CONFIRMATION BY RESPONSIBLE PERSONS

March 22, 2023

Telšiai

We, AB “Žemaitijos pienas” general director Robertas Pažemeckas and senior accountant Dalia Gecienė, hereby confirm that, in so far as we are aware, the attached 2022 AB „Žemaitijos pienas“ consolidated audit report and company financial statements prepared in accordance with International Financial Reporting Standards adopted in the European Union are true and correctly reflect the assets, liabilities, financial status, income or losses, and cash flows of the company and the group of enterprises while the consolidated annual statement provides proper overview of business development and activities and status of the company and the group of enterprises as well as description of the main encountered risks and uncertainties.

General director Robertas Pažemeckas

Senior accountant Dalia Gecienė

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ŽEMAITIJOS PIENAS AB

Independent Auditor’s Report,
Consolidated Annual Report,
Financial Statements,
and Consolidated Financial statements
for the year ended 31 December 2022

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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

Qualified 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 2022, 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, except for the possible effect of the matter described in the Basis for Qualified Opinion paragraph, 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, 2022, 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 Qualified opinion

1. As disclosed in Note 20 to the financial statements, on 29 July 2021, the Board of the Company approved the regulations on the payment of one to three-year partnership bonuses for persons (sellers) selling milk to AB ŽEMAITIJOS PIENAS. As at the date of signing of the Company's Financial Statements for the year ended 31 December 2021, the Board's decision on the granting of partnership bonuses was not approved and no accrual was made for annual bonuses payable for 2021 due to the uncertainty of the matter. Although the Company failed to achieve a net profitability of 5% in 2021, the Board of the Company took a decision on 12 May 2022 to pay the partnership bonuses for raw milk delivered to the Company in 2021 through the newly set assistance fund. The partnership bonuses paid during 2022 totalled EUR 1,035 thousand. Where the assistance fund is set under a retrospective approach, Trade debts recorded in the statement of financial position as at 31 December 2021 should be increased by EUR 1,035 thousand with a corresponding reduction in Net profit for the financial year 2021. The balance of the retained earnings/loss should be recorded in the statement of financial position as at 31 December 2021 with a corresponding increase in profit for the financial year 2022.

As at the date of preparation of the financial statements for 2022 and their authorisation for issue, there were neither decision on granting of these bonuses for 2022 nor the list of bonus recipients with the amounts payable. We were unable to identify whether the adjustments to the financial statements are necessary in respect of this matter.

2. EUR 631 thousand of receivables were recorded in the statement of financial position under Trade receivables, the recovery of which, in our opinion, is doubtful. We were unable to obtain sufficient evidence to reasonably satisfy ourselves concerning recoverability of these amounts. Whenever it is probable that the Company will not recover the said amount in whole or in part, a corresponding reduction should be made in trade receivables recorded in the Company's statement of financial position as at 31 December 2022 and in the result for 2022.

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 Qualified 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 70 000 thousand and EUR 73,243 thousand, respectively, before impairment allowance and to EUR 66 208 thousand and EUR 69,045 thousand, respectively, after impairment allowance as of 31 December 2022 (Note 9). This is significant to our audit since it is a material figure for the Company and the Group comprising 42.22% or the Company's and 32.14 % 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.

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 analysed 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 Group's annual report, including Company's Corporate Governance Code Compliance Report and Corporate 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 Group's consolidated annual report, including Corporate Governance Code Compliance Report, 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 Group's consolidated annual report, including Sustainability (Corporate social responsibility report), Corporate Governance Code Compliance Report and Remuneration Report, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- The Group's annual report, including Sustainability (Corporate social responsibility report),Corporate Governance Code Compliance Report and Remuneration Report, 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 Corporate 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 scepticism 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 7 June 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 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 financial statements, including consolidated 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 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.

The requirements described in the preceding sentence determine the basis for application of the Single Electronic Reporting Format of the consolidated 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 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 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 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' ("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;
- obtaining sufficient appropriate evidence as to the operating effectiveness of relevant controls over the marking up process when the assessment of the risks of material misstatement include an expectation that such internal controls are operating effectively or procedures other than testing controls cannot alone provide sufficient appropriate evidence;
- evaluating the completeness of marking up the consolidated 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 financial statements for the year ended 31 December 2022 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 22, 2023
Jonavos g. 60C, Kaunas

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

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CONTENTS

GENERAL INFORMATION

Reporting period for which the report is developed

Consolidated semi-annual report are prepared and provided for period of 2022, 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

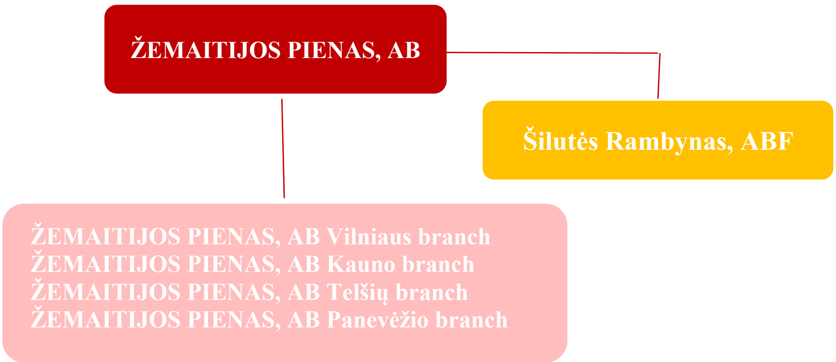
The beginning of ŽEMAITIJOS PIENAS, AB dates back to 1924, when Telšiai dairy plant of high capacity was incorporated. In the end of 1984 Telšiai dairy plant activity moved to new premises and operated until opening and privatization of Telšiai cheese plant which was one of the largest in the Baltic 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:	Joint stock company ŽEMAITIJOS PIENAS
Legal status:	Joint stock company
Company code:	180240752
VAT number:	LT802407515
Authorized share capital:	12,103,875 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, Vilnius
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, Panevėžys

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.

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

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.

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. The main activity of AB ŽEMAITIJOS PIENAS is production of dairy products (fermented cheeses and cheese products, packaged cheeses and cheese products, processed cheeses and cheese products, creams, curd creams, butter milk product spreads, mixed spreads, milk fat, pasteurized cream, buttermilk, whey, dried milk products, fresh milk products (milk, cream, curds, curd products, yoghurts, desserts, cheese curds, glazed cheese curds, fermented milk products) (EVRK, group 10.5 "Manufacture of dairy products", class 10.51 "Operation of dairies and cheese making") and sale of such products in Lithuanian and foreign markets.

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.

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, 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.):	41,737,500

Listed issued number:	41,737,500
Number of shares with voting rights:	41,737,500
Listing start date:	13-10-1997
Shares listed in supplementary list	13-10-1997
Share capital:	12,103,875 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 2022 until 31 December 2022 the price of the shares slightly increased during the year, the change at the end of the reporting period is (+ 0.01 euros or + 0.56 %). During reporting period, 211,247 units of shares were transferred in transactions. Capitalization of ŽEMAITIJOS PIENAS, AB shares on 31 December 2022 was 75.13 million Euros, compared to 2021 the value of the Company's capital decreased by 8,35 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	2019	2020	2021	2022
Open price €	1.52	1.74	1.86	1.81
High price €	1.89	1.88	2.18	1.98
Low price €	1.51	1.4	1.7	1.6
Last price €	1.74	1.85	1.8	1.8
Traded volume	194,835	119,288	403,496	211,247
Turnover mln €	0.35	0.21	0.77	0.38
Capitalization mln €	84.17	89.49	83.48	75.13

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

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

Securities (shares) of Šilutės Rambynas, ABF

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 15 April 2022 decided to allocate part of the profit to employee bonuses in the amount of EUR 200,000 and annual bonuses of raw material suppliers in the amount of EUR 1,400,000 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 2022 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	41,737,500	0.29	12,103,875	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 2022, 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 15 April 2022, 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 222,020 pcs. of shares were repurchased when implementing the decisions. At the end of accounting period, the Company held 222,020 of own shares, which makes up 0,53 % 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 15 April 2022, the authorized capital of the Company was reduced by EUR 1,344,875 canceling 4,637,500 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 12,103,875 which is divided into 41,737,500 ordinary registered shares with a par value of EUR 0.29. Prior to the cancellation the Company owned 10 % or 4,637,500 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.

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

Product safety and international recognition

In 2022, AB "ŽEMAITIJOS PIENAS" invested in updating and modernizing the equipment of individual production units in order to: optimize production processes, ensure the effectiveness of the management of the risk factors of the manufactured products related to food safety.

In 2022, the Company was assessed according to the requirements of international standards for food safety and quality management:

1. On 25 February 2022, UAB "Bureau Veritas" auditors performed a remote risk assessment of AB "ŽEMAITIJOS PIENAS" processes in accordance with BRC requirements;
2. On 27 April 2022, the US Force audit assessed the compliance of the Mineral Water Production Department with NATO requirements;
3. From 30 June to 1 July 2022, the compliance of the Company's processes with FDA requirements was assessed;
4. From 18 to 22 July 2022, UAB "Bureau Veritas" carried out an assessment of the Company's processes in accordance with the requirements of the BRC and IFS standards;
5. On 27 July 2022, the retail network LIDL performed an inspection of the Company and assessed compliance with the requirements;
6. On 29 July 2022, the Company was assessed and complied with the requirements of the Taiwanese market. The assessment was carried out with the participation of representatives of the State Food and Veterinary Service of Taiwan and Lithuania;
7. From 1 to 4 August 2022, UAB "Bureau Veritas" carried out a remote risk assessment of all processes of AB "ŽEMAITIJOS PIENAS" – "Essential programs of food security. Part 1: Food production" and additional requirements according to FSSC 22000;

8. On 7 September 2022, a Halal Correct audit was conducted, during which the compliance of the Company's individual products with Halal requirements was checked;
9. On 16 September 2022, documents were submitted for the assessment of the Company's compliance with the requirements of the South Korean market. The assessment was carried out remotely by providing detailed information about the processes, control and risk assessment taking place in the Company;
10. From 19 to 20 September 2022, UAB "Bureau Veritas" conducted an assessment of compliance of the processes taking place in the Mineral Water Production Department of AB "ŽEMAITIJOS PIENAS" with BRC requirements;
11. On October 11, 2022, the US Force conducted an audit during which it assessed the compliance of the Mineral Water Production Department with NATO requirements;
12. On 13 and 27 October 2022, inspections were carried out by representatives of the Japanese market. During the inspections, the Company was assessed for compliance with the requirements of Japanese market customers;
13. On 16 November 2022, a Kosher audit was performed, during which the compliance of the Products with OU requirements was checked;
14. On 23 November 2022, Public Institution "Ekoagros" carried out an inspection of the handling of organic products.

Audit conclusion: the Company complies with the requirements of the international food safety standards listed above, which are recognized by the International Food Safety Initiative (GFSI), as well as the requirements of individual trade networks and markets.

AB "ŽEMAITIJOS PIENAS" keeps up with global trends in sustainability. Optimization of the amount of pre-packaging and packaging materials used:

- During the reporting period, the use of circulation container was increased. The activity was developed in two directions: for internal use and for customers. Customers and their product basket were reviewed, where possible – the products were supplied in circulation container. For internal use, the circulation container was developed separately, successfully adapted to the intricacies of the process and integrated into the process of use;
- Possibilities to reduce the amount of plastic for product packaging are being evaluated. In 2022, one position managed to reduce the amount of plastic used for product packaging by 25%;
- Tests are being conducted in order to replace the multi-component plastic labeled "7Other" with a single-component, more easily recyclable plastic, but at the same time maintaining the same shelf life of the product;
- After assessing the logistical characteristics, corrugated cardboard boxes made of 100% recycled cardboard are used for product packaging;
- Tests are being conducted in order to reduce the amount of packaging materials for internal use;
- Tests are being conducted with prototypes of connected plugs, which we will have to start using from 2024;
- Tests are being conducted on recycled PET packaging – both bottles and heat-shrinkable and wrapping films/labels.

