned expansion, development, equipment adaptation costs that would need to be recognized as assets.
3. During the 2021 reporting period, it has not caused any unusual costs associated with climate change policies and environmental legislation requirements that have been recognized as an expense.
4. In 2021, regulations related to climate change policy and environmental requirements did not affect residual value and useful life of the Company's and the Group's any long-term assets (due to obsolescence, legal restrictions or unavailability). At the date of submission of the FS there was no any information on such possible impact in 2022.
IMPAIRMENT OF ASSETS
1. At the date of submission of the FS no such substantiated facts were known, that in 2022 and further climate-related matters may give rise to indications that an asset (or a group of assets) is impaired. For example, a decline in demand for products that emit greenhouse gases could indicate that a manufacturing plant may be impaired, requiring the asset to be tested for impairment.
2. If there were a need to estimate the recoverable amount of any assets by measuring their value at value in use, given the expected future cash flows from the assets and the expected changes in the amount or timing of those future cash flows, independent valuers would be invoked for this purpose in accordance with the current practice of the Company and the Group. At the date of submission of the FS there was no any substantiated evidence that climate change-related regulations could affect future (2022 and beyond) cash flows.
3. During the reporting period 2021 no impairment losses were incurred due to the regulations of environmental legislation. Such losses are not expected in 2022 and beyond, as there is no substantiated facts and information to do so.
PROVISIONS, CONTINGENT LIABILITIES, CONTINGENT ASSETS
1. Climate change-related policy issues and regulations did not affect the recognition, measurement and disclosure of liabilities of the Company and the Group in the financial statements for the reporting period 2021. There is also no such knowledge and / or reliable information that such impact could be in 2022 and subsequently due to: - levies imposed by authorities for failure to meet climate-related targets or to discourage or encourage specified activities, - regulatory requirements to remediate environmental damage, - contracts that may become onerous (for example, due to potential loss of revenue or increased costs as a result of climate-related changes in legislation); or

- restructurings to redesign products or services to achieve climate-related targets, - other reasons.
2. At the date of submission of the FS, the Company's and the Group's Management did not have any information to make assumptions about future events that should be reflected in the amounts of the provisions.
IMPAIRMENT OF FINANCIAL ASSETS
1. At the date of submission of the FS, no strong arguments or substantiated information were known that to climate-change policy related matters may affect the increase in credit risk of the Company and the Group companies.
2. At the date of submission of the FS, the Company's and the Group's management does not anticipate and does not have any assumptions that climate change related regulations give rise or could lead to market, financial or any other risks (e. g. impairment of assets due to market changes), associated with financial assets during the next 12 months.
3. Climate change related issues and / or regulations did not During the reporting period of 2021, the issues, circumstances and regulations related to climate change did not affect the changes in the value of financial assets and there is no such substantiated data that it may have an impact on 2022 or further.
FAIR VALUE MEASUREMENT
1. Climate change policy and related regulatory requirements did not have any impact on the determination of the fair value of assets and liabilities in the financial statements of the Company and the Group companies during the reporting period 2020, and there is no information available that those could affect during the period 2021 or further.
INSURANCE CONTRACTS
1. During the reporting period 2021, climate change-related matters did not in any way lead to any insured events (e. g. business interruption, property damage, illness and death). There is no reasonable information to assume that the probability of such insured events will increase in 2022 and further.
2. At the date of submission of the FS, the Company's and the Group's Management did not have any reasonable information on the assumptions used to assess the impact of climate change-related matters and circumstances on insurance contract liabilities.
3. At the date of submission of the FS there were no any specific and reasonable facts and information, that climate-related matters may affect: - the significant judgements and changes in judgements made in applying IFRS 17, - a company's exposure to risks, concentrations of risk, how it manages risks and sensitivity analysis showing the effect of changes in risk variables.

(All amounts in EUR thousands unless otherwise stated)

5. INTANGIBLE AND TANGIBLE NON-CURRENT ASSETS

Changes in intangible assets of the Group:

The Group	Aquired rights and patents	Computer software	Licenses	Total
Acquisition cost				
As of 31 December 2019	**243**	**143**	**592**	**978**
-acquisition	40	11	71	122
-incorporation/mergers	(69)	-	69	-
-sold or written-off assets	-	(12)	(115)	(127)
As of 31 December 2020	**214**	**142**	**617**	**973**
-acquisition	65	9	14	88
-reclassification	-	-	-	-
-sold or written-off assets	-	(9)	(0)	(9)
As of 31 December 2021	**279**	**142**	**631**	**1.052**
Accumulated amortisation				
As of 31 December 2019	**107**	**134**	**402**	**643**
-amortization	47	9	113	169
-incorporation/mergers	(3)	(1)	4	-
-amortization of sold and written-off assets	-	(12)	(93)	(105)
As of 31 December 2020	**151**	**130**	**426**	**707**
-amortization	47	7	98	152
-reclassification	-	-	3	-
-amortization of sold and written-off assets	-	(6)	-	(6)
As of 31 December 2021	**198**	**131**	**524**	**853**
Net Book Value				
As of 31 December 2019	**136**	**9**	**190**	**335**
As of 31 December 2020	**63**	**12**	**191**	**266**
As of 31 December 2021	**81**	**11**	**107**	**199**

(All amounts in EUR thousands unless otherwise stated)

Changes in intangible assets of the Company:

The Company	**Aquired rights and patents**	**Computer software**	**Licenses**	**Total**
Acquisition cost				
As of 31 December 2019	**244**	**115**	**592**	**951**
-acquisition	40	11	71	122
-incorporation/mergers	(69)	-	69	-
-sold or written-off assets	-	(12)	(115)	(127)
As of 31 December 2020	**215**	**114**	**617**	**946**
-acquisition	65	9	14	88
-reclassification	-	-	-	-
-sold or written-off assets	(1)	(2)	(0)	(3)
As of 31 December 2021	**279**	**121**	**631**	**1.031**
Accumulated amortisation				
As of 31 December 2019	**107**	**114**	**403**	**624**
-amortization	47	4	113	164
- incorporation/mergers	(3)	-	3	-
-amortization of sold and written-off assets		(12)	(93)	(105)
As of 31 December 2020	**151**	**106**	**426**	**683**
-amortization	47	4	98	149
- reclassification		-		-
-amortization of sold and written-off assets		-		-
As of 31 December 2021	**198**	**110**	**524**	**832**
Net Book Value				
As of 31 December 2019	**137**	**1**	**189**	**327**
As of 31 December 2020	**64**	**8**	**191**	**263**
As of 31 December 2021	**81**	**11**	**107**	**199**

In 2021 amortization of non-current intangible assets of the Group and the Company amounts to EUR 152 thousand and EUR 149 thousand respectively (In 2020 – EUR 169 thousand and EUR 164 thousand, respectively). Amortization expenses of intangible assets are recognized as Operating expenses in the statement of comprehensive income (Note 24).

Investments in the purchase of non-current intangible assets made by the Group and the Company in 2021 amount to EUR 88 thousand and EUR 88 thousand, respectively (in 2020 - EUR 122 thousand and EUR 122 thousand). All the acquisitions above are located in Lithuania.

As at 31 December 2021, the Company and the Group have EUR 549 thousand and EUR 572 thousand (EUR 491thousand and EUR 496 thousand as at 31 December 2020, respectively) of fully amortized non-current intangible assets that are still in use.