"Šilutės Rambynas" also pays great attention to ensuring the quality and safety of production, so in 2022 it worked according to the following integrated food safety and quality management systems:

- BRC Global Standard for Food Safety (BRC – British Retail Consortium), since 2010;
- Certified according to the requirements of the HALAL standard since 2015;
- EkoAgros – for the production of organic products – since 2007;
- IFS Food (International Food Standard) – since 2018;
- FSSC 22000 food safety management system – since 2018.

The subsidiary company ABF "Šilutės Rambynas" purchased and put into operation long-term assets for EUR 1,231 thousand in 2022, while in 2021 assets were purchased for EUR 185 thousand (an increase of 6.65 times). The largest purchases: the entire plot of land, located at Klaipėdos str. 3, Šilutė, was purchased for EUR 622,000, a whey purifier for EUR 210,000, a cheese weighing-marking line with a metal detector for EUR 94,000, a ventilation system installed in the administrative building for EUR 84,000, scales for road transport were built for EUR 50,000, EUR 150,000 was used for the purchase of various equipment and inventory serving cheese production, computer equipment and another chlorine dioxide dosing-monitoring system, a production unloading shed was installed for EUR 19,000, EUR 63,000 was used for the purchase of various equipment and inventory serving cheese production, computer equipment, etc.

Products and brands

In 2022, the company AB "ŽEMAITIJOS PIENAS" successfully renewed the production process of soft drinks "Gaja" in the mineral water production department and presented a number of new products to consumers:

- Curd cheese snack with biscuit-flavored filling covered with milk chocolate, 45 g;
- Curd cheese snack with peanuts and caramel filling covered with milk chocolate 45 g;
- Curd cheese snack with caramelized coconuts, almonds and raspberry filling covered with milk chocolate 45 g;
- ACTIFEEL yogurt with chicory inulin, carrots and oranges, 300 g;
- "Žemaitijos" 3.2% fat kefir, 0.9 kg;

According to the changing requirements of the Ministry of Health of the Republic of Lithuania and updated EU regulations, the composition of the following products has been adjusted:

- Organic yogurts "Dobilas" (with bananas, with peaches) according to the "Milk for children" program, 125 g each;
- Curd cheese snack "Jums" with Bourbon vanilla 100 g;
- Drinking yogurts "Dobilas" (natural, with peaches, with bananas) 330 g each;
- Yogurts "Jums" (with bananas and pineapples, with strawberries, with peaches) 125 g each.

In 2023, the Company continues to implement its goals:

- To continue certifications according to the current schemes – with external inspections only unannounced;
- To expand the areas of certified products and processes according to the needs of export and local markets;
- To collect all the secondary and tertiary transport packages released to the Lithuanian market – cardboard and packaging film;

- To increase the amount of raw milk sold every year;
- To raise the qualifications of the company's employees by participating in international exhibitions, conferences and trainings, which present equipment innovations (more efficient and faster processes requiring lower energy costs, the more compact and universal the equipment), trends related to environmental protection and sustainability (innovative waste recycling, energy extraction from secondary raw materials and waste, circular production trends and innovations);
- To improve processes that would reduce or facilitate manual work;
- Reduction of energy resource costs (use of renewable resources);
- Optimization of the technological process, implementation of new technologies, which allows to improve the quality of products and increases the productivity of production capacities.

As every year, in 2022, the brands managed by AB "ŽEMAITIJOS PIENAS" were evaluated and recognized not only in Lithuania, but also in the world. The pride of the company – the cheese "Džiugas" won another 8 awards and today it can boast of 86 awards.

Received attention and appreciation in Germany – 24-month aging hard cheeses "Džiugas", 180-gram packaging and broken 100-gram packaging, awarded the DLG gold medal. The 36-month aging cheeses, packed in 180-gram and 100-gram packages, were also awarded the DLG gold medal.

The special 120-month aging cheese "Džiugas Extra Aged" was awarded the Premia Roma award in Italy. "Džiugas" cheese has also been evaluated in Lithuania – in the "Baltic Brands" awards, it won the third place in the selection of the local residents' favorite cheese.

The Company's list of awards was also supplemented by 2 "World Cheese" awards – the gold and bronze medals awarded to 100 and 180 gram packages of 24-month aging cheese "Džiugas". The importance of this cheese and the traditions created are also inseparable from the Company's activities – in 2022, in Telšiai, the jubilee 20th birthday of "Džiugas" was organized, which virtually united as many as 32 members of the commission representing countries.

"Pik-Nik" cheese sausages produced by "Šilutės Rambyne" won silver and bronze medals at the awards of Polish producers. "Pik-Nik Original" won a silver medal in the "Take it with you" category, and "Pik-Nik Original" won a bronze medal in the "Snack at school" category.

However, "Pik-Nik" makes its name famous not only with awards, but also with records. Even two records have been achieved in recent years. In commemoration of the 20th anniversary of "Pik-Nik" production, the aim was to improve the record of the longest cheese sausage. The old record, achieved in 2011, when a cheese sausage of 384.92 meters was produced, was improved – a cheese sausage of even 699.56 meters was produced. Also, in commemoration of the day of Lithuanian records, another record was achieved – "The most massive consumption of "Pik-Nik" cheese sausages". In order to achieve this record, a group of 1,537 students, teachers and community members gathered at Martynas Janaus Primary School in Šilutė and Pamaris Pro-Gymnasium simultaneously snatched and ate cheese sausages. The record is also recorded in the data of the "Record Academy" and the Lithuanian records database.

"Rambynas" snacks also received recognition. At the "Good Cheese" awards, in the "Take it with you" category, "RAMBYNAS" traditional processed cheese snack won a gold medal.

The delicious "Magija" curd cheese snacks have also received international attention – the "Magija" curd cheese snack with vanilla won a silver medal in the "GOOD cheese" awards in the "Curd dessert" category.

Updated recipe and single (20 g) packaging of Organic cheese sausages;

Reduced package of JON-CHEDAR Cheddar cheese slices to 80 g in three flavours product: CAJUN, TZATZIKI & CHILLI and BBQ.

Another Lithuanian record was recorded on November 18. "The most massive eating of a PIK-NIK cheese sausage." 1537 children, teachers and community members simultaneously looted and ate without stopping for 3 minutes Pik-Nik cheese sausages, for which the record required even 2600 pieces - 52 kg;

The records are recorded on the pages of the "Records Academy" and included in the Lithuanian records database.

In the awards of Polish manufacturers of 2022, the "Pik-Nik Kids original" cheese sausages won a bronze medal in the "Snack for school" category and also a silver medal in the "Ready to go" category.

We believe that 2023 will be another year to be proud of. Keeping up with global trends, AB "ŽEMAITIJOS PIENAS" will present more than one innovation for even the most demanding consumer.

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 2021-2022 are as follows:

Financial indicators	The Group			The Company		
	2022	2021	Change, %	2022	2021	Change, %
Turnover, thousand euros	263 394	201 246	***30,88***	262 671	200 178	***31,22***
Gross profitability, %	17,38	21,59	***-19,5***	17,41	21,25	***-18,1***
Net profitability, %	1,50	3,99	***-62,4***	2,08	4,03	***-48,5***
EBITDA, thousand euros	11 241	14 734	***-23,7***	12 223	14 403	***-15,1***
EBITDA profitability, %	4,27	7,32	***-41,7***	4,65	7,2	***-35,3***
ROE profitability, %	3,87	8,11	***-52,3***	5,72	8,89	***-35,7***
ROA profitability, %	2,4	6,01	***-60,1***	3,48	6,32	***-44,9***
Current ratio	2,01	2,75	***-26,7***	1,98	2,4	***-17,4***
Quick ratio	0,6	1,04	***-42,4***	0,59	0,92	***-35,9***
Debt-to-Equity ratio	0,61	0,35	***74,3***	0,64	0,41	***56,1***
Debt ratio	0,38	0,26	***46,2***	0,39	0,29	***34,5***
Amounts of investments in fixed assets, thousand euros	6 821	10 755	***-36,6***	5 356	10 298	***-48***

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 2022 and 2021, 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 2022, the sales under the contracts concluded with customers grew, compared to 2021, the Company's gross profitability in 2022, compared to 2021, decreased from 21.25 % to 17.41 %. In 2022, the Group's gross profitability decreased by 19.5 per cent. In 2022, 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 connection with 2022 February 24 since the start of the war between Russia and Ukraine, the prices of electricity and other energy resources, gas, fuel, packaging and nutrients have risen faster than ever.

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 2022 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 2022, the Company's EBITDA decreased by 15.1 %, if compared to the year 2021, and this was the effect of a decrease in net profit. Since ABF "Šilutės Rambynas" ended 2022 with a loss, the Group's 2022 Compared to 2021, EBITDA decreased by 23.7%.

In 2022, the current ratio of the Company was 1.98, compared to 2.40 in 2021. In 2022, the current ratio of the Group was 2.01, compared to 2.75 in 2021. The current ratio shows how many times current assets of a company exceed its short-term liabilities, i.e. the value of the indicator shows how much one euro of short-term liabilities is covered by short-term assets. 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 2022 was 0.59, compared to 0.92 in 2021. The quick (solvency) ratio of the Group in 2022 was 0.6, compared to 1.04 in 2021. The quick (solvency) ratio of the Company and the Group in 2022 compared to 2021 decreased by about 40%. The decrease was caused by taking out a working capital loan from SEB Bank. 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 2022, if compared to 2021. 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 2022, the debt ratio / coefficient of the Company was 0.39, compared to 0.29 in 2021. The debt ratio / coefficient of the Group was 0.38 in 2022, compared to 0.26 in 2021. 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 2022, 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 2022 are higher than 10.
The Company's operating expenses in 2022 accounted for (EUR 39.895 million) 15.2 % from its turnover, whereas in 2021 it accounted for (EUR 34.134 million) 17.1 % from its turnover. In 2022, the turnover of the Company increased by 31.22 % and operating expenses grew by 16.9 %. Operating expenses mainly consisted of remuneration expenses and marketing expenses. The Group's operating expenses in 2022 (EUR 41.422 million) accounted for 15.73 % from its turnover, whereas in 2021 (EUR 35.180 million) it accounted for 17.48 % from its turnover. In 2022, the sales of the Group increased by 30.88 %, whereas operating expenses increased by 17.74 % due to higher remuneration, marketing expenses and operating taxes.

Overview of performance, status and development of activities

Comparison of amounts and prices of raw milk purchased by **ŽEMAITIJOS PIENAS, AB** in 2022 and 2021:

Purchase of raw milk (converted to basic content*)	**2022**	**2021**	**Change when comparing 2022 to 2021, %**
Amount of purchased milk, thousand tons	437	411	6.33 %
Milk purchase price, EUR/t	416	277	48.01 %

** 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 2022 amounted to 437 thousand tons, which is 6.33% more than in 2021 (in 2021 – 411 thousand tons). The growth of raw milk purchases in 2022 was related with signing of new long-term contracts with new milk producers also the structural changes in dairy farms, growth of dairy farms also the increase of milk yield from the cow. Although the level of farm entrepreneurship remains low and continues to decrease, the amount of produced milk entering the milk buying market is increasing.

The average price of converted milk purchased in 2022 is 415,9 Eur/t and it is 50.2% higher than in 2021 (the price of converted milk purchased in 2021 was 277 Eur/t). One of the reasons for the increase in milk purchase price in 2022 until August, was a favourable situation in the global dairy product market. Starting from September 2022, the decrease in milk purchase prices was determined by two objective reasons: the increased cost of energy, which is very relevant for milk processing companies, and the decrease in wholesale prices of dairy products in export markets. The purchase price of raw milk reached an all-time high in recent years - the average purchase price of raw milk was 9% higher than the price average in European Union. Since the beginning of the year, the price of raw milk paid by AB ŽEMAITIJOS PIENAS has been higher than in Latvia or Estonia. Poland paid its milk producers a lower milk purchase price until November.

For many years, ŽEMAITIJOS PIENAS, AB has based its activities with milk producers on honest and fair partnership and promoted dairy farm owners who achieve the best milk quality indicators. In 2022, ŽEMAITIJOS PIENAS, AB paid farmers an annual partnership bonus in the amount of EUR 1,035,300 for the natural milk sold in 2021.