(All amounts in EUR thousands unless otherwise stated)

Changes in property, plant and equipment of the Group:

The Group	**Land, buildings and constructions**	**Machinery and equipment**	**Vehicles**	**Other property, plant and equipment**	**Construction in progress and prepayments**	**Total**
Acquisition cost						
As of 31 December 2019	**22.446**	**87.845**	**11.457**	**4.938**	**2.567**	**129.253**
-acquisition	163	451	532	195	881	2.222
-sold or written-off assets	(132)	(436)	(587)	(340)	-	(1.495)
-reclassification	11	2.362	41	100	(2.514)	-
-incorporation/mergers						
-transfers to investment property	(21)	-	-	-	-	(21)
-transfers from investment property	25	-	-	-	-	25
As of 31 December 2020	**22.492**	**90.222**	**11.443**	**4.893**	**934**	**129.984**
-acquisition	4.388	3.948	959	463	907	10.665
-sold or written-off assets	(27)	(857)	(517)	(113)	(2)	(1.516)
-reclassification	71	427	182	18	(698)	-
-incorporation/mergers			-			-
Internal operatis			36			36
-transfers to investment property	(38)	-	-	-	-	(38)
-transfers from investment property	477	-	-	-	-	477
As of 31 December 2020	**27.363**	**93.740**	**12.103**	**5.261**	**1.141**	**139.608**
Accumulated depreciation						
As of 31 December 2019	**8.510**	**53.142**	**9.012**	**2.965**	**-**	**73.627**
-depreciation	626	3.189	381	343	-	4.539
-depreciation of written-off and sold assets	(32)	(435)	(515)	(336)	-	(1.318)
-incorporation/mergers	-	-	-	-	-	-
-reclassification (subsidiary)	-	-	-	-	-	-
-transfers to investment property	-	-	-	-	-	-
-transfers from investment property	4	-	-	--		4
As of 31 December 2020	**9.108**	**55.896**	**8.878**	**2.972**	**-**	**76.854**
-depreciation	638	3.559	479	394	-	5.070
-depreciation of written-off and sold assets	(17)	(857)	(362)	(68)	-	(1.304)
-incorporation/mergers						-
-reversals (subsidiary)						-
-reclassification (subsidiary)						-
-transfers to investment property	(5)					(5)
-transfers from investment property	140					140
As of 31 December 2021	**9.864**	**58.598**	**8.995**	**3.298**	**-**	**80.755**
Impairment						
As of 31 December 2019	**-**	**-**	**-**	**-**	**-**	**-**
-impairment losses	-	-	-	-	-	-
-transfers to investment property	-	-	-	-	-	-
-reversal of impairment	-	-	-	-	-	-
As of 31 December 2020	-	-	-	-	-	-
-impairment losses	-	-	-	-	-	-
-transfers to investment property	-	-	-	-	-	-
-reversal of impairment	-	-	-	-	-	-
As of 31 December 2021	**-**	**-**	**-**	**-**	**-**	**-**
Net book value						
As of 31 December 2019	**13.936**	**34.703**	**2.445**	**1.973**	**2.567**	**55.624**
As of 31 December 2020	**13.384**	**34.326**	**2.565**	**1.921**	**934**	**53.130**
As of 31 December 2021	**17.499**	**35.142**	**3.108**	**1.963**	**1.141**	**58.853**

(All amounts in EUR thousands unless otherwise stated)

Changes in property, plant and equipment of the Company:

The Company	**Land, buildings and constructions**	**Machinery and equipment**	**Vehicles**	**Other property, plant and equipment**	**Construction in progress and prepayments**	**Total**
Acquisition cost						
As of 31 Decmber 2019	**19.750**	**79.841**	**9.983**	**4.427**	**231**	**114.232**
-acquisition	113	424	532	169	618	1.856
-incorporation/mergers	-	-	-	-	-	-
-sold or written-off assets	(132)	(436)	(587)	(340)	-	(1.495)
-adding value						
-reclassification	-	243	41	100	(384)	-
-transfers to investment property	(21)					(21)
-transfers from investment property	25					25
As of 31 December 2020	**19.735**	**80.072**	**9.969**	**4.356**	**465**	**114.597**
-acquisition	4.388	3.921	959	442	500	10.210
-incorporation/mergers						
-sold or written-off assets	(9)	(349)	(505)	(59)	-	(922)
-adding value						
-reclassification	24	391	182	14	(611)	-
-transfers to investment property	(25)					(25)
-transfers from investment property	430					430
As of 31 December 2021	**24.543**	**84.035**	**10.605**	**4.753**	**354**	**124.290**
Accumulated depreciation						
As of 31 December 2019	**7.413**	**47.521**	**7.454**	**2.597**	**-**	**64.985**
-depreciation	586	2.974	419	320	-	4.299
-incorporation/mergers						-
-depreciation of written-off and sold assets	(31)	(436)	(515)	(336)	-	(1.318)
-transfers from investment property	4	-	-	-	-	4
As of 31 December 2020	**7.792**	**50.059**	**7.358**	**2.581**	**-**	**67.970**
-depreciation	592	3.113	502	370	-	4.577
-incorporation/mergers						-
-depreciation of written-off and sold assets		(348)	(355)	(15)	-	(718)
-transfers to investment property	(5)					(5)
-transfers from investment property	93					93
As of 31 December 2021	**8.652**	**52.824**	**7.505**	**2.936**	**-**	**71.917**
Impairment						
As of 31 December 2019	**-**	**-**	**-**	**-**	**-**	**-**
- impairment losses	-	-	-	-	-	-
-reversal of impairment	-	-	-	-	-	-
As of 31 December 2020	-	-	-	-	-	-
- impairment losses	-	-	-	-	-	-
- reversal of impairment	-	-	-	-	-	-
As of 31 December 2021	-	-	-	-	-	-
Net book value						
As of 31 December 2019	**12.337**	**32.320**	**2.529**	**1.830**	**231**	**49.247**
As of 31 December 2020	**11.763**	**30.013**	**2.611**	**1.775**	**465**	**46.627**
As of 31 December 2021	**15.891**	**31.211**	**3.100**	**1.817**	**354**	**52.373**

For the year ending at 31 December 2021 the depreciation costs of the Group's and the Company's property, plant and equipment amount to EUR 5.070 thousand and EUR 4.577 thousand, respectively (2020 – EUR 4.539 thousand and EUR 4.299 thousand).

The amount of depreciation accounted under the caption 'Cost of Sales' for the financial years 2021 and 2020 amounts to EUR 2.974 thousand and EUR - 2.883 thousand by the Company, respectively. By the Group, EUR 3.619 thousand and 3.287 thousand, respectively. The rest of the Company's and the Group's depreciation is accounted under the 'Operating expenses' caption. Part of the depreciation amount is also accounted under the 'Inventory' caption in the value of unsold Inventories as of 31 December 2020 and 2021.

In 2018, the Company and the Group have revised the residual values and useful lives of non-current tangible assets as according to IAS 16 "Property, plant and equipment" and decided to adjust the residual values and useful lives for assets that are not fully depreciated as of 1 January 2018, prospectively. The Company and the Group reviewed the liquidation values and useful lives on an annual basis.

As for the changes in the depreciation assessment, in 2021 depreciation costs for the Group and the Company decreased by EUR 698 thousand and EUR 227 thousand respectively, compared to the residual values and useful lives of 2017, in 2020 depreciation costs for the Group and the Company decreased by EUR 752 thousand and EUR 437 thousand.

All of the acquisitions of non-current tangible and intangible assets made by the Group and the Company during year 2021 and 2020 as disclosed above relate to the Lithuanian segment.

Part of property, plant and equipment of the Company and the Group with the acquisition cost amounting to EUR 41.149 thousand and EUR 48.191 thousand, respectively, was fully depreciated as at 31 December 2021 (EUR 41.593 thousand and EUR 48.588 thousand as at 31 December 2020), but was still in use.

6. INVESTMENT PROPERTY

	The Group	The Company
Acquisition cost		
As of 31 December 2019	**4.892**	**4.121**
- acquisition	-	-
- transfers from property, plant and equipment	21	21
-reversals (subsidiary)	-	-
-sold or written-off investment property	-	-
-transfers to property, plant and equipment	(25)	(25)
As of 31 December 2020	**4.888**	**4.117**
-acquisition	-	-
-transfers from property, plant and equipment	38	25
-reversals (subsidiary)		
-sold or written-off investment property		
-transfers to property, plant and equipment	(477)	(430)
As of 31 December 2021	**4.449**	**3.712**
Accumulated depreciation		
As of 31 December 2019	**1.282**	**587**
- depreciation	238	237
-transfers to property, plant and equipment	(4)	(4)
-reversals (subsidiary)	1	-
-sold or written-off investment property		-
- transfers from property, plant and equipment	-	-
As of 31 December 2020	**1.517**	**820**
-depreciation	236	234
-transfers to property, plant and equipment	(140)	(93)
-reversals (subsidiary)		
-sold or written-off investment property	(1)	
-transfers from property, plant and equipment	5	5
As of 31 December 2021	**1.617**	**966**
Impairment		
As of 31 December 2019	-	-
-impairment losses	-	-
-reversal of impairment	-	
-transfers from property, plant and equipment	-	
As of 31 December 2020	-	-
-impairment losses	-	-
-reversal of impairment	-	-
-transfers from property, plant and equipment	-	-
As of 31 December 2021	-	-
Net book value, Eur thousand:		
As of 31 December 2019	**3.610**	**3.534**
As of 31 December 2020	**3.371**	**3.297**
As of 31 December 2021	**2.832**	**2.746**

Investment property has been evaluated by independent valuator on 20 April 2018 (adjusted comparable price method was used as primarily valuation method to establish fair value, level 3 in fair value hierarchy).