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 2022, the sales of ŽEMAITIJOS PIENAS, AB Group amounted to EUR 263 million (EUR 263,394 thousand). This is an increase of 30,9% compared to the year 2021 (in 2021, the sales amounted to EUR 201,246 thousand). In 2022, the sales of the Company amounted to EUR 262.7 million (EUR 262,671 thousand), which is an increase of 31.22 % compared to the year 2021 (in 2021, the sales amounted to EUR 200,178 thousand).

ŽEMAITIJOS PIENAS, AB receives the largest share of income from Lithuania, which amounts to more than half of all income (53.28% in 2022). The export countries with the highest turnover in 2022 included Poland, Latvia, Estonia, Germany, Holland, Italy, Kazakhstan, 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 2022-2021:

Row No.	Geographic breakdown of sales, thousand euros	2022	Per cent from total revenue in 2022	2021	Per cent from total revenue in 2021	Change when comparing 2022 to 2021, per cent
1	Lithuania	139 953	53,28%	101 501	50,71%	37,88%
2	EU countries	87 165	33,18%	61 283	30,61%	42,23%
3	Other countries	35 553	13,54%	37 394	18,68%	-4,92%
4	**Total:**	**262 671**	**100%**	**200 178**	**100%**	**31,22%**

The sales of the companies of the Group according to geographic segments (secondary segments) in 2022-2021:

Row No.	Geographic breakdown of sales, thousand euros	2022	Per cent from total revenue in 2022	2021	Per cent from total revenue in 2021	Change when comparing 2022 to 2021, per cent
1	Lithuania	139 058	52,79%	99 622	49,50%	39,59%
2	EU countries	88 076	33,44%	63 650	31,63%	38,38%
3	Other countries	36 260	13,77%	37 974	18,87%	-4,51%
4	**Total:**	**263 394**	**100%**	**201 246**	**100%**	**30,88%**

AB ŽEMAITIJOS PIENAS exported its products to 46 countries in 2022. The year 2022 was very dynamic, but we managed to retain our positions and brand awareness in the markets we cooperated with. Nevertheless, we have implemented radical pricing changes in export markets. Our competitiveness depended on the team focus, coordination, quickness and accuracy implemented by all of us. Thus, we continued to successfully develop in the markets of Poland, Hungary, Croatia, Spain: consistent building of awareness of the brands Džiugas, PIK NIK, Magija, Rambyno in external communication channels and active promotion of sales in retail outlets brought excellent results. We are successfully conducting negotiations with English customers and strengthening our positions in the English market. In the case of the Spanish market, we continued to expand with PIK NIK brand products, while at the same time conducting negotiations with the market's retail chains concerning the sale of Džiugas products. In order to gain a stronger foothold in the export markets, we have signed direct contracts with large retail chains, thus trying to ensure the highest level of response to the needs of the end user, the adaptation of the product in the market, the possibility of direct cooperation with the owners of the shelves. We are getting closer to the user, our buyer and the sales channels.

As the awareness of our brands and the number of sales channels keep growing, we consistently and constantly face the need to improve the processes of service provision, implement individual country requirements for the product and its storage, initiate and implement advertising projects, i.e. we must constantly strengthen our management, marketing, technological, personnel management, financial law, and other competencies. This is especially relevant when cooperating with distant markets with their own culture and traditions, such as Japan, Mexico, United Arab Emirates, Saudi Arabia.

Due to rising prices of raw materials and growing production costs, we experienced considerable challenges and difficult negotiations with Partners concerning the new supply prices in all countries where we supply our products.

In 2022, we lost several markets, i.e. Belarus and China. But we also made some new discoveries, i.e. Norway, Greece, Sakartvelo.

The distribution of products sold by ŽEMAITIJOS PIENAS, AB in 2022-2021 by groups of products was as follows:

Row No.	Sales by groups of products, thousand euros	2022	Per cent from total revenue in 2022	2021	Per cent from total revenue in 2021	Change when comparing 2022 to 2021, per cent
1	Fermented and processed cheeses	103 613	39,45%	88 946	44,43%	16,49%
2	Fresh dairy products	88 320	33,62%	59 204	29,58%	49,18%
3	Butter and spreads	25 742	9,80%	17 535	8,76%	46,80%
4	Dry dairy products	25 419	9,68%	19 148	9,57%	32,75%
5	Other	19 577	7,45%	15 345	7,67%	27,58%
6	**Total:**	**262 671**	**100%**	**200 178**	**100%**	**31,22%**

The distribution of products sold by ŽEMAITIJOS PIENAS, AB Group in 2022-2021 by groups of products was as follows:

Row No.	Sales by groups of products, thousand euros	2022	Per cent from total revenue in 2022	2021	Per cent from total revenue in 2021	Change when comparing 2022 to 2021, per cent
1	Fermented and processed cheeses	105 934	40,22%	92 390	45,91%	14,66%
2	Fresh dairy products	88 851	33,74%	59 552	29,59%	49,20%
3	Butter and spreads	25 742	9,77%	17 535	8,71%	46,80%
4	Dry dairy products	25 419	9,65%	19 148	9,51%	32,75%
5	Other	17 448	6,62%	12 621	6,28%	38,25%
6	**Total:**	**263 394**	**100%**	**201 246**	**100%**	**30,88%**

Other products include sales of raw milk, raw cream, curds, water products and ice cream. Comparing 2022 with 2021, the sales of other products increased by 27.58%. This was due to the increase in the price of raw cream.

Compared to 2022 with 2021 the turnover of sales of fresh dairy products increased by 49.18%, which was influenced by the increase in the average selling price of cottage cheese, glazed cheese, and sour cream (in 2022, compared to 2021, the average selling price increased by 38.10%).

Comparing 2022 with 2021, the sales turnover of butter and spreads increased by 46.80%. This was a result of the increase in the average sales price of butter and spreads (compared to 2022, in 2021 the average sales price increased by 46.59%).

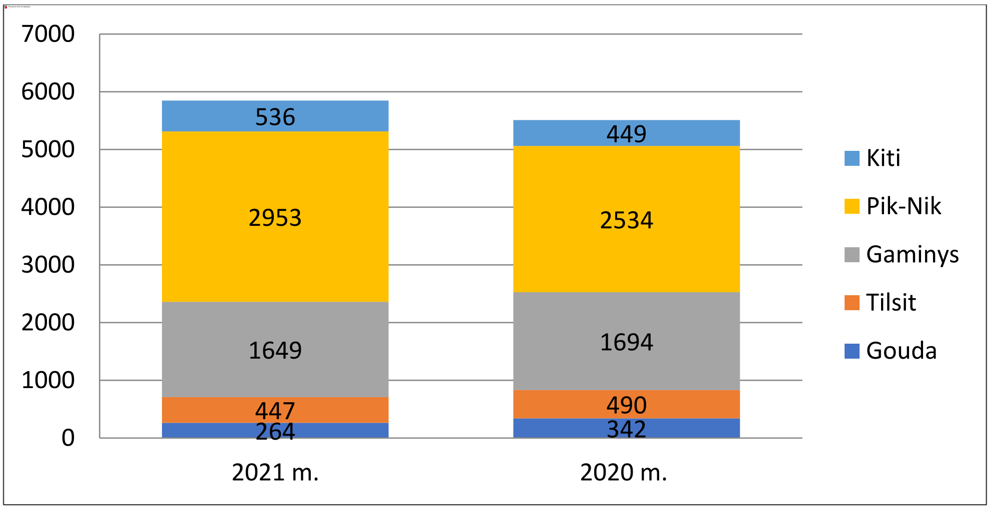
The sales turnover of dry dairy products increased by 32.75%, also as a result of the increase in the average sales price (compared to 2022, in 2021 the average sales price increased by 48.33 per cent).

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 2022 5,704 tons of natural milk were purchased, while in 2021 – 6,463 tonnes. The decrease is 759 tonnes or 11.7 %. The price of purchased milk recalculated according to the basic parameters was 427.7 EUR/t, while in 2021 – 287.5 EUR/t, so the price of raw milk increased by 140.2 EUR/t or 48.8 % during the period. The amount of raw material purchased is still significantly lower than the pre-pandemic level. This is influenced by the reduced demand for the company's products.

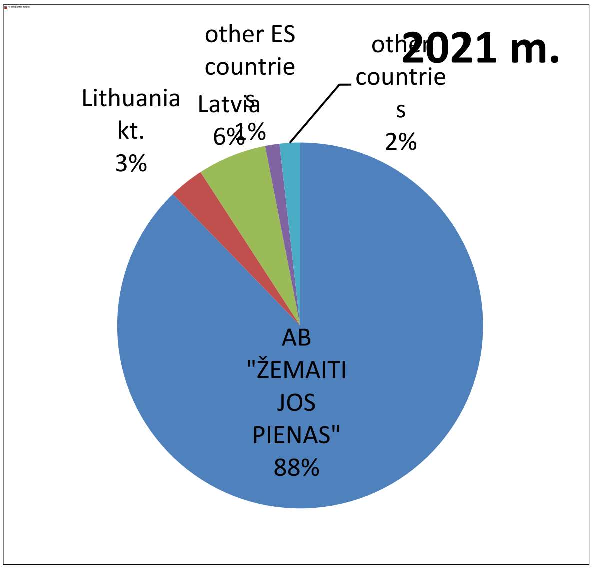
Šilutės Rambynas specializes in the production of cheese. Production volumes in 2021 – 2022 are shown in the diagram below:

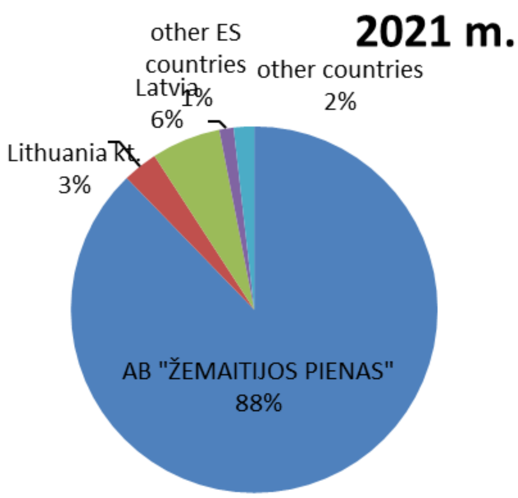


During 2022, 5,125 tons of cheese were produced, or 724 tons (12.4%) more compared to 2021 period. The decrease in production was caused by an unfavorable market situation, i.e. the decrease in demand and the rapidly growing price of raw materials. In 2020, a new half-hard fermented cheese production line was put into operation at AB ŽEMAITIJOS PIENAS factory. For this reason, the production of fermented cheeses (Gouda and Tilsit) continued to decrease in 2022 - by 21.5%, from 711 to 558 tons. Fermented cheese production decreased by 443 tons or 26.9% in 2022. The production of cheese sausages fell by 1.1 percent in the comparative period. from 2,953 t in 2021 to 2,921 tons in 2022. Production of other cheeses decreased by 17.9% or 96 tons. In both 2021 and 2022 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 2022, production was sold for EUR 38,896 thousand or 21 % more than in 2021, when sales amounted to EUR 32,150 thousand. The growth in sales was determined by the significant increase in the prices of cheese and raw materials. In the comparable period, the average price of raw cream with 40 % fat content increased from 1,999 Eur / ton to 3,061 Eur / ton.

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 2022 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.

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 28 "Financial Risk Management" of the Explanatory Notes to the Annual Audited Financial Statements for the year 2022.

Also should be mentioned, that the Company and the Group companies have Activity and Product and Management Liability Insurance. All assets of the Company and Group companies, including stocks, are insured against all risks, including damage caused by overvoltage fluctuations.

The impact of the war on the Company's activities

In 2022 February 24 the war between Russia and Ukraine disrupted plans to increase sales to Ukraine and Belarus. AB ŽEMAITIJOS PIENAS' sales to these countries before the start of the war amounted to about 2.5% of all sales. The Company and the Group conducted sales to these countries safely, i.e. unloaded products only in case of advance payment or having Credit insurance limits. As of 12/31/2022, the Company and the Group have no receivables from buyers located in those countries, so there is no impairment of receivables. However, from the middle of the year, the Company started sales to Ukraine again. Sales to Ukraine in 2022 accounted for 1.2% of all sales. Sales are made with an INVEGA export credit guarantee for each buyer or prepayment.