The Company's investment property in 2018 represents rented assets to ABF Šilutės Rambynas, UAB Čia Market, other non- related parties and legal persons. In 2019 the Company's rent contract with ABF Šilutės Rambynas was terminated. As per valuation reports, the fair value of investment property is varies slightly than net book value as at 31 December 2020 and 31 December 2021.

At the moment of acquisition, the Company and the Group use independent valuator valuations in case the assets are bought/sold within related parties. In other cases assets are purchased in competitive market at the market price.

For the year ending at 31 December 2021 the depreciation costs of the Company's investment property amount to EUR 234 thousand (2020 – EUR 237 thousand). Rental income and related costs are disclosed in Notes 24,25.

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

There were no investment property under construction in 2021 and 2020.

Depreciation of investment property is included in the 'Operating expenses' caption.

7.RIGHT-OF-USE-ASSET

According to the new IFRS 16 "Leases" effective as of January 1, 2019 the right-of use asset account to the following:

The Group

	Land, buildings and constructions	Movable property	Vehicles	Total
Acquisition cost				
As of 31 December 2019	**594**	**346**	**72**	**1.012**
-acquisition	1.354	69	23	1.446
-reclassification				
-the end of the contract			(13)	(13)
Acquisition cost				
As of 31 December 2020	**1.948**	**415**	**82**	**2.445**
-acquisition	494	92	21	607
-reclassification				
-the end of the contract	(30)		-	(30)
Acquisition cost				
As of 31 December 2021	**2.412**	**507**	**103**	**3.022**
Accumulated depreciation				
As of 31 December 2019	**342**	**230**	**44**	**616**
-depreciation	618	92	26	736
-reclassification	-	-	-	-
-the end of the contract	-	-	(10)	(10)
Accumulated depreciation				
As of 31 December 2020	**960**	**322**	**60**	**1.342**
-depreciation	617	92	22	731
-reclassification	2		1	3
-the end of the contract	(30)			(30)
Accumulated depreciation				
As of 31 December 2021	**1.549**	**414**	**83**	**2.046**
Impairment As of December 2020	-	-	-	-
Impairment As of December 2021	**(31)**	**-**	**-**	**(31)**
Net book value, Eur thousand:				
As of 31 December 2019	**252**	**116**	**28**	**396**
As of 31 December 2020	**988**	**93**	**22**	**1.103**
As of 31 December 2021	**832**	**93**	**20**	**945**

The Company

	Land, buildings and constructions	Movable property	Vehicles	Total
Acquisition cost				
As of 01 January 2019	**594**	**346**	**72**	**1.012**
-acquisition	1.354	69	23	1.446
-reclassification				
-the end of the contract	-		(13)	(13)
Acquisition cost				
As of 31 December 2020	**1.948**	**415**	**82**	**2.445**
-acquisition	494	92	21	607
-reclassification				
-the end of the contract	(30)		-	(30)
Acquisition cost				
As of 31 December 2021	**2.412**	**507**	**103**	**3.022**
Accumulated depreciation				
As of 01 January 2019	**342**	**230**	**44**	**616**
-depreciation	618	92	26	736
-reclassification	(0)	-	-	(0)
-the end of contract	-	-	(10)	(10)
Accumulated depreciation				
As of 31 December 2020	**960**	**322**	**60**	**1.342**
-depreciation	617	92	22	731
-reclassification	2		1	3
-the end of the contract	(30)		-	(30)
Accumulated depreciation				
As of 31 December 2021	**1.549**	**414**	**83**	**2.046**
Impairment As of December 2020	-	-	-	-
Impairment As of December 2021	**(31)**	**-**	**-**	**(31)**
Net book value, Eur thousand:				
As of 31 December 2019	**252**	**116**	**28**	**396**
As of 31 December 2020	**988**	**93**	**22**	**1.103**
As of 31 December 2021	**832**	**93**	**20**	**945**

8.LOANS GRANTED

The Company and the Group have granted loans to 19 Company‘s employees as at 31 December 2021 (22 as at 31 December 2020). The average annual loan interest rate: 3%.
Loans have been granted to the employees as a motivating tool based on the Regulations for Provision of Loans to employees. The maximum limit of the fund intended for these loans granted makes up EUR 231.696. On all occasions loans are being granted to a borrower after he/she undertakes to secure repayment of a loan by pledging his/her or another person's real estate property or using other means of security of repayment of a loan acceptable to the company (a credit institution guarantee or other). Upon assessment of a possible risk, liquidity of property being pledged and etc. a fair value of the property being pledged makes up from 100% to 200% of an amount being borrowed.
The Company and the Group have also granted loans to 74 farmers (milk-suppliers) as at 31 December 2021 (73 as at 31 December 2020). Loans in the amount of EUR 820 thousand had been granted to farmers within the period from 01/01/2021 to 31/12/2021. The average interest rate on loans granted: 3,5 %. All long-term loans have been granted with collateral (land have been pledged at market prices).

The related party Klaipėdos pienas AB owed EUR 520,5 thousand to the Company as at 31 December 2021 (as at 31 December 2020 – EUR 628,5 thousand). The loan has been granted with a variable/floating annual interest rate; a loan repayment period – the year 2029; pledged shares.

	The Group		The Company	
	31st Dec 2021	31st Dec 2020	31st Dec 2021	31st Dec 2020
Loans granted:	**2.488**	**2.608**	**2.488**	**2.608**
Loans granted to related parties	521	629	521	629
Loans granted to milk suppliers	1.861	1.799	1.861	1.799
Loans granted to the staff	76	120	76	120
Loans granted to not related parties	30	60	30	60
Current portion of loans granted *(Note 11)*	*(852)*	*(790)*	*(852)*	*(790)*
In the number loans granted to milk suppliers impairment	-	-	-	-
Non- current loans granted	**1.636**	**1.818**	**1.636**	**1.818**

All granted loans are in EUR. Granted loan's payback periods are between 1 – 12 years.

9. INVENTORIES

	The Group		The Company	
	31st Dec 2021	31st Dec 2020	31st Dec 2021	31st Dec 2020
Raw materials	5.270	4.530	4.449	4.036
Finished goods and work in progress	37.758	29.593	36.455	29.026
Goods for resale	398	272	398	272
	43.426	**34.395**	**41.302**	**33.334**
Less: Allowance for inventories	(555)	(352)	(246)	(352)
Total	**42.871**	**34.043**	**41.056**	**32.982**

Changes in the allowance for impairment of inventories (EUR thousand):

	The Group		The Company	
	31st Dec 2021	31st Dec 2020	31st Dec 2021	31st Dec 2020
Balance at beginning of year	**352**	**287**	**352**	**208**
Additional allowance made	203	65		144
Reversals of allowance made	-	-	(106)	-
Write-off	-	-	-	-
Balance at end of year	**555**	**352**	**246**	**352**

The acquisition cost of the Group's and the Company's inventories accounted at net realizable value as at 31 December 2021 amounted to EUR 8.434 thousand and EUR 7.130 thousand, respectively (as at 31 December 2020, EUR 6.890 thousand and EUR 6.890 thousand, respectively). Changes in impairment allowance for inventories during 2021 and 2020 were recorded within the Group's and the Company's operating expenses (Note 24).

As at 31 December of 2021 the Company held a stock of EUR 71 thousand at the third parties (as at 31 December 2020 - EUR 182 thousand, respectively).
The allowance formed by the Company for the inventories as at 31 December 2021 and 2020 (EUR 246 thousand and EUR 352 thousand, respectively) was formed for illiquid –stationary material and amount of inventories was greater than their net realizable value.

The amount of inventory used (written-off) by the Group and the Company in production of goods for the financial year 2021 accounted under the caption 'Cost of Sales' amounts to EUR 117.250 thousand and EUR 113.805 thousand, respectively (EUR 103.525 thousand and EUR 100.489 thousand in 2020, respectively).