Within a few months, the Company's group lost 4 (four) export markets, such as Ukraine, Belarus, China and Russia (it was possible to transport lactose). These are countries that were very close and acceptable to us in terms of logistics.

At the end of the year, the Company and the Group did not have any balances of production exclusively intended for the above-mentioned countries.

The ongoing war in Ukraine and the closure of export countries adjusted our plans, sales were directed to other markets.

AB "ŽEMAITIJOS PIENAS" did not have any real estate in these countries, therefore it does not assess any decrease in the value of long-term assets.

The management of the Company and the Group closely monitors the situation in Ukraine and imposed sanctions in order to comply with them. The current political situation does not affect the ability of the Company and the Group to continue its activities.

Business plans and forecasts of the Companies of the Group

When considering the business plans and strategy, the Company's management confirmed that 2023 will be THE YEAR OF AMBITIOUS GOALS. With such goals in mind, we constantly analyze markets and available resources in a global context. Thus, we are faced with considerable challenges: to stand out in the context of competitors, to create exceptional prices for market users, to increase the frequency of shopping in each country individually, taking into account the maturity of the market, traditions, and the level of competition. Nevertheless, we believe in what we do. We grow sustainably, together with Partners, markets, Users, and our company's employees who create and change our everyday life. The company sought and will seek to optimally use the opportunities for rapid development in a competitive environment. The Company still seeks to use the opportunities for quick development in the competitive environment.

The main goal was and is - the direct sale of the products produced by the Company and the Group to the shelves of strategic foreign countries with their own trademarks and brands, and that the products of the Company and the Group are of the highest quality in their segment and best meet the customer's expectations, so that the customer has the opportunity to choose health-friendly and organic food. The products produced and sold by the company make Lithuania and the Samogitian region famous in various countries of the world. The purpose of the company is to protect and preserve what has been created, to look for ways, to do something different that has not been tried yet.

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;
- whatever we do, always remain a reliable, socially oriented and responsible Company.

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.

In the face of volatile production prices, Šilutės Rambynas plans to pay more and more attention to the search for new export markets and establishing a foothold in the existing ones. Šilutės Rambynas will give priority to further modernization, reduction of energy, material and labor resources, optimization of operations, production of profitable products.

Priority will be given to increasing the production and improving the quality of Pik-Nik cheese sausages, searching for new markets.

In 2023, it is planned to allocate up to 1.5 million for new acquisitions. Eur. The largest investments are planned for equipment that will allow to increase the production of Pik-Nik cheese sausages and at the same time with the aim of improving the quality of production, reducing the influence of the human factor on production and reducing the increasingly expensive labor costs. Investments will also be made in improving work and conditions for employees, improving and modernizing existing equipment, repairing premises and replacing old, worn-out equipment with new ones.

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 2023 the Company plans to allocate up to 14 million euros for investments. All investments are planned to reduce energy costs, for the acquisition of new equipment, the renewal and automation of production equipment, and the development of renewable energy source technologies.

The Company's goal is to ensure the highest quality standards, the production of products that meet and create the greatest added value and their supply to the consumer. Therefore, the company's product development technologists, in cooperation with Lithuanian scientists, as well as with experts from foreign countries, create new products that meet the needs of the modern consumer. Looking for new innovative production technologies, taking into account the concept of sustainability and circular production, looking for more sustainable raw materials and a more sustainable way of producing products. The further use of recycled packaging materials and by-products (formed after the technological process) is evaluated. We continue to search for innovative technologies to obtain the added value of products, focusing on the support of a certain functionality of the human body. The company's specialists are constantly doing internships in foreign countries, participating in exhibitions, conferences, raising their qualifications in training and seminars.

Laboratory tests of products are constantly carried out at the National Institute of Food and Veterinary Risk Assessment, Eurofins, Hamilton, KTU MI, VU, LSMU Veterinary Academy, etc. in laboratories. The research is aimed at the improvement of the products of the existing product basket and the search for functional properties.

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 strives to save as much as possible and rationally use natural resources by various means. The company is well aware that, acting irresponsibly, its activities can cause great damage to nature, and only the complex use of economic, legal, technical and biological measures can guarantee the rational use of natural resources now and in the future, therefore the impact on the environment is controlled according to coordinated monitoring programs. When the company expands or renews facilities and technologies, an environmental impact assessment is carried out to ensure that the Company's development does not exceed the permitted environmental norms. Being socially responsible and taking care of the environment and its preservation, the company invests in saving energy, improving business management processes, and tries to allocate funds for other activities as much as possible.

In 2022, we used independent auditors to conduct an audit of the energy consumption of technological processes and devices, the conclusions of which will be used to determine the need for projects in the future, reducing the use of energy resources. The Company constantly implements investment projects, during which it implements new modern technologies that allow more efficient use of renewable energy resources, reduce the amount of pollutants released into the environment, and apply other environmental protection measures.

One of the priority areas of sustainability is the impact on the environment, the Company constantly monitors its performance indicators, plans and implements the latest technologies that would reduce production and operational costs and energy costs, conserve natural resources and improve the Company's environmental status in every way.

In our activities, we monitor the CO_2 footprint and aim to eliminate or significantly reduce the emission of such emissions as sulfur dioxide, solid particles or nitrogen oxides. The monitoring of pollutant emissions is carried out in accordance with the environmental monitoring programs of business entities approved by the responsible institutions. in 2022 Planned and unplanned inspections by inspectors of the Department of Environmental Protection were carried out in the company, during which not a single violation was found.

In the future, AB ŽEMAITIJOS PIENAS will continue to make every effort to become an increasingly environmentally friendly company. It is expected that it will be possible to use more energy obtained from renewable sources in its activities and to reduce the amount of pollutants emitted into the environment.

During the year 2022, the amount of energy and renewable resources used during the activities of the group of companies is listed in the social responsibility and sustainability report.

ABF "Šilutės Rambynas" has been paying great attention to environmental protection for several years, and the most important goal is to reduce production waste and conserve natural resources:

- after concentrating the whey, the remaining whey water is purified by the membrane system to water suitable for washing equipment, thus reducing the amount of water and wastewater used;
- for the management of industrial wastewater, the company has installed wastewater accumulation and mixing capacities, which allow to avoid instant pollution and to control the quality of wastewater discharged to the Šilute water treatment plant;
- highly concentrated wastewater is collected in a separate container and, depending on the volume of production, it is taken to Tytuveni 1-2 times a week and delivered to biogas producers.

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. In 2022, the annual turnover of employees decreased to 9.61% (according to 2021 - 13.94%). The Company's personnel policy is focused on the formation of teamwork, continuous professional development, optimal use of work resources, recruitment and training of competent employees. In order to focus as much as possible on the implementation of the Company's strategic goals, processes are digitized and/or simplified, microclimate studies are conducted, which additionally help to clarify employee engagement and job satisfaction.

During the reporting period, the greatest attention was paid to attracting and training young specialists. Visited educational institutions that prepare specialists needed to ensure the Company's activities, representatives of the Company could also be met at the largest career fairs in the country. In 2022, 18 students chose to do internships at the Company, 87 employees' children worked during the summer.

In order to maintain or reduce the ambitious annual employee turnover rate, it is important to properly take care of new employees and not forget the existing ones. To enable experienced workers to share best practices with those in need of knowledge. In 2022, the Curators and Mentors project started, bringing together as many as 137 curators and 36 mentors. The basic training for these specialists has already taken place, and the preparatory work for the project has accelerated. This program - which helps to develop and educate - has no end date and will continue as long as at least one employee is willing to share his knowledge with others.

ŽEMAITIJOS PIENAS, AB

According to the data available by 31 December 2022, AB "ŽEMAITIJOS PIENAS" had **1271 employees**.

According to the data available by 31 December 2021, the Company 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.

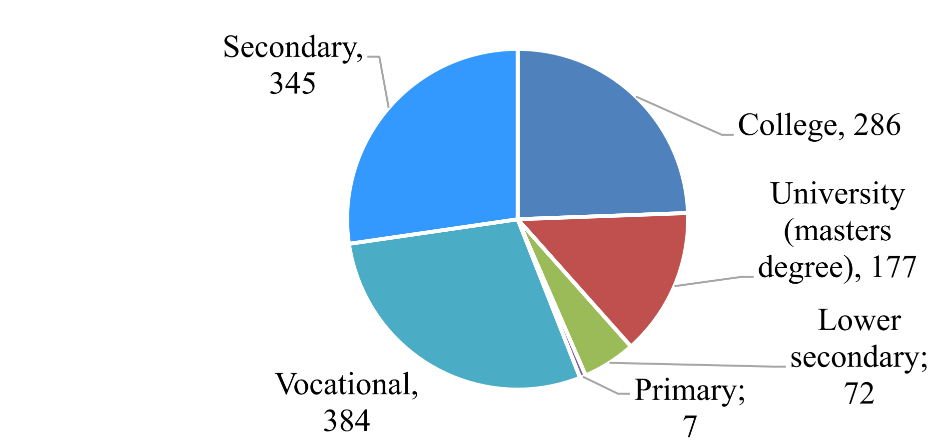
According to the data available by 31 December 2018, the Company had 1185 employees.

Comparing to the previous year the number of employees **slightly increased** in almost 2%.

Groups of ŽEMAITIJOS PIENAS, AB employees by education (2020, 2021, 2022):

<table>
<tr><th>Number of employees</th><th>31-12-2020</th><th>31-12-2021</th><th>31-12-2022</th></tr>
<tr><td>With university education (master degree)</td><td>73</td><td rowspan="2">175</td><td rowspan="2">177</td></tr>
<tr><td>With university education</td><td>124</td></tr>
<tr><td>With college degree</td><td>283</td><td>305</td><td>286</td></tr>
<tr><td>With vocational education</td><td>351</td><td>358</td><td>384</td></tr>
<tr><td>With secondary education</td><td>332</td><td>341</td><td>345</td></tr>
<tr><td>With unfinished secondary education</td><td>79</td><td>70</td><td>79</td></tr>
<tr><td>In total:</td><td>1242</td><td>1249</td><td>1271</td></tr>
</table>

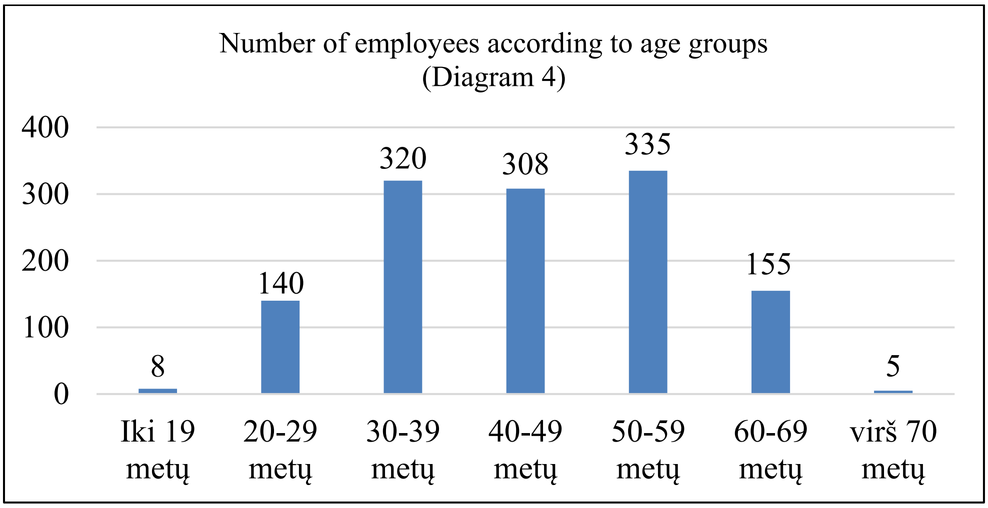
Employee distribution according to education (Diagram 1)



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	12/31/2020		12/31/2021		12/31/2022	
	Number of employees	Average wage, EUR	Number of employees	Average wage, EUR	Number of employees	Average wage, EUR
Director	9	7193	6	7314	6	7710
Specialists	311	2285	316	2453	309	2890
Workers	922	1257	927	1466	956	1769
In total:	**1242**		**1249**		**1271**	

Number of employees by age groups 2022:



Šilutės Rambynas, ABF

At the end of the period, the company had 156 employees, their number decreased by 10 employees (6 %) compared to 2021. Changes of groups of employees by education are provided in the Table below:

Education of employees	31-12-2022	31-12-2021
With Master's degree	5	7
With University Degree	21	18
With College Degree	35	42
With Vocational Education	61	60
With Secondary Education	25	28
With unfinished Secondary Education	9	11
In total:	**156**	**166**

The average salary during 2022 was 1 697 EUR/month or 4.1% lower than in 2021. Changes in wages by employee groups are given in the Table below:

Number of employees by groups	31-12-2022		31-12-2021	
	Number of employees	Average wage, EUR/month	Number of employees	Average wage, EUR/month
Director	5	3375	7	3584
Specialists	23	2277	24	2179
Workers	128	1524	135	1603
In total:	**156**	**1697**	**166**	**1770**

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.

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 2022.

Legal disputes

- The company has submitted a lawsuit to the court regarding the award of an insurance payment in the amount of EUR 248,028.62 from the insurance company "Compensa Vienna Insurance Group". On 1 July 2021, when a large amount of precipitation fell, the roof of one building belonging to the Company was completely damaged – broken: the supporting structures of the building and the roof covering were damaged. The company suffered a loss of EUR 303,993.42 (excluding VAT) due to the insured event. The insurance company only partially satisfied the Company's claim to pay the insurance benefit by paying the Company an insurance benefit of EUR 55,964.80. The insurance company refused to cover the rest of the damage suffered by the Company. In view of this, the Company, defending its interests, was forced to apply to the court with a claim for the award of an insurance payment. The hearing of the case has already started;
- The Company filed a claim in a civil case regarding the award of EUR 96,020 in damages from the defendant Public Institution "Package Handling Organization" (hereinafter – PTO). By the ruling of 22 September 2022, the Vilnius District Court initiated the PTO bankruptcy case. In turn, AB "ŽEMAITIJOS PIENAS" submitted a creditor's claim in the bankruptcy case, which was approved. By the ruling of 22 September 2022, the Vilnius District Court recognized that the PTO was being liquidated due to bankruptcy;
- The company has filed a lawsuit against the debtor, ADT Sp. z o. o., a company registered in Poland, for damages of EUR 630,521.00. It should be noted that due to the improper performance of

contractual obligations by the Polish company ADT Sp. z. o. o, AB "ŽEMAITIJOS PIENAS" suffered a loss of EUR 630,521.00, as it had to pay value added tax of this amount to the state budget, despite the fact that the transactions were subject to a 0 VAT rate. Considering this, AB "ŽEMAITIJOS PIENAS" submitted a creditable VAT invoice to the Polish company on 20 December 2021 for the unpaid part of VAT. After the creditable VAT invoice submitted to the Polish company was not paid on time, the Company appealed to the court;

- Other cases in which the Company would be a participant in civil, criminal or administrative proceedings and which could in any way fundamentally affect the Company's financial situation have not been initiated at this time.

Regulated information published by the Company

During the reporting period, the Company submitted 15 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 2022:

Date	The most important notices of the reporting period
2022-12-06	Notification on manager's related party transactions
2022-09-30	ŽEMAITIJOS PIENAS AB Group preliminary operating results for the 1st half of 2022 and half-year information
2022-09-12	Regarding completion of ŽEMAITIJOS PIENAS, AB share buyback
2022-08-30	Regarding the purchase of own shares
2022-07-27	New Board member of ŽEMAITIJOS PIENAS, AB elected
2022-07-12	Regarding the recall of the Member of the Board
2022-07-05	Information on shares, voting rights and the size of its authorised capital
2022-07-05	Notice on the cancellation of own shares
2022-07-05	New wording of the Articles of Association of ŽEMAITIJOS PIENAS, AB was registered
2022-04-22	Notice on the reduction of the authorised capital
2022-04-15	Annual information of AB ŽEMAITIJOS PIENAS

2022-04-15	**Decisions made by Ordinary General Meeting of Shareholders of AB ŽEMAITIJOS PIENAS**
2022-03-24	**Regarding the convening of the Ordinary General Meeting of Shareholders of AB ŽEMAITIJOS PIENAS**
2022-03-14	**The results of business activity of AB "Žemaitijos pienas" group in 2021, excluding audit**
2022-01-13	**Regarding the Ruling of the Supreme Administrative Court of Lithuania**

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 2022, in the annex to this annual report - in the report on compliance with the Governance report.

The most important post-reporting events

In February 2023, the Company concluded a deal with the wind power plant manufacturer ENERCON GmbH for the purchase and installation of 2 (two) wind power plants in the municipality of Telšiai district. The total value of the transaction reaches over EUR 10 million without VAT. The installation of power plants is planned to be completed by the end of 2024. The total power of the power plants will reach 8.4 MW.

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 2022**	**As at 31 December 2021**	**As at 31 December 2022**	**As at 31 December 2021**
Non-current assets					
Intangible assets	**5**	131	199	131	199
Property, plant and equipment	**5**	59.520	58.853	52.113	52.373
Investment property	**6**	2.754	2.832	2.670	2.746
Right-of-Use assets	**7**	1.844	945	1.844	945
Investments in subsidiaries and associates	**1**	-	-	3.150	3.150
Loans granted	**8**	1.645	1.636	1.645	1.636
Other financial assets		126	160	126	160
Deferred income tax asset	**27**	600	-	495	-
Total non-current assets		**66.620**	**64.625**	**62.174**	**61.209**
Current assets					
Inventories	**9**	69.045	42.871	66.208	41.056
Prepayments		284	293	259	272
Trade accounts receivable	**10**	23.370	19.674	23.307	19.484
Other accounts receivable	**11**	3.831	2.372	3.787	2.337
Cash and cash equivalents	**12**	1.725	3.756	1.064	3.398
Total current assets		**98.255**	**68.966**	**94.625**	**66.547**
TOTAL ASSETS		**164.875**	**133.591**	**156.799**	**127.756**
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	**13**	12.104	13.449	12.104	13.449
Own shares (-)	**13**	(389)	(8.151)	(389)	(8.151)
Legal reserve	**13**	1.403	1.403	1.403	1.403
Other reserves	**13**	11.600	14.250	11.600	14.250
Retained earnings		75.989	76.440	70.753	69.895
Equity attributable to equity holders of the Company		**100.707**	**97.391**	**95.471**	**90.846**
Non-controlling interest	**16**	1.389	1.590	-	-
Total Equity		**102.096**	**98.981**	**95.471**	**90.846**
Non-current liabilities					
Grants received	**14**	2.736	3.033	2.428	2.683
Loans received	**19**	5.750	2.500	5.750	2.500
Obligations under finance lease	**18**	1.617	392	1.617	392
Deferred Corporate income tax liability		-	181	-	340
Long term provision for defined employee benefits	**15**	3.913	3.427	3.728	3.232
Total non-current liabilities		**14.016**	**9.533**	**13.523**	**9.147**
Current liabilities					
Loans received	**19**	20.735	2.000	20.735	2.000
Obligations under finance lease	**18**	917	834	917	834
Trade accounts payable	**20**	20.085	15.756	19.671	19.104
Income tax payable		511	66	511	66
Accrued expenses and other current liabilities	**15, 21**	6.515	6.421	5.971	5.759
Total current liabilities		**48.763**	**25.077**	**47.805**	**27.763**
Total liabilities		**62.779**	**34.610**	**61.328**	**36.910**
TOTAL EQUITY AND LIABILITIES		**164.875**	**133.591**	**156.799**	**127.756**

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

(All amounts in EUR thousands unless otherwise stated)

		The Group		The Company	
	Notes	**2022**	**2021**	**2022**	**2021**
REVENUE FROM CONTRACTS WITH CUSTOMERS	**22**	**263.394**	**201.246**	**262.671**	**200.178**
SALES	**22**	**-**	**-**	**-**	**-**
Cost of sales		(217.612)	(157.805)	(216.930)	(157.631)
GROSS PROFIT		**45.782**	**43.441**	**45.741**	**42.547**
Operating expenses	**23**	(41.422)	(35.180)	(39.895)	(34.134)
Other operating income and expenses	**24**	308	297	275	264
PROFIT (LOSS) FROM OPERATIONS		**4.668**	**8.558**	**6.121**	**8.677**
Financial income and expenses	**25**	(107)	234	(104)	233
PROFIT (LOSS) BEFORE TAX		**4.561**	**8.792**	**6.017**	**8.910**
Income tax benefit (expense)	**26**	(612)	(767)	(557)	(836)
NET PROFIT (LOSS)		**3.949**	**8.025**	**5.460**	**8.074**
ATTRIBUTABLE TO:					
Equity holders of the Company		4.150	8.050	5.460	8.074
Non-controlling interest		(201)	(25)	-	-
		3.949	**8.025**	**5.460**	**8.074**
Basic and diluted earnings per share (EUR)	**17**	**0,10**	**0,19**	**0,13**	**0,19**
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		(445)	158	(446)	158
Net other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods		**(445)**	**158**	**(446)**	**158**
Total comprehensive income (loss) for the year, net of tax		**3.504**	**8.183**	**5.014**	**8.232**
ATTRIBUTABLE TO:					
Equity holders of the Company		**3.705**	**8.208**	**5.014**	**8.232**
Non-controlling interest		**(201)**	**(25)**	**-**	**-**
		3.504	**8.183**	**5.014**	**8.232**

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022
(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 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**
Net profit	-	-	-	-	**4.150**	**4.150**	**(201)**	**3.949**
Other comprehensive income	-	-	-	-	(445)	(445)	-	(445)
Total comprehensive income	-	-	-	-	**3.705**	**3.705**	**(201)**	**3.504**
Acquisition of own shares	-	(389)	-	-	-	(389)	-	(389)
Transfer to/from reserves	-	-	-	1.600	(1.600)	-	-	-
Used of reserves	-	-	-	(4.250)	4.250	-	-	-
Authorized capital increase-decrease	(1.345)	8.151	-	-	(6.806)	-	-	-
Balance as of 31 December 2022	**12.104**	**(389)**	**1.403**	**11.600**	**75.989**	**100.707**	**1.389**	**102.096**

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022
(All amounts in EUR, in thousands, unless otherwise stated)

	Share capital	Own shares (-)	Legal reserve	Other reserves	Retained earnings	Total equity
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**
Net profit	-	-	-	-	**5.460**	**5.460**
Other comprehensive income	-	-	-	-	**(446)**	**(446)**
Total comprehensive income	**-**	**-**	**-**	**-**	**5.014**	**5.014**
Acquisition of own shares	-	(389)	-	-	-	(389)
Transfer to/from reserves	-	-	-	1.600	(1.600)	-
Used of reserves	-	-	-	(4.250)	4.250	-
Authorized capital increase-decrease	(1.345)	8.151	-	-	(6.806)	-
Balance as of 31 December 2022	**12.104**	**(389)**	**1.403**	**11.600**	**70.753**	**95.471**

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

CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022
(All amounts in LTL thousands unless otherwise stated)