10. TRADE ACCOUNTS RECEIVABLE

	The Group		The Company	
	31st Dec 2021	31st Dec 2020	31st Dec 2021	31st Dec 2020
Trade accounts receivable	17.581	14.650	17.440	14.125
Accounts receivable from related parties	2.182	3.018	2.133	3.013
Total accounts receivable:	**19.763**	**17.668**	**19.573**	**17.138**
Allowance for bad debts	(89)	(604)	(89)	(84)
Allowance for bad debts of related parties	-	(265)	-	(265)
Net trade receivables:	**19.674**	**16.799**	**19.484**	**16.789**

Changes in the allowance for impairment of trade accounts receivable (EUR thousand):

	The Group		The Company	
	2021	2020	2021	2020
Balance at beginning of year	869	865	349	345
Additional allowance made	-	4	-	4
Reversals of allowance made	(780)	-	(260)	-
Write-off	-	-	-	-
Balance at end of year	**89**	**869**	**89**	**349**

Analysis of trade receivables based on the terms of payment on the 31st December, 2021 (EUR thousand):

		Trade accounts receivables past due			
The Group (EUR thousand)	**Trade accounts receivables, not past due**	**Less than 60 days**	**60-120 days**	**More than 120 days**	**Total**
Trade account receivables	14.700	2.777	20	84	**17.581**
Allowance formed	-	-	(5)	(84)	**(89)**
Trade accounts receivables from related parties	1.097	190	895	-	**2.182**
Allowance formed	-	-	-	-	-

		Trade accounts receivables passed due			
The Company (EUR thousand)	**Trade accounts receivables, not past due**	**Less than 60 days**	**60-120 days**	**More than 120 days**	**Total**
Trade account receivables	14.560	2.776	20	84	**17.440**
Allowance formed	-	-	(5)	(84)	**(89)**
Trade accounts receivables from related parties	1.071	167	895	-	**2.133**
Allowance formed	-	-	-	-	-

Analysis of trade receivables based on the terms of payment on the 31st December, 2020 (EUR thousand):

		Trade accounts receivables which due term has passed			
The Group (EUR thousand)	**Trade accounts receivables, which period has not passed**	**Less than 60 days**	**60-120 days**	**More than 120 days**	**Total**
Trade account receivables	11.396	2.624	29	601	**14.650**
Allowance formed	-	-	(6)	(598)	**(604)**
Trade accounts receivables from related parties	1.435	923	229	431	**3.018**
Allowance formed	-	(265)	-		**(265)**

The Company (EUR thousand)	**Trade accounts receivables, which period has not passed**	**Trade accounts receivables which due term has passed**			
		Less than 60 days	**60-120 days**	**More than 120 days**	**Total**
Trade account receivables	11.396	2.623	28	78	**14.125**
Allowance formed	-	-	(6)	(78)	**(84)**
Trade accounts receivables from related parties	1.430	923	229	431	**3.013**
Allowance formed	-	(265)	-	-	**(265)**

For the assessment of allowance on intercompany trade receivables, please refer to Note 30.

11. OTHER ACCOUNTS RECEIVABLE

	The Group		The Company	
	31st Dec 2021	31st Dec 2020	31st Dec 2021	31st Dec 2020
Prepaid income tax	-	-	-	-
Current portion of long-term loans granted (Note 8)	852	790	852	790
VAT receivable	1.485	1.016	1.451	1.016
Other receivables	35	688	34	688
Total:	**2.372**	**2.494**	**2.337**	**2.494**

12. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	31st Dec 2021	31st Dec 2020	31st Dec 2021	31st Dec 2020
Cash at bank	3.755	16.038	3.397	11.551
Cash on hand	1	55	1	55
Total:	**3.756**	**16.093**	**3.398**	**11.606**

13. CAPITAL AND RESERVES

Share capital

The holders of the ordinary shares are entitled to one vote per fully paid share in the shareholders' meeting and are entitled to dividends as they are declared and to capital repayment in case of reduction of capital as well as other interest and non-interest as per the Company Law of the Republic of Lithuania as well as other statutes and legal acts/
On 31 December 2020 the share capital is made of 48.375.000 ordinary shares with the nominal value of EUR 0,29 each, and the total share capital is EUR 14.028.750, fully paid.
On 2 August 2021, the Extraordinary General Meeting of Shareholders adopted a resolution to reduce the share capital of the Company by EUR 580.000 (five hundred and eighty thousand) by cancelling (part) 2.000.000 (two million) ordinary registered shares of the Company with a nominal value of EUR 0,29 per share. The purpose of the reduction of the authorized capital is the cancellation of a part of the company's own shares purchased and owned by the Company. The method of reduction of the authorized capital is cancellation of shares (part).

After cancelling 2.000.000 pcs. of the own bought-up shares, the Company's share capital as at 31 December 2021 amounted to EUR 13.448.750, divided into 46.375.000 ordinary registered shares with a par value of EUR 0,29 per share. During 2021, the Company additionally purchased 3.145.999 psc. of own shares for EUR 5.517 thousand.

As at 31 December 2021, the Company had acquired 4.637.500 psc. of its own shares, or 10% of all the Company's shares for EUR 8.151 thousand, respectively, at 31 December 2020 - 7.22% for EUR 3.914 thousand. The reason and purpose of the acquisition of own shares is to maintain and increase the share price in the market.

Legal reserve

Legal reserve is compulsory reserve under Lithuanian legislation. Annual contributions of at least 5% of the annual profit are required until legal reserve reaches 10% of the authorised capital. This reserve cannot be distributed. It can be used only for covering accumulated losses. Legal reserve of the Company wasn't fully formed.

Other reserves

Other reserves are formed on basis of a decision of the General Shareholders' Meeting on appropriation of distributable profit. These reserves can be used only for the purposes approved by the General Shareholders' Meeting. According to the Law of Stock Companies, the reserves formed by the Company other than the legal reserve if not used or not planned to be used should be restored to retained earnings and redistributed.
The reserve of EUR 10.000 thousand for acquisition of the own shares was formed through the allocation of profits of the year 2021.

14. GOVERMENT GRANTS RECEIVED

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

	The Group	The Company
Grants received		
As of 31 December 2019 (balance)	**10.846**	**8.651**
- received	-	-
As of 31 December 2020 (balance)	**10.846**	**8.651**
- received	255	-
As of 31 December 2021 (balance)	**11.101**	**8.651**
Accumulated amortisation		
As of 31 December 2019 (balance)	**7.489**	**5.458**
- amortization	275	255
As of 31 December 2020 (balance)	**7.764**	**5.713**
- amortization	304	255
As of 31 December 2021 (balance)	**8.068**	**5.968**
Net book value (EUR thousand)		
As of 31 December 2019	**3.357**	**3.192**
As of 31 December 2020	**3.082**	**2.937**
As of 31 December 2021	**3.033**	**2.683**

The amounts of the grant received are amortized in equal parts within the respective useful service life of the asset acquired from these funds. Grant amortization is included in the statement of comprehensive income, under the caption 'Cost of Sales' and reduces depreciation costs of non-current assets.

As according to the grant agreement, the Company and the Group is obligated to fulfil the requirements related to Company's and Group's revenue and net profit. In 2021, the Company and the Group was in compliance with the grant agreement requirements.

On 18 December 2020 an agreement was signed between the European Social Fund Agency and ABF Šilutės Rambynas in order to improve the qualification of AB Žemaitijos Pienas and ABF Šilutės Rambynas employees at the workplace. Already in 2021. Funding was received for AB Žemaitijos Pienas – EUR 129 thousand, ABF Šilutės Rambynas – EUR 39 thousand. The funding compensates up to 50% of the salary costs of the production workers and their teachers involved in the project.

(All amounts in EUR thousands unless otherwise stated)

15. DEFINED BENEFIT OBLIGATIONS

The Company has accounted for long-term defined benefit obligations for its employees based on requirements of the Lithuanian Labour Code and also based on additional contractual obligations concluded in the Company's employee additional rewards policy.