		The Group		The Company	
	Notes	**2022**	**2021**	**2022**	**2021**
Cash flows to operating activities					
Profit (loss) for the period		3.949	8.025	5.460	8.074
Adjustments:					
Depreciation and amortization	**5,6**	5.902	5.458	5.388	4.960
Amortization of grants received	**14**	(297)	(304)	(255)	(255)
Depreciation right-of-use assets	**7**	723	704	723	704
Gain (loss) on disposal and write offs of non-current assets		(52)	(13)	(62)	(30)
Decrease (increase) in deferred tax asset	**27**	(781)	135	(835)	204
Impairment (reversal) of accounts receivable	**10**	104	(780)	104	(260)
Net financial expenses (income)		373	(7)	396	31
Impairment (reversal) of inventories to net realizable value	**9**	3.643	203	3.546	(106)
Elimination of non-cash items		(8.596)	158	(8.596)	158
Net cash flows from ordinary activities before changes in working capital		**4.968**	**13.579**	**5.869**	**13.480**
Changes in working capital:					
(Increase) decrease in inventories	**9**	(29.816)	(9.032)	(28.698)	(7.968)
(Increase) decrease in trade receivables	**10**	(3.800)	(2.094)	(3.927)	(2.387)
(Increase) decrease in prepayments		9	(54)	13	(57)
(Increase) decrease in other receivables		(317)	184	(308)	219
(Decrease) increase in trade payables	**20**	4.329	3.600	567	6.762
(Decrease) increase other accounts payable	**21,22**	1.144	1.224	1.271	1.327
Decrease) increase income tax payables		445	(1.066)	445	(1.066)
Net cash flows from operating activities		**(23.038)**	**6.341**	**(24.768)**	**10.310**
Cash flows from (to) investing activities					
(Acquisition) of intangible assets and property, plant and equipment.	**5**	(6.821)	(10.755)	(5.356)	(10.298)
Proceeds on sale of property, plant and equipment		449	193	436	188
Acquisition of right-of-use assets	**7**	(1.762)	(670)	(1.762)	(670)
Repayment of loans granted	**8**	1.181	988	1.181	988
Loans granted	**8**	(2.332)	(868)	(2.332)	(868)
Interest received	**26**	107	89	107	89
Net cash flows (to) investing activities		**(9.178)**	**(11.023)**	**(7.726)**	**(10.571)**
Cash flows from (to) financing activities					
(Acquisition) of own shares	**13**	7.762	(5.517)	7.762	(5.517)
Grants received	**14**	88	424	61	129
Financial lease payments	**18**	744	(814)	744	(814)
Loan received	**19**	24.735	-	24.735	-
Loan (payments)	**19**	(2.750)	(1.500)	(2.750)	(1.500)
Other financial (income) and expenses	**26**	(42)	(164)	(42)	(161)
Interest (payments)		(352)	(84)	(350)	(84)
Net cash flows from (to) financial activities		**30.185**	**(7.655)**	**30.160**	**(7.947)**
Net increase (decrease) in cash and cash equivalents		**(2.031)**	**(12.337)**	**(2.334)**	**(8.208)**
Cash and cash equivalents at the beginning of the year		**3.756**	**16.093**	**3.398**	**11.606**
Cash and cash equivalents at the end of the year		**1.725**	**3.756**	**1.064**	**3.398**

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

(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 2022 and 2021, its shares are held by the following shareholders**:**

Shareholder	31 12 2022		31 12 2021	
	Number of shares	**Ownership %**	**Number of shares**	**Ownership %**
Pažemeckas Algirdas	14.063.152	33,69%	14.063.152	30,32%
Pažemeckienė Danutė	14.014.581	33,58%	14.014.581	30,22%
AB Klaipėdos pienas, code 240026930, Šilutės pl. 33, 91107 Klaipėda	2.901.844	6,95%	2.901.844	6,26%
UAB Baltic Holding, code 302688114. Vilhelmo Berbomo g. 9-4, Klaipėda	4.530.380	10,86%	4.739.880	10,22%
Other shareholders	6.005.523	14,39%	6.018.043	12,98%
"Žemaitijos pienas" AB	222.020	0,53%	4.637.500	10,00%
Total share capital, shares units	**41.737.500**	**100,00%**	**46.375.000**	**100,00%**

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

As at 31 December 2020 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.
On 15 April 2022, the Ordinary General Meeting of Shareholders resolved to reduce the Company's share capital in order to cancel the 4,637,500 ordinary registered shares acquired by the Company through share buy-back processes. The Company's share capital is reduced from EUR 13 448 750 to EUR 12 103 875 by cancelling and declaring void 4 637 500 units of the Company's ordinary shares. The Company's ordinary registered shares in the Company, each with a nominal value of EUR 0.29, acquired by the Company. Following the registration of the new version of the Company's Articles of Association in the Register of Legal Entities, the Company's share capital on 5 July 2022 consisted of 41,737,500 ordinary registered shares with a nominal value of EUR 0.29 each for EUR 12,103,875.
30 08 2022 The Management Board of AB Žemaitijos Pienas , taking into account the existence of a reserve for the acquisition of treasury shares and in accordance with the Company's resolution of 2 April 2021. AB Žemaitijos pienas, on the basis of the decision of the Ordinary General Meeting of Shareholders of AB AB Žemaitijos pienas, has decided

(All amounts in EUR thousands unless otherwise stated)

to buy back the Company's ordinary registered shares with a nominal value of EUR 0.29 through the official offering market of the Nasdaq Vilnius stock exchange.
In 2022, the Company additionally acquired 222,020 units of its own shares for 389 thousand EUR, respectively in 2021 – 3,145,999 units for 5,517 thousand EUR.

As at 31 December 2022 and 2021 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 2022	Cost of investment 2021	Net assets as of 31 December 2022	Main activities
Šilutės Rambynas ABF	Klaipėdos g. 3, Šilutė, Lietuva	87,82%	87,82%	3.150	3.150	11.403	Cheese production and selling

The subsidiary ABF Šilutės Rambynas does not hold any shares of AB "Žemaitijos Pienas" as at 31 December 2021 and 2022.

The Company employed 1.271 employees as at 31 December 2022 (1.249 employees as at 31 December 2021). The Group employed 1.427 employees as at 31 December 2022 (1.415 employees as at 31 December 2021).

The Company's management authorized these financial statements on March 22, 2023 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.

ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Company and the Group 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 2022

(a) The following standards, amendments and interpretations are mandatory for accounting periods beginning on or after 1 January 2022

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 recognize 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.

Management has assessed that these amendments do not have a material impact on these financial statements.

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

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 2023)

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 Company's financial statements.

IFRS 17: Insurance Contracts (published 18 May 2017, effective from 1 January 2023)

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 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)

The amendments require companies to recognize 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 Company has not yet evaluated the impact of the implementation of these amendments.

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)

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 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)

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 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, effective from 1 January 2024, 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. Management has not yet assessed the impact of applying these amendments.

The amendments in Non-current Liabilities with Covenants (Amendments to IAS 1) (issued on 31 October 2022, effective from 1 January 2024, but not before approval by the EU):

Modify the requirements introduced by Classification of Liabilities as Current or Non-current on how an entity classifies debt and other financial liabilities as current or non-current in particular circumstances: only covenants with which an entity is required to comply on or before the reporting date affect the classification of a liability as current or non-current. In addition, an entity has to disclose information in the notes that enables users of financial statements to understand the risk that non-current liabilities with covenants could become repayable within twelve months. The amendments are effective for reporting periods beginning on or after 1 January 2024. The amendments are applied retrospectively in accordance with IAS 8 and earlier application is permitted.

Management has not yet assessed the impact of applying these amendments.

Amendments to IFRS 16 Lease Liability in a Sale and Leaseback with amendments that clarify how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale (issued on 22 September 2022, effective from 1 January 2024, but not before approval by the EU):

Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains. The new requirements do not prevent a seller-lessee from recognising in profit or loss any gain or loss relating to the partial or full termination of a lease. The amendments are effective for annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted. A seller-lessee applies the amendments retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to sale and leaseback transactions entered into after the date of initial application.

Management has not yet assessed the impact of applying 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.

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 2022 and 2021:

2022			**2021**		
USD 1	=	EUR 0,939055	USD 1	=	EUR 0,88230

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 2022 and 2021, 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 2022 and 2021, the Group/Company did not have such measures;
d) At fair value through profit or loss. As at 31 December 2022 and 2021, 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 5, 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 the 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 2022, the corporate tax rate in the Republic of Lithuania is 15 percent (in 2021 – 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 29

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 2022 and 2021, 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 2022, Impairment losses recognized by the Group and the Company were EUR 3.748 thousand and EUR 3.341 thousand, respectively (as at 31 December 2021: EUR 555 thousand and EUR 246 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 2022, 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 2021 and 2022 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.

Effects of climate-related matters on financial statements 2022, 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 2022, but in 2023 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 2023 (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 2022, 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 2021-2022.
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 (2023) 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 2023 financial periods. The 2023 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 2022), 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 2023, 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 2023, including research and development.
2. No climate change related costs were recognized as an asset (long-term tangible and intangible) during the reporting period 2022. In 2023 there are no such planned expansion, development, equipment adaptation costs that would need to be recognized as assets.
3. During the 2022 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 2022, 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 2023.
IMPAIRMENT OF ASSETS
1. At the date of submission of the FS no such substantiated facts were known, that in 2023 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 (2023 and beyond) cash flows.
3. During the reporting period 2022 no impairment losses were incurred due to the regulations of environmental legislation. Such losses are not expected in 2023 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 2022. There is also no such knowledge and / or reliable information that such impact could be in 2023 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 2022, 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 2023 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 2022, and there is no information available that those could affect during the period 2023 or further.
INSURANCE CONTRACTS
1. During the reporting period 2022, 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 2023 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 2020	**214**	**142**	**617**	**973**
-acquisition	65	9	14	88
-incorporation/mergers	-	-	-	-
-sold or written-off assets	-	(9)	(0)	(9)
As of 31 December 2021	**279**	**142**	**631**	**1.052**
-acquisition	76	-	3	79
-reclassification	-	-	-	-
-sold or written-off assets	-	-	-	-
As of 31 December 2022	**355**	**142**	**634**	**1.131**
Accumulated amortisation				
As of 31 December 2020	**151**	**130**	**426**	**707**
-amortization	47	7	98	152
--reclassification	-	-	-	-
-amortization of sold and written-off assets	-	(6)	-	(6)
As of 31 December 2021	**198**	**131**	**524**	**853**
-amortization	50	6	91	147
-reclassification	-	-	-	-
-amortization of sold and written-off assets	-	-	-	-
As of 31 December 2022	**248**	**137**	**615**	**1.000**
Net Book Value				
As of 31 December 2020	**63**	**12**	**191**	**266**
As of 31 December 2021	**81**	**11**	**107**	**199**
As of 31 December 2022	**107**	**5**	**19**	**131**

(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 2020	**215**	**114**	**617**	**946**
-acquisition	65	9	14	88
-incorporation/mergers	-	-	-	-
-sold or written-off assets	(1)	(2)	(0)	(3)
As of 31 December 2021	**279**	**121**	**631**	**1.031**
-acquisition	76	-	3	79
-reclassification	-	-	-	-
-sold or written-off assets	-	-	-	-
As of 31 December 2022	**355**	**121**	**634**	**1.110**
Accumulated amortisation				
As of 31 December 2020	**151**	**106**	**426**	**683**
-amortization	47	4	98	149
- incorporation/mergers	-	-	-	-
-amortization of sold and written-off assets	-	-	-	-
As of 31 December 2021	**198**	**110**	**524**	**832**
-amortization	50	6	91	147
- reclassification	-	-	-	-
-amortization of sold and written-off assets	-	-	-	-
As of 31 December 2022	**248**	**116**	**615**	**979**
Net Book Value				
As of 31 December 2020	**64**	**8**	**191**	**263**
As of 31 December 2021	**81**	**11**	**107**	**199**
As of 31 December 2022	**107**	**5**	**19**	**131**

In 2022 amortization of non-current intangible assets of the Group and the Company amounts to EUR 147 thousand and EUR 147 thousand respectively (In 2021 – EUR 152 thousand and EUR 149 thousand, respectively). Amortization expenses of intangible assets are recognized as Operating expenses in the statement of comprehensive income (Note 23).

Investments in the purchase of non-current intangible assets made by the Group and the Company in 2022 amount to EUR 79 thousand and EUR 79 thousand, respectively (in 2021 - EUR 88 thousand and EUR 88 thousand).