	The Company	
	31st Dec 2021	31st Dec 2020
Long term liability of post retirement employee benefits	293	487
Short term liability of post retirement employee benefits (Note 22)	154	154
Long term liability under additional rewards policy	2.939	2.761
Short term liability under additional rewards policy (Note 22)	538	490
Total:	**3.924**	**3.892**

	The Group	
	31st Dec 2021	31st Dec 2020
Long term liability of post retirement employee benefits	333	514
Short term liability of post retirement employee benefits (Note 22)	178	187
Long term liability under additional rewards policy	3.094	2.925
Short term liability under additional rewards policy (Note 22)	649	631
Total:	**4.254**	**4.257**

The movement of defined benefit obligations

	The Group	The Company
	Post retirement employee benefits and long term employee benefits (Premium based on additional rewards policy)	Post retirement employee benefits and long term employee benefits (Premium based on additional rewards policy)
Balance as at 31 December 2019	**4.133**	**3.769**
Change accounted in the statements of comprehensive income	28	27
Actuarial (gain) loss	96	96
Balance as at 31 December 2020	**4.257**	**3.892**
Change accounted in the statements of comprehensive income	155	190
Actuarial (gain) loss	(158)	(158)
Balance as at 31 December 2021	**4.254**	**3.924**

The main assumptions used in assessing the liability of the Company's long-term employee benefits are presented below:

	31st Dec 2021	31st Dec 2020
Discount rate	1,73%	1,73%
Inflation rate	6,00%	3,00%
Turnover rate	20%-24%	20%-24%

16. NON-CONTROLLING INTEREST

Financial information of subsidiaries that have material non-controlling interests is provided below.

Summarised financial information of the subsidiary is as follows (in EUR thousand):

	Silutes Rambynas ABF	
	31st Dec 2021	**31st Dec 2020**
Current assets	6.701	6.403
Non-current assets	8.493	8.594
Current liabilities	1.610	1.423
Non-current liabilities	195	190
Revenue	32.150	27.180
Profit	(204)	34
Total comprehensive income	**(204)**	**34**

The subsidiary paid no dividends neither in year 2021 no in year 2020.

17. EARNINGS AND DIVIDENDS PER SHARE

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

	The Group		The Company	
	31st Dec 2021	**31st Dec 2020**	**31st Dec 2021**	**31st Dec 2020**
Net profit (loss) attributable to the equity shareholders in EUR thousand	8.050	9.802	8.074	9.598
Weighted average number of circulation shares (units)	41.737.500	44.883.499	41.737.500	44.883.499
Basic earnings (loss) per share in EUR	**0,19**	**0,22**	**0,19**	**0,21**

The Company has not issued any other securities convertible to shares. Therefore, the diluted earnings per share are equal to basic earnings per share.

	The Group		The Company	
	31st Dec 2021	**31st Dec 2020**	**31st Dec 2021**	**31st Dec 2020**
Dividends declared	-	-	-	-
Weighted average number of circulation shares (units)	41.737.500	44.883.499	41.737.500	44.883.499
Dividends declared per share in EUR	-	-	-	

18. FINANCIAL LEASE

As at 31 December 2021,finance lease liabilities of the Group and the Company included liabilities from lease contracts concluded with the leasing companies and liabilities for the right-of-use assets in accordance with IAS 16 “Leases”, newly effective as of 01-01-2019.

Future financial lease payments according to the signed financial lease contracts and liabilities for the right-of-use assets are as follows (EUR thousand):

	2021 12 31		2020 12 31	
The Group	**Minimal financial lease payments**	**Present value of financial lease minimal payments**	**Minimal financial lease payments**	**Present value of financial lease minimal payments**
Less than 1 year	837	834	848	844
2 – 5 years	393	392	652	647
Minimal financial lease payments, EUR thousand	**1.230**	**1.226**	**1.500**	**1.491**
Less: future interest	(4)	-	(9)	-
Present value of minimal financial lease payments, EUR thousand	**1.226**	**1.226**	**1.491**	**1.491**

	2021 12 31		2020 12 31	
The Company	**Minimal financial lease payments**	**Present value of financial lease minimal payments**	**Minimal financial lease payments**	**Present value of financial lease minimal payments**
Less than 1 year	837	834	848	844
2 – 5 years	393	392	652	647
Minimal financial lease payments, EUR thousand	**1.230**	**1.226**	**1.500**	**1.491**
Less: future interest	(4)	-	(9)	-
Present value of minimal financial lease payments, EUR thousand	**1.226**	**1.226**	**1.491**	**1.491**

As at 31st December 2021, 2020 the financial lease contracts of the Company and the Group are signed in EUR. The terms and conditions of the contract with all later additions do not provide any restrictions on the Company's and Group's activities, associated with dividends, additional borrowings or additional long-term rent.

19. LOANS RECEIVED

The loans of the Company and the Group as at 31st December 2021 (EUR thousand):

Creditor	Date of agreement	Loan maturity date	Currency	2020.12.31	2019.12.31
AB SEB bank	2018-06-11/ 2019-07-16	2024-03-30	EUR	4.500	6.000
Total: thousand EUR				**4.500**	**6.000**

In June 2018, AB Žemaitijos Pienas signed a credit agreement with AB SEB Bank for an amount of EUR 10 million. The loan is granted with variable annual interest for a period of 5 (five) years, with the last repayment date in June 2023. Loan balance EUR 5.5 million repaid early on 11/11/2020. On 08/06/2020, the Company signed an addendum to the abovementioned agreement entitled "Overdraft limit I" for an amount of EUR 5 million over the overdraft limit. The collateral for the fulfilment of the obligations under the credit agreement is the Company's current account with AB SEB Bank and the immovable and movable property located at Klaipėdos g. 3, Šilutė.

In July 2019, the Company signed an amendment to the credit agreement of 11/06/2018 with SEB Bank, whereby the Company was granted a new EUR 6 million business credit facility. The credit facility bears variable annual interest until March 2024. A production facility in Telšiai together with the equipment therein was mortgaged additionally.

In addition to the credit agreement, the Company signed a financial indicators and other commitments agreement with AB SEB Bank. The financial indicators and non-financial commitments specified in the agreement are met.

As at 31 December 2021, the balance of loans received by the Group and the Company amounted to EUR 4,500 thousand.

(All amounts in EUR thousands unless otherwise stated)

20. TRADE PAYABLES

	The Group		The Company	
	31st Dec 2021	31st Dec 2020	31st Dec 2021	31st Dec 2020
Payables to suppliers	14.101	10.164	13.260	9.559
Annual bonuses to the suppliers of raw material*	-	1.350	-	1.350
Payables to related parties	878	152	5.143	989
Advances received	777	490	701	443
Total:	**15.756**	**12.156**	**19.104**	**12.341**

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

*Accrual for annual bonuses to milk raw material suppliers to implement the decision of the Ordinary General Meeting of Shareholders of 09 April 2020. During 2021 were approved and paid annual supplements to milk raw material suppliers for EUR 914 thousand.The remaining, unused accrual has been reversed.
For the year 2021 and subsequent years, the preliminary annual partnership fund is formed by a decision of the Company's Board of Directors.
The decision of the Company's Board of Directors is based on the Company's performance, export development, the execution of turnover plans and the number of additional contracts signed for the payment of the annual bonus.
If the annual net profitability is less than 5%, the partnership's bonus may not be formed.
As at the date of signing the accounts, the decision of the Board of Directors on the granting of the Partnership's bonuses has not been approved and due to the uncertainty of this matter, the accrual for the 2021 annual bonus has not been accounted for.

21. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	The Group		The Company	
	31st Dec 2021	31st Dec 2020	31st Dec 2021	31st Dec 2020
Vacation reserve	1.572	1.303	1.351	1.118
Bonuses for employees	-	-	-	-
Wages and salaries payable	1.322	1.202	1.171	1.048
Social security payable	867	736	787	654
Dividends payable	833	861	833	861
Payables based on defined obligations to employees (Note 15)	826	818	692	644
Management Bonus	-	-	-	-
Accrued expenses	380	254	380	254
Taxes payable, other than income tax	604	408	539	408
Other short-term liabilities	17	181	6	8
Total:	**6.421**	**5.763**	**5.759**	**4.995**

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

22. INFORMATION ON SEGMENTS

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

The Group	Sales, EUR thousand		Variation in % As comparing 2021 with 2020
	2021	2020	
Fermented cheese	92.390	86.367	**6,97%**
Fresh dairy products	59.552	61.319	**-2,88%**
Butter and spreadable fat mixes	17.535	14.658	**19,63%**
Dry dairy products	19.148	13.628	**40,50%**
Other	12.621	6.455	**95,52%**
Total:	**201.246**	**182.427**	**10,32%**

The Company	Sales, EUR thousand		Variation in % As comparing 2021 with 2020
	2021	2020	
Fermented cheese	88.946	83.447	**6,59%**
Fresh dairy products	59.204	61.026	**-2,99%**
Butter and spreadable fat mixes	17.535	14.658	**19,63%**
Dry dairy products	19.148	13.628	**40,50%**
Other	15.345	8.635	**77,71%**
Total:	**200.178**	**181.394**	**10,36%**

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

Information on revenue made in different geographical markets is provided below:

	The Group		The Company	
	2021	2020	2021	2020
Sales, EUR thousand:				
Lithuania	99.622	93.322	101.501	94.756
EU countries	63.650	53.932	61.283	51.942
Other countries	37.974	35.173	37.394	34.696
Total, EUR thousand:	**201.246**	**182.427**	**200.178**	**181.394**

Other non-core activities are considered to be not significant, therefore such information is not provided separately to the decision makers.
For the disclosure on the revenues from transactions with a single external customer that amount to 10% or more of the entity's revenues, please refer to Note 29.