As at 31 December 2022, the Company and the Group have EUR 791 thousand and EUR 814 thousand (EUR 549 thousand and EUR 572 thousand as at 31 December 2021, 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 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)	-
--internal operatios	-	-	36	-	-	36
-transfers to investment property	(38)	-	-	-	-	(38)
-transfers from investment property	477	-	-	-	-	477
As of 31 December 2021	**27.363**	**93.740**	**12.103**	**5.261**	**1.141**	**139.608**
-acquisition	128	1.287	1.081	247	3.999	6.742
-sold or written-off assets	(117)	(455)	(399)	(71)	-	(1.042)
-reclassification	672	966	36	1	(1.675)	-
-incorporation/mergers	-	-	-	-	-	-
-internal operatios	-	-	-	-	-	-
-transfers to investment property	(385)	-	-	-	-	(385)
-transfers from investment property	-	-	-	-	-	-
As of 31 December 2022	**27.661**	**95.538**	**12.821**	**5.438**	**3.465**	**144.923**
Accumulated depreciation						
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	-	-	-	-	-	-
-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**
-depreciation	648	3.859	614	421	-	5.542
-depreciation of written-off and sold assets	(20)	(359)	(337)	(70)	-	(786)
-incorporation/mergers	-	-	-	-	-	-
-reversals (subsidiary)	-	-	-	-	-	-
-reclassification (subsidiary)	-	-	-	-	-	-
-transfers to investment property	(108)	-	-	-	-	(108)
-transfers from investment property	-	-	-	-	-	-
As of 31 December 2022	**10.384**	**62.098**	**9.272**	**3.649**	**-**	**85.403**
Impairment						
As of 31 December 2020	**-**	**-**	**-**	**-**	**-**	**-**
-impairment losses	-	-	-	-	-	-
-transfers to investment property	-	-	-	-	-	-
-reversal of impairment	-	-	-	-	-	-
As of 31 December 2021	**-**	**-**	**-**	**-**	**-**	**-**
-impairment losses	-	-	-	-	-	-
-transfers to investment property	-	-	-	-	-	-
-reversal of impairment	-	-	-	-	-	-
As of 31 December 2022	**-**	**-**	**-**	**-**	**-**	**-**
Net book value						
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**
As of 31 December 2022	**17.277**	**33.440**	**3.549**	**1.789**	**3.465**	**59.520**

(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 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**
-acquisition	128	1.259	1.092	151	2.647	5.277
-incorporation/mergers	-	-	-	-	-	-
-sold or written-off assets	(117)	(453)	(303)	(65)	-	(938)
-adding value	-	-	-	-	-	-
-reclassification	-	531	36	1	(568)	-
-transfers to investment property	(385)	-	-	-	-	(385)
-transfers from investment property	-	-	-	-	-	-
As of 31 December 2022	**24.169**	**85.372**	**11.430**	**4.840**	**2.433**	**128.244**
Accumulated depreciation						
As of 31 December 2020	**7.972**	**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**
-depreciation	600	3.420	620	388	-	5.028
-incorporation/mergers	-	-	-	-	-	-
-depreciation of written-off and sold assets	(19)	(358)	(266)	(63)	-	(706)
-transfers to investment property	(108)	-	-	-	-	(108)
-transfers from investment property	-	-	-	-	-	-
As of 31 December 2022	**9.125**	**55.886**	**7.859**	**3.261**	**-**	**76.131**
Impairment						
As of 31 December 2020	**-**	**-**	**-**	**-**	**-**	**-**
- impairment losses	-	-	-	-	-	-
-reversal of impairment	-	-	-	-	-	-
As of 31 December 2021	**-**	**-**	**-**	**-**	**-**	**-**
- impairment losses	-	-	-	-	-	-
- reversal of impairment	-	-	-	-	-	-
As of 31 December 2022	**-**	**-**	**-**	**-**	**-**	**-**
Net book value						
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**
As of 31 December 2022	**15.044**	**29.486**	**3.571**	**1.579**	**2.433**	**52.113**

For the year ending at 31 December 2022 the depreciation costs of the Group's and the Company's property, plant and equipment amount to EUR 5.542 thousand and EUR 5.028 thousand, respectively (2021 – EUR 5.070 thousand and EUR 4.577 thousand).

The amount of depreciation accounted under the caption 'Cost of Sales' for the financial years 2022 and 2021 amounts to EUR 2.989 thousand and EUR – 2.974 thousand by the Company, respectively. By the Group, EUR 3.545 thousand and 3.619 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 2021 and 2022.

Part of property, plant and equipment of the Company and the Group with the acquisition cost amounting to EUR 41.207 thousand and EUR 48.733 thousand, respectively, was fully depreciated as at 31 December 2022 (EUR 41.149 thousand and EUR 48.191 thousand as at 31 December 2021), but was still in use.

6. INVESTMENT PROPERTY

	The Group	The Company
Acquisition cost		
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**
-acquisition	-	-
-transfers from property, plant and equipment	385	385
-reversals (subsidiary)	-	-
-sold or written-off investment property	(198)	(198)
-transfers to property, plant and equipment	-	-
As of 31 December 2022	**4.636**	**3.899**
Accumulated depreciation		
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**
-depreciation	214	213
-transfers to property, plant and equipment	(57)	(57)
-reversals (subsidiary)	-	(1)
-sold or written-off investment property	-	-
-transfers from property, plant and equipment	108	108
As of 31 December 2022	**1.882**	**1.229**
Impairment		
As of 31 December 2020	**-**	**-**
-impairment losses	-	-
-reversal of impairment	-	-
-transfers from property, plant and equipment	-	-
As of 31 December 2021	**-**	**-**
-impairment losses	-	-
-reversal of impairment	-	-
-transfers from property, plant and equipment	-	-
As of 31 December 2022	**-**	**-**
Net book value, Eur thousand:		
As of 31 December 2020	**3.371**	**3.297**
As of 31 December 2021	**2.832**	**2.746**
As of 31 December 2022	**2.754**	**2.670**

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 was leased to a related party UAB Čia Market and to other unrelated parties as well as natural persons. According to the assessment findings, the fair value of the investment property as at 31 December 2021 and 31 December 2022 differs slightly from the residual book value.

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 case assets are purchased in competitive market at the market price.

For the year ending at 31 December 2022 the depreciation costs of the Company's investment property amount to EUR 213 thousand (2021 – EUR 234 thousand). Rental income and related costs are disclosed in Notes 23,24.

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

There was no investment property under construction in 2022 and 2021.

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

7.RIGHT-OF-USE-ASSET

According to IFRS 16 "Leases" 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 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**
-acquisition	1.719	92	-	1.811
-reclassification	-	1	-	1
-the end of the contract	(1.637)	-	(103)	(1.740)
Acquisition cost				
As of 31 December 2022	**2.494**	**600**	**-**	**3.094**
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**
-depreciation	618	92	13	723
-reclassification	-	2	2	4
-the end of the contract	(1.629)	-	(98)	(1.727)
Accumulated depreciation				
As of 31 December 2022	**538**	**508**	**0**	**1.046**
Impairment As of 31 December 2021	**(31)**	**-**	**-**	**(31)**
Impairment losses	(173)	-	-	**(173)**
Impairment As of 31 December 2022	**(204)**	**-**	**-**	**(204)**
Net book value, Eur thousand:				
As of 31 December 2020	**988**	**93**	**22**	**1.103**
As of 31 December 2021	**832**	**93**	**20**	**945**
As of 31 December 2022	**1.752**	**92**	**-**	**1.844**

The Company	Land, buildings and constructions	Movable property	Vehicles	Total
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**
-acquisition	1.719	92	-	1.811
-reclassification		1	-	1
-the end of the contract	(1.637)	-	(103)	(1.740)
Acquisition cost				
As of 31 December 2022	**2.494**	**600**	**-**	**3.094**
Accumulated depreciation				
As of 31 December 2020	**960**	**322**	**60**	**1.342**
-depreciation	617	92	22	731
-reclassification	2	-	1	3
-the end of contract	(30)	-	-	(30)
Accumulated depreciation				
As of 31 December 2021	**1.549**	**414**	**83**	**2.046**
-depreciation	618	92	13	723
-reclassification	-	2	2	4
-the end of the contract	(1.629)	-	(98)	(1.727)
Accumulated depreciation				
As of 31 December 2022	**538**	**508**	**-**	**1.046**
Impairment				
As of 31 December 2021	**(31)**	**-**	**-**	**(31)**
Impairment loses	(173)	-	-	**(173)**
Impairment				
As of 31 December 2022	**(204)**	**-**	**-**	**(204)**
Net book value, Eur thousand:				
As of 31 December 2020	**988**	**93**	**22**	**1.103**
As of 31 December 2021	**832**	**93**	**20**	**945**
As of 31 December 2022	**1.752**	**92**	**-**	**1.844**

8.LOANS GRANTED

The Company and the Group have granted loans to 16 Company's employees as at 31 December 2022 (19 as at 31 December 2021). 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 72 farmers (milk-suppliers) as at 31 December 2022 (74 as at 31 December 2021). Loans in the amount of EUR 959 thousand had been granted to farmers within the period from 01/01/2022 to 31/12/2022. 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 412,5 thousand to the Company as at 31 December 2022 (as at 31 December 2021 – EUR 520,5 thousand). The loan has been granted on 29 12 2014 with a variable/floating annual average 2,6% interest rate a loan repayment period – the year 2029; pledged shares.

On the 1st of October 2022, a short-term loan of 1.2 million EUR with average 3,9% annual variable interest rate was additionally granted to AB Klaipėdos pienas. In 2022, 140,000 EUR of this loan was repaid. The repayment term of the loan – 30th of September 2023.

	The Group		The Company	
	31st Dec 2022	31st Dec 2021	31st Dec 2022	31st Dec 2021
Loans granted:	**3.638**	**2.488**	**3.638**	**2.488**
Loans granted to related parties	1.473	521	1.473	521
Loans granted to milk suppliers	1.967	1.861	1.967	1.861
Loans granted to the staff	198	76	198	76
Loans granted to not related parties	-	30	-	30
Current portion of loans granted *(Note 11)*	*(1.993)*	*(852)*	*(1.993)*	*(852)*
In the number loans granted to milk suppliers impairment	-	-	-	-
Non- current loans granted	**1.645**	**1.636**	**1.645**	**1.636**

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

9. INVENTORIES

	The Group		The Company	
	31st Dec 2022	31st Dec 2021	31st Dec 2022	31st Dec 2021
Raw materials	7.278	5.270	6.286	4.449
Finished goods and work in progress	65.454	37.758	63.203	36.455
Goods for resale	511	398	511	398
	73.243	**43.426**	**70.000**	**41.302**
Less: Allowance for inventories	(4.198)	(555)	(3.792)	(246)
Total	**69.045**	**42.871**	**66.208**	**41.056**

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

	The Group		The Company	
	31st Dec 2022	31st Dec 2021	31st Dec 2022	31st Dec 2021
Balance at beginning of year	**555**	**352**	**246**	**352**
Additional allowance made	3.643	203	3.546	-
Reversals of allowance made	-	-	-	(106)
Write-off	-	-	-	-
Balance at end of year	**4.198**	**555**	**3.792**	**246**

The acquisition cost of the Group's and the Company's inventories accounted at net realizable value as at 31 December 2022 amounted to EUR 28.645 thousand and EUR 26.394 thousand, respectively (as at 31 December 2021, EUR 8.434 thousand and EUR 7.130 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 23).

As at 31 December of 2022 the Company held a stock of EUR 339 thousand at the third parties (as at 31 December 2021 - EUR 71 thousand, respectively).
The allowance formed by the Company for the inventories as at 31 December 2022 and 2021 (EUR 3.792 thousand and EUR 246 thousand, respectively) was formed for illiquid –stationary material and amounts 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 2022 accounted under the caption 'Cost of Sales' amounts to EUR 194.989 thousand and EUR 162.016 thousand, respectively (EUR 139.614 thousand and EUR 113.805 thousand in 2021, respectively).

10. TRADE ACCOUNTS RECEIVABLE

	The Group		The Company	
	31st Dec 2022	31st Dec 2021	31st Dec 2022	31st Dec 2021
Trade accounts receivable	21.715	17.581	21.684	17.440
Accounts receivable from related parties	1.848	2.182	1.816	2.133
Total accounts receivable:	**23.563**	**19.763**	**23.500**	**19.573**
Allowance for bad debts	(193)	(89)	(193)	(89)
Allowance for bad debts of related parties	-	-	-	-
Net trade receivables:	**23.370**	**19.674**	**23.307**	**19.484**

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

	The Group		The Company	
	2022	2021	2022	2021
Balance at beginning of year	89	869	89	349
Additional allowance made	-	-	-	-
Reversals of allowance made	104	(780)	104	(260)
Write-off	-	-	-	-
Balance at end of year	**193**	**89**	**193**	**89**

Analysis of trade receivables based on the terms of payment on the 31st December, 2022 (EUR thousand):

The Group (EUR thousand)	**Trade accounts receivables, not past due**	**Trade accounts receivables past due** Less than 60 days	**60-120 days**	**More than 120 days**	**Total**
Trade account receivables	17.420	3.433	41	821	**21.715**
Allowance formed	-	-	(2)	(191)	**(193)**
Trade accounts receivables from related parties	1.409	430	9	-	**1.848**
Allowance formed	-	-	-	-	-

The Company (EUR thousand)	**Trade accounts receivables, not past due**	**Trade accounts receivables passed due** Less than 60 days	**60-120 days**	**More than 120 days**	**Total**
Trade account receivables	17.390	3.432	41	821	**21.684**
Allowance formed	-	-	(2)	(191)	**(193)**
Trade accounts receivables from related parties	1.377	430	9	-	**1.816**
Allowance formed	-	-	-	-	-

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

The Group (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	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	-	-	-	-	**-**

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	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	-	-	-	-	**-**

For the assessment of allowance on intercompany trade receivables, please refer to Note 29.