23. OPERATING EXPENSES

	The Group		The Company	
	2021	2020	2021	2020
Wages, salaries and social security**	15.418	13.612	15.033	13.242
Marketing expenses	9.318	8.032	9.288	8.012
Rent and insurance	724	798	716	791
Logistic services	1.484	1.898	1.327	1.756
Repairs	677	650	672	644
Materials	1.218	730	1.186	777
IT consulting	295	287	282	277
Taxes, other than income tax	715	790	641	738
Consulting	140	239	110	203
Depreciation or amortisation	1.032	1.006	999	974
Business trips	84	103	81	103
Trade accounts receivable impairment (reversal)	(485)	15	(260)	15
Utilities	308	286	179	155
Production for advertising purposes	94	96	91	94
Telecommunication	53	60	48	53
Pension reserve and other employee related accruals	53	13	88	12
Employee bonuses	1.955	394	1.955	394
Other expenses	1.894	768	1.804	644
Inventory allowance (reversal)*	203	144	(106)	144
Total:	**35.180**	**29.921**	**34.134**	**29.028**

** A part of salary and social security expenses and employee bonuses is accounted under Cost of Sales (the Company during 2021 and 2020 accounted EUR 10.578 and 9.903 thousand respectively, the Group accounted EUR 13.452 and EUR 12.946 thousand respectively)

24. INCOME AND EXPENSES OF OTHER ACTIVITIES

	The Group		The Company	
	2021	2020	2021	2020
Other operating income				
Goods for resale sales income	285	372	316	397
Gain on disposal of property, plant and equipment	71	26	71	26
Rental income	496	427	449	412
Income of the canteen	-	-	-	-
Other	92	127	106	101
	944	**952**	**942**	**936**
Other operating expenses				
Cost of goods for resale sold	(155)	(265)	(167)	(282)
Rental expenses	(289)	(315)	(288)	(319)
Other	(203)	(243)	(223)	(194)
	(647)	**(823)**	**(678)**	**(795)**
Net income and expenses of other activities:	**297**	**129**	**264**	**141**

Future rent income according to the signed rent agreements are as follows (EUR thousand):

Rent Income	The Group		The Company	
	31st Dec 2021	31st Dec 2020	31st Dec 2021	31st Dec 2020
Less than 1 year	419	381	419	381
2 – 5 years	1.180	1.733	1.180	1.733
Over 5 years	-	-	-	-
Total:	**1.599**	**2.114**	**1.599**	**2.114**

(All amounts in EUR thousands unless otherwise stated)

In the year 2021 and 2020 the currency of the rent income agreements was EUR.

25. FINANCIAL AND INVESTMENT ACTIVITY INCOME AND EXPENSES

	The Group		The Company	
	2021	**2020**	**2021**	**2020**
Income from financial and investment activities				
Interest income	89	83	89	83
Foreign currency exchange gain	164	-	164	-
Other financial income	67	60	66	60
Goodwill/merger result	-	-	-	-
	320	**143**	**319**	**143**
Expenses from financial and investment activities				
Foreign currency exchange (loss)	-	(205)	-	(205)
Interest expense	(84)	(171)	(84)	(171)
Other financial expenses	(2)	-	(2)	-
	(86)	**(376)**	**(86)**	**(376)**
Total:	**234**	**(233)**	**233**	**(233)**

26. CORPORATE INCOME TAX EXPENSES (BENEFIT)

	The Group		The Company	
	2021	**2020**	**2021**	**2020**
Current income tax expenses	632	1.132	632	1.132
Change in deferred income tax asset	135	594	204	585
Change in deferred income tax accounted through OCI	-	-	-	-
The correction of prior year income tax	-	-	-	-
Income tax expenses (income) recognised in the statement of comprehensive income	**767**	**1.726**	**836**	**1.717**

	The Group		The Company	
	2021	**2020**	**2021**	**2020**
Profit before tax	**8.792**	**11.532**	**8.909**	**11.315**
Income tax, applying valid tax rate (15%)	1.336	1.697	1.336	1.697
Permanent differences	37	698	106	689
Investment incentive utilization	(606)	(669)	(606)	(669)
Change in deferred tax allowance	-	-	-	-
Deffered tax recognition from investment incentive that was not previously recognised	-	-	-	-
Income tax expenses (income) reported in the statement of comprehensive income	**767**	**1.726**	**836**	**1.717**
The correction of prior year income tax	-	-	-	-
Income tax expenses (income) reported in the statement of comprehensive income	**767**	**1.726**	**836**	**1.717**

(All amounts in EUR thousands unless otherwise stated)

	The Group		The Company	
	31st Dec 2021	31st Dec 2020	31st Dec 2021	31st Dec 2020
Deferred income tax asset				
Accounts receivable	15	54	15	54
Inventory allowance	83	53	37	53
Accrued vacation reserve	203	168	203	168
Other accrued expenses	639	841	589	787
Tax loss	273	183	-	-
Investment incentive	-	-	-	-
Total deferred income tax asset	**1.213**	**1.299**	**844**	**1.062**
Deferred income tax asset realization allowance*	(-)	(-)	(-)	(-)
Deferred income tax asset (after realization allowance)	**1.213**	**1.299**	**844**	**1.062**
Deferred income tax liability				
Change in depreciation rates of tangible assets	(1.394)	(1.345)	(1.184)	(1.198)
Total deferred income tax liability, in total	**(1.394)**	**(1.345)**	**(1.184)**	**(1.198)**
Deferred income tax asset, net	**(181)**	**(46)**	**(340)**	**(136)**

27. COMMITMENTS AND CONTINGENCIES

During the financial year 2021 the Company had litigation proceedings indicated below.

Judicial and non-judicial processes

- As of 2019, the Company is participating as a third interested party in an administrative case pending before the Supreme Administrative Court of Lithuania. The case is currently suspended by order of the Supreme Administrative Court of Lithuania in 2019 pending the outcome of other related cases.
- The company is the plaintiff in a civil case for the award of EUR 96 020 in damages. The defendant in this case is the Public Enterprise "Pakuočių tvarkymo organizacija" (Packaging Management Organisation). The Vilnius Regional Court has suspended this civil case at the request of the defendant in 2018, pending the decision of the Vilnius Regional Administrative Court in administrative case No eI-1570-789/2018 related to this case. The outcome of this case is difficult to predict.

There are currently no other proceedings in which the Company is a party to civil, criminal or administrative proceedings which could have any material impact on the Company's financial position

28. FINANCIAL RISK MANAGEMENT

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

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

The present note provides information on each of the aforementioned risks the Company/Group faces, the Company's/Group's risk evaluation goals, policy and risk valuation and management processes, as well as the Company's/Group's capital management.

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

(All amounts in EUR thousands unless otherwise stated)

Credit risk

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

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

	The Group		The Company	
	31 12 2021	31 12 2020	31 12 2021	31 12 2020
Cash and cash equivalents	3.756	16.093	3.398	11.606
Loans granted	1.636	1.818	1.636	1.818
Trade accounts receivable	19.674	16.799	19.484	16.789
Other accounts receivable	2.372	2.494	2.337	2.494
Other	-	-	-	-
Total financial assets	**27.438**	**37.204**	**26.855**	**32.707**

The Group and the Company have no significant concentration of trading counterparties, which is related with one partner or group of partners with similar characteristics. There were three clients in the Group and in the Company from which outstanding trade receivables were higher than 10% calculated from total trade receivables before trade receivables allowance as at 31 December 2021 and 2020. The composition of trade receivables of such clients is stated in the table below. Moreover, the Client No. 2 generated approximately 10% of total Company's revenue during 2020 and 2021.

	The Group		The Company	
	2021 12 31	2020 12 31	2021 12 31	2020 12 31
Customer No. 1	15%	14%	16%	14%
Customer No. 2	15%	17%	15%	17%
Customer No. 3 (related party)	4%	12%	4%	12%

Customers' credit risk, or the risk, that the partners will not keep to their obligations, is managed by approving credit terms and procedures of control. The Group's procedures are in force to ensure on a permanent basis that sales are made to customers with an appropriate credit history and do not exceed an acceptable credit exposure limit.

An impairment analysis is performed at each reporting date using a provision matrix and individual assessment to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Based on the analysis performed, the Company/Group concluded that its customers fall under the low-credit risk category.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, if any, in the statement of financial position. Consequently, the Group considers that its maximum exposure is reflected by the amount of financial assets presented above.

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

(All amounts in EUR thousands unless otherwise stated)

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

Liquidity risk

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

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

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

The Group	**On demand**	**Up to 3 months**	**From 3 months to 1 year**	**From 1 to 5 years**	**More than 5 years**	**Total**
Trade payables	-	12.003	-	-	-	12.003
Trade payables to related parties	-	153	-	-	-	153
Loans received	-	-	1.500	4.500	-	6.000
Financial lease	-	216	628	647	-	1.491
Other financial debts	-	158	-	-	-	158
Balance as of 31 December 2020	**-**	**12.530**	**2.128**	**5.147**	**-**	**19.805**
Trade payables	-	14.877	-	-	-	14.877
Trade payables to related parties	-	879	-	-	-	879
Loans received	-	500	1.500	2.500	-	4.500
Financial lease	-	208	626	392	-	1.226
Other financial debts	-	126	-	-	-	126
Balance as of 31 December 2021	**-**	**16.590**	**2.126**	**2.892**	**-**	**21.608**

The Company	**On demand**	**Up to 3 months**	**From 3 months to 1 year**	**From 1 to 5 years**	**More than 5 years**	**Total**
Trade payables	-	11.352	-	-	-	11.352
Trade payables to related parties	-	989	-	-	-	989
Loans received			1.500	4.500	-	6.000
Financial lease	-	216	628	647	-	1.491
Other financial debts	-	158	-	-	-	158
Balance as of 31 December 2020	**-**	**12.715**	**2.128**	**5.147**	**-**	**19.990**
Trade payables	-	13.961	-	-	-	13.961
Trade payables to related parties	-	5.143	-	-	-	5.143
Loans received		500	1.500	2.500	-	4.500
Financial lease	-	208	626	392	-	1.226
Other financial debts	-	126	-	-	-	126
Balance as of 31 December 2021	**-**	**19.938**	**2.126**	**2.892**	**-**	**24.956**

Market risk

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

Foreign exchange risk

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

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

	The Group		The Company	
	31 12 2021		31 12 2021	
	Assets	Liabilities	Assets	Liabilities
EUR	26.123	31.442	25.519	34.092
USD	1.394	27	1.394	27
PLN	49	7	49	7
GBP	110	0	110	0
HUF	52	101	52	101
Other	3	0	3	0
Total:	**27.731**	**31.577**	**27.127**	**34.227**

	The Group		The Company	
	31 12 2020		31 12 2020	
	Assets	Liabilities	Assets	Liabilities
			-	-
EUR	34.167	29.967	29.645	29.283
USD	3.090	25	3.090	25
PLN	7	6	7	6
GBP	61	26	61	26
HUF	118	3	118	3
Other	1	0	1	0
Total:	**37.444**	**30.027**	**32.922**	**29.343**

Fair value of assets and liabilities

The fair value of the Group's and the Company's investment property was estimated based on the third level of fair value hierarchy (Note 6).

The fair value of financial assets and liabilities provided in the statement of financial position as at the 31 December 2021 does not significantly differ from their carrying amounts.

Trade payables and receivables accounted for in the Group's and the Company's statement of financial position should be settled within a period shorter than three months, therefore, it is deemed that their fair value equals their carrying amount as at 31 December 2021 and 2020 (third level of fair value hierarchy).

The fair value of non-current borrowings is based on the similar non-current borrowings available in the market or on the current rates available for borrowings with the same maturity and risk profile. The fair value of non-current borrowings with variable interest rates approximates their carrying amounts (third level of fair value hierarchy).

Capital management

The objective of the Group‘s and the Company's management policy is to maintain a significant level of owner's equity compared to borrowed funds to avoid discrediting investors, creditors and market trust, as well as maintain development of activities in the future. The management observes the return on capital and presents offers on payment of dividends to owners of ordinary shares, considering the Company's financial results and strategic plans. The primary objectives of the capital management are to ensure that the Group and the Company comply with externally imposed capital requirements and that the Group and the Company maintains healthy capital ratios in order to support its business and to maximise shareholders' value. As of 31 December 2021 The Group‘s and Company's capital consists of share capital in the amount of EUR 13,449 million, own shares (-) EUR 8,151 million, retained earnings, other reserves and legal reserve.

(All amounts in EUR thousands unless otherwise stated)

Under the Lithuanian laws a company has to maintain its equity at no less than ½ of its share capital, the Company was in compliance with this requirement as of 31 December 2021 and 2020

No changes were made to the objectives, policies or processes of the Group's and Company's capital management during the year ending as of 31 December 2021

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

29. RELATED PARTY TRANSACTIONS

Related parties of the Group and the Company are:
- the parties that control, are controlled by or are under common control with the Company;
- the parties that have significant influence over the Company;
- the parties that are management members of the Company or its parent company;
- close members of the family of the aforesaid persons;
- the companies that are under control or significant influence of the aforesaid persons.

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

Item No.	Company Name	Company Details	Nature of Main Activities
1.	Šilutės Rambynas, ABF	Company code: 277141670; address: Klaipėdos g. 3, Šilutė, LT-99115	Dairy activities and cheese making
2.	Žemaitijos pieno investicija, AB	Company code: 300041701; address: Sedos g. 35, Telšiai , LT-87101	Renting and operating own and rented real estate
3.	Klaipėdos pienas, AB	Company code: 240026930; address: Šilutės pl. 33, Klaipėda, LT-91107	Ice-cream production
4.	Čia Market, UAB	Company code: 141354683, address: Sedos g. 35A, Telšiai LT-87101	Retail trade in non-specialized stores.
5.	Muižas piens, SIA	Company code: 40003786632, address: Bauskas iela 58a-8, 5stavs room 507, Riga, LV-1004, Latvia	Wholesale trade in food products, marketing
6.	Samogitija, UAB	Company code: 302501454, address: Narutavičių g. 4, Telšiai, LT-87101	Production, transportation, storage, distribution, etc. of dairy and other food products.
7.	S.A.R. Dziugas France	Company code: 751860669, address: 149 avenue du Maine, Paris	Production and sale of dairy products
8.	Dziugas USA L.L.C.	Company code: 0400754292, address: Five greentree centre, ste. 104, 525 Route 73 North Marlon, NJ08053,	Wholesale import, marketing of dairy products
9.	Dziugas Eesti OU	Company code: 14324189, address: Punane 56, Tallinn, Estonia	Wholesale import, sales and marketing of dairy products
10.	Dziugas Poland	Company code: 368496450, address: ul. Luki Wielke 5, Warsaw, Poland	Activities of agents trading in food and beverages
11.	Baltic Holding, UAB	Company code: 302688114, address: Įgulos g. 18B -4, Klaipėda	IT services
12.	Nepriklausoma tyrimų laboratorija, UAB	Company code: 110824551, address: Narutavičių g. 4, Telšiai	Laboratory and other tests of materials and analysis services
13.	Dziugas Deutschland GmbH	Company code: HRB 154342, address: Chilehaus A, Fischertwiete 2 20095 Hamburg, Germany	Marketing and product sales
14.	Dziugas Hungary Kft	Company code: 01-09-325932, address: H-1132 Budapest, Váci út 22-24. VII. em., Hungary	Wholesale import, sales and marketing of dairy products
15.	Dziugas UK Ltd	Company code: 11405400; address: 10 Bloomsbury Way, London WC1A 2SL, United Kingdom	Activities of agents trading in food and beverages
16.	Danutė Pažemeckienė	Virvytės 36, Telšiai	Rent of premises

Milk purchase/sales, acquisition/sales of fixed assets and inventory, purchase/sales of services and other transactions between associated parties are carried out under normal/usual market conditions.

Sales to and purchases from related parties (EUR thousand):

	The Group		The Company	
	31 12 2021	**31 12 2020**	**31 12 2021**	**31 12 2020**
1)Sales				
Sales of goods				
To the subsidiary				
Šilutės Rambynas ABF	-	-	2.891	2.735
	-	-	***2.891***	***2.735***
To other related parties				
Klaipėdos pienas AB	1.185	869	1.075	341
Žemaitijos pieno investicija AB	0	-	0	-
Čia Market UAB	5.038	5.689	5.038	5.689
Dziugas USA LLC	-	-	-	-
Dziugas UK Ltd	142	-	142	-
S.A.R.Dziugas France	2	1	2	-
Dziugas Deutschland GmbH	2	0	2	0
Dziuugas Hungary Kft	122	30	122	30
Dziugas Eesti OU	9	11	9	11
Dziugas Poland	672	81	672	81
Nepriklausoma tyrimų laboratorija UAB	17	15	15	14
Muizas piens SIA	731	728	731	728
	7.920	***7.424***	***7.808***	***6.894***
Sales of inventory and services				
To the subsidiary				
Šilutės Rambynas ABF	-	-	91	45
	-	-	***91***	***45***
To other related parties				
Klaipėdos pienas AB	443	377	442	377
Žemaitijos pieno investicija AB	42	32	42	32
Samogitija UAB	0	0	0	0
Čia Market UAB	364	340	361	336
Muizas piens SIA	4	1	4	1
Nepriklausoma tyrimų laboratorija UAB	62	32	35	32
S.A.R.Dziugas France	1	-	1	-
Dziugas UK Ltd	0	0	0	0
Dziugas Deutschland GmbH	28	24	28	24
Dziugas Hungary Kft	4	3	4	3
Dziugas Eesti OU	5	4	5	4
Dziugas USA LLC	-	-	-	-
Dziugas Poland	25	14	25	14
	978	***827***	***947***	***823***
Total Sales:	**8.898**	**8.251**	**11.737**	**10.497**

(All amounts in EUR thousands unless otherwise stated)

	The Group		**The Company**	
	31 12 2021	**31 12 2020**	**31 12 2021**	**31 12 2020**
2) Purchases				
From the subsidiary	-	-	-	-
Šilutės Rambynas ABF	-	-	8.093	8.213
	-	-	***8.093***	***8.213***
From other related parties				
Samogitija UAB	22	9	22	9
Čia Market UAB	2.703	2.717	2.702	2.713
Klaipėdos pienas AB	78	82	77	82
Žemaitijos pieno investicija AB	891	892	891	892
Muizas piens SIA	558	339	558	339
Nepriklausoma tyrimų laboratorija UAB	1.542	1.214	1.257	1.160
Dziugas Poland	507	463	507	463
Dziugas UK Ltd	219	106	219	106
Dziugas Hungary Kft	200	103	200	103
Dziugas Deutschland GmbH	653	412	653	412
S.A.R.Dziugas France	311	265	311	265
Dziugas USA LLC	8	3	8	3
Dziugas Eesti OU	309	352	309	352
Danutė Pažemeckienė	114	116	114	116
	8.115	***7.073***	***7.828***	***7.015***
Total Purchases:	**8.115**	**7.073**	**15.921**	**15.228**

Balances outstanding with related parties	**The Group**		**The Company**	
	31 12 2021	**31 12 2020**	**31 12 2021**	**31 12 2020**
3) Accounts receivable and financial debts				
Subsidiary				
Šilutės Rambynas ABF	-	-	-	-
	-	-	-	-
Other related parties				
Samogitija UAB	0	0	0	0
Čia Market UAB (including financial lease)	800	2.023	799	2.022
Klaipėdos pienas AB (including loan)	1.676	1.511	1.628	1.507
Žemaitijos pieno investicija UAB	-	-	-	-
Muizas piens SIA	52	92	52	92
Dziugas Hungary Kft	12	4	12	4
Dziugas Deutschland GmbH	1	1	1	1
S.A.R.Dziugas France	1	-	1	-
Dziugas Eesti Ou	-	-	-	-
Dziugas Poland	126	15	126	15
Dziugas UK Ltd	34	0	34	0
Dziugas USA LLC	-	-	-	-
	2.702	***3.646***	***2.653***	***3.641***
Total balances of receivables:	**2.702**	**3.646**	**2.653**	**3.641**

(All amounts in EUR thousands unless otherwise stated)

	The Group		The Company	
	31 12 2021	**31 12 2020**	**31 12 2021**	**31 12 2020**
4) Balances of payables				
Subsidiary				
Šilutės Rambynas ABF	-	-	4.297	839
	-	-	***4.297***	***839***
Other related parties				
Žemaitijos pieno investicija UAB	425	8	425	7
Klaipėdos pienas AB	-	-	-	-
Čia Market UAB	-	-	-	-
Muizas piens SIA	-	-	-	-
Samogitija UAB	26	-	26	-
Nepriklausoma tyrimų laboratorija UAB	396	109	363	107
Dziugas Poland	-	-	-	-
Dziugas UK Ltd	-	-	-	-
S.A.R.Dziugas France	-	-	-	-
Dziugas USA LLC	-	-	-	-
Dziugas Deutschland GmbH	-	-	-	-
Dziugas Hungary Kft	-	-	-	-
Dziugas Eesti OU	32	36	32	36
	879	***153***	***846***	***150***
Total balances of payables:	**879**	**153**	**5.143**	**989**

In 2021 the Company reversed impairment losses of doubtful debts related to amounts belonging to related parties, i.e. UAB Čia Market - 265 thousand (in 2020 – EUR 265 thousand). The assessment of these doubtful debts is reviewed each financial year by checking the financial position of the party concerned, the market in which the party concerned is operating and forward looking factors (as described in Note 3 – Impairment of financial assets).
The key assumptions used by the Company's management in estimating the value of doubtful debts were (a) the period of time over which the existing debt balance is expected to be recovered from UAB Čia Market as at 31 December 2021 is 1 year (as at 31 December 2020, it was 3 to 4 years) and (b) the discount rate used in the calculation is 7.1% as at 31 December 2020.
As at 31.12.2021, there was no indication that an impairment of the realisable value of the receivables of UAB Cia Market was applied.

The Company and the Group have concluded a number of transactions with related parties (AB "Žemaitijos pieno investicija" group companies) and the Group's profit and sales are significantly affected by transactions with AB "Žemaitijos pieno investicija" group. Transactions include the leasing of fixed assets, the sale of raw materials and the purchase of manufactured products (cheese) from ABF "Šilutės Rambynas", the sale of the finished products to UAB "Čia Market", and the sale of raw materials, production and services to AB "Klaipėdos Pienas".

30. EVENTS AFTER THE REPORTING PERIOD

The outbreak of war between Russia and Ukraine on 24 February 2022 has disrupted plans to increase sales to Ukraine, Belarus. AB "Žemaitijos pienas" sales to these countries accounted for around 2.5% of total sales. The Company and the Group conducted sale to these countries in a secure manner, i.e. deliveries were made only against prepayment or Credit Insurance limits. As at 1 March 2022, the Company and the Group do not have any receivables from customers located in those countries and therefore there is no impairment of accounts receivable.

Within a few months, the Group has lost 4 (four) export markets such as Ukraine, Belarus, China and Russia (lactose could have been shipped). These are countries which were logistically very close and acceptable to AB "Žemaitijos Pienas". Sales to these countries were planned to increase each year.

The ongoing war in Ukraine and the closure of the above-mentioned export countries are adjusting AB Žemaitijos Pienas' plans and sales are being redirected to other markets.

AB "Žemaitijos Pienas" did not own any real estate in these countries and therefore does not assess any impairment of fixed assets.

The Group's management is currently assessing the potential financial impact in future periods, but due to significant uncertainties as well as anticipated energy price spikes, it is not possible to reliably estimate the impact.

There were no other material post balance sheet events, that could make a significant impact to the financial statement of the Company and the Group as at 31st December 2021.

The Group's consolidated financial statements and the Company's financial statements are signed and approved on March 21, 2022.

Robertas Pažemeckas	Dalia Gecienė
General Director	Chief accountant