11. OTHER ACCOUNTS RECEIVABLE

	The Group		The Company	
	31st Dec 2022	31st Dec 2021	31st Dec 2022	31st Dec 2021
Prepaid income tax	-	-	-	-
Current portion of long-term loans granted (Note 8)	1.993	852	1.993	852
VAT receivable	1.668	1.485	1.624	1.451
Other receivables	170	35	170	34
Total:	**3.831**	**2.372**	**3.787**	**2.337**

12. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	31st Dec 2022	31st Dec 2021	31st Dec 2022	31st Dec 2021
Cash at bank	1.723	3.755	1.062	3.397
Cash on hand	2	1	2	1
Total:	**1.725**	**3.756**	**1.064**	**3.398**

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.

On the 15th of April 2022, the ordinary general meeting of shareholders adopted a decision to reduce the authorized capital of the Company in order to annul 4,637,500 units of its own ordinary registered shares acquired by the Company during share redemption processes. The authorized capital of the Company was reduced from 13,448,750 EUR to 12,103,875 EUR by annulling and declaring invalid 4,637,500 units of ordinary registered shares of the Company, each of which having a nominal value of 0.29 EUR. As of 05/07/2022, the authorized capital consisted of 41,737,500 ordinary registered shares for the amount of 12,103,875 EUR. The nominal value of the share is 0.29 EUR.

In 2022, the Company additionally acquired 222,020 units of its own shares for 389 thousand EUR, respectively in 2021 – 3,145,999 units for 5,517 thousand EUR.

The reason and purpose of acquiring 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 2020 (balance)	**10.846**	**8.651**
- received	255	-
As of 31 December 2021 (balance)	**11.101**	**8.651**
- received	-	-
As of 31 December 2022 (balance)	**11.101**	**8.651**
Accumulated amortisation		
As of 31 December 2020 (balance)	**7.764**	**5.713**
- amortization	304	255
As of 31 December 2021 (balance)	**8.068**	**5.968**
- amortization	297	255
As of 31 December 2022 (balance)	**8.365**	**6.223**
Net book value (EUR thousand)		
As of 31 December 2020	**3.082**	**2.938**
As of 31 December 2021	**3.033**	**2.683**
As of 31 December 2022	**2.736**	**2.428**

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 2022, the Company and the Group was in compliance with the grant agreement requirements.

On the 18th of December 2020, a contract was signed between the European Social Fund Agency and ABF Šilutės Rambynas, in order to improve the qualifications of employees of AB Žemaitijos pienas and ABF Šilutės Rambynas at the workplace. The financing funds were received for AB Žemaitijos pienas back in 2021 – 129 thousand EUR, for ABF Šilutės Rambynas – 39 thousand EUR, during 2022 – 61 thousand and 26 thousand EUR, respectively. The funding compensates up to 50% of the salary costs of the production workers and their teachers involved in the project.

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 2022	**31st Dec 2021**
Long term liability of post retirement employee benefits	773	293
Short term liability of post retirement employee benefits (Note 21)	205	154
Long term liability under additional rewards policy	2.955	2.939
Short term liability under additional rewards policy (Note 21)	502	538
Total:	**4.435**	**3.924**

	The Group	
	31st Dec 2022	31st Dec 2021
Long term liability of post retirement employee benefits	812	333
Short term liability of post retirement employee benefits (Note 21)	231	178
Long term liability under additional rewards policy	3.101	3.094
Short term liability under additional rewards policy (Note 21)	582	649
Total:	**4.726**	**4.254**

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 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**
Change accounted in the statements of comprehensive income	27	65
Actuarial (gain) loss	445	446
Balance as at 31 December 2022	**4.726**	**4.435**

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

	31st Dec 2022	31st Dec 2021
Discount rate	1,75-3,78%	1,73%
Inflation rate	6,00%	6,00%
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 2022	31st Dec 2021
Current assets	4.871	6.716
Non-current assets	9.225	8.493
Current liabilities	2.199	1.610
Non-current liabilities	186	195
Revenue	38.896	32.150
Profit	(1.651)	(204)
Total comprehensive income	**(1.651)**	**(204)**

The subsidiary paid no dividends neither in year 2022 no in year 2021.

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 2022	31st Dec 2021	31st Dec 2022	31st Dec 2021
Net profit (loss) attributable to the equity shareholders in EUR thousand	4.150	8.050	5.460	8.074
Weighted average number of circulation shares (units)	41.515.480	41.737.500	41.515.480	41.737.500
Basic earnings (loss) per share in EUR	**0,10**	**0,19**	**0,13**	**0,19**

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 2022	31st Dec 2021	31st Dec 2022	31st Dec 2021
Dividends declared	-	-	-	-
Weighted average number of circulation shares (units)	41.515.480	41.737.500	41.515.480	41.737.500
Dividends declared per share in EUR	-	-	-	-

18. FINANCIAL LEASE

As at 31 December 2022, 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.

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

	2022 12 31		2021 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	926	917	837	834
2 – 5 years	1.631	1.617	393	392
Minimal financial lease payments, EUR thousand	**2.557**	**2.534**	**1.230**	**1.226**
Less: future interest	(23)	-	(4)	-
Present value of minimal financial lease payments, EUR thousand	**2.534**	**2.534**	**1.226**	**1.226**

	2022 12 31		2021 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	926	917	837	834
2 – 5 years	1.631	1.617	393	392
Minimal financial lease payments, EUR thousand	**2.557**	**2.534**	**1.230**	**1.226**
Less: future interest	(23)	-	(4)	-
Present value of minimal financial lease payments, EUR thousand	**2.534**	**2.534**	**1.226**	**1.226**

As at 31st December 2022, 2021 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 2022 (EUR thousand):

Creditor	Date of agreement	Loan maturity date	Currency	2022.12.31	2021.12.31
AB SEB bank	2018-06-11/ 2019-07-16	2024-03-30	EUR	2.500	4.500
AB SEB bank	2018-06-11/2022 y 06 month.	2027-05-23		6.750	-
AB SEB bank	Overdraft limit	2024-06-30		17.235	-
Total: thousand EUR				**26.485**	**4.500**

1) In June 2018, AB Žemaitijos pienas and SEB Bank signed the credit contract. In July 2019, the Company and SEB Bank signed an amendment to the credit contract of June 2018, based on which the Company was granted a new business credit of 6 million EUR. The credit was granted with variable annual interest until March 2024. The production building in Telšiai together with the equipment therein were additionally pledged.

2) In accordance with the additional amendments to this credit contract, SEB bankas granted the Company a credit of 7.5 million EUR in June 2022. The credit is granted until the 23rd of May 2027. The purpose of the loan is to refinance the investments of AB Žemaitijos pienas and ABF Šilutės Rambynas

3) In June 2020, the Company signed the annex "Account credit overdraft limit I" to the credit contract dated 11/06/2018 for the amount of the overdraft limit of 5 million EUR. Means of ensuring the performance of obligations under the credit contract: the Company's current account within AB SEB bank, and real and movable property located at Klaipėdos str. 3, Šilutė.
In June 2022, the Company signed an annex "Account credit overdraft limit I" to the credit contract dated 11/06/2018 for the increased amount of the overdraft limit of 10 million EUR.
In August 2022, an annex "Account credit overdraft limit I" was signed according to the same credit contract for the increased amount of the overdraft limit of 18 million EUR. Means of ensuring the performance of obligations under the credit contract: the Company's current account within AB SEB bankas, and real and movable property located at Klaipėdos str. 3, Šilutė.

In addition to the credit contract, the Company has signed a contract with AB SEB bankas on financial indicators and other obligations. The financial indicators and non-financial obligations specified in the contract are being implemented.

In 2022, 2,750 thousand EUR of loans were repaid.

As of 31st of December 2022, the balance of loans received by the Group and the company amounted to 26,485 thousand EUR.

20. TRADE PAYABLES

	The Group		The Company	
	31st Dec 2022	31st Dec 2021	31st Dec 2022	31st Dec 2021
Payables to suppliers	17.675	14.101	16.647	13.260
Annual bonuses to the suppliers of raw material*	-	-	-	-
Payables to related parties	1.549	878	2.163	5.143
Advances received	861	777	861	701
Total:	**20.085**	**15.756**	**19.671**	**19.104**

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

* For the year 2021-2022 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 2021-2022 annual bonus has not been accounted for.

21. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	The Group		The Company	
	31st Dec 2022	31st Dec 2021	31st Dec 2022	31st Dec 2021
Vacation reserve	1.599	1.572	1.415	1.351
Bonuses for employees	-	-	-	-
Wages and salaries payable	1.405	1.322	1.263	1.171
Social security payable	914	867	853	787
Dividends payable	796	833	796	833
Payables based on defined obligations to employees (Note 15)	814	826	707	692
Management Bonus	-	-	-	-
Accrued expenses	404	380	404	380
Taxes payable, other than income tax	571	604	528	539
Other short-term liabilities	12	17	5	6
Total:	**6.515**	**6.421**	**5.971**	**5.759**

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 2022 with 2021
	2022	**2021**	
Fermented cheese	105.934	92.390	**14,66%**
Fresh dairy products	88.851	59.552	**49,20%**
Butter and spreadable fat mixes	25.742	17.535	**46,80%**
Dry dairy products	25.419	19.148	**32,75%**
Other	17.448	12.621	**38,25%**
Total:	**263.394**	**201.246**	**30,88%**

The Company	Sales, EUR thousand		Variation in % As comparing 2022 with 2021
	2022	**2021**	
Fermented cheese	103.613	88.946	**16,49%**
Fresh dairy products	88.320	59.204	**49,18%**
Butter and spreadable fat mixes	25.742	17.535	**46,80%**
Dry dairy products	25.419	19.148	**32,75%**
Other	19.577	15.345	**27,58%**
Total:	**262.671**	**200.178**	**31,22%**

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	
	2022	2021	2022	2021
Sales, EUR thousand:				
Lithuania	139.058	99.622	139.953	101.501
EU countries	88.076	63.650	87.165	61.283
Other countries	36.260	37.974	35.553	37.394
Total, EUR thousand:	**263.394**	**201.246**	**262.671**	**200.178**

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 entty's revenues, please refer to Note 28.

23. OPERATING EXPENSES

	The Group		The Company	
	2022	2021	2022	2021
Wages, salaries and social security**	16.857	15.418	16.514	15.033
Marketing expenses	8.112	9.318	8.086	9.288
Rent and insurance	818	724	805	716
Logistic services	2.001	1.484	1.833	1.327
Repairs	915	677	911	672
Materials	1.183	1.218	1.131	1.186
IT consulting	357	295	346	282
Taxes, other than income tax	950	715	855	641
Consulting	264	140	158	110
Depreciation or amortisation	1.161	1.032	1.126	999
Business trips	169	84	160	81
Trade accounts receivable impairment (reversal)	104	(485)	104	(260)
Utilities	532	308	361	179
Production for advertising purposes	164	94	160	91
Telecommunication	50	53	45	48
Pension reserve and other employee related accruals	(6)	53	30	88
Employee bonuses	1.553	1.955	1.553	1.955
Other expenses	2.285	1.894	2.171	1.804
Inventory allowance (reversal)*	3.953	203	3.546	(106)
Total:	**41.422**	**35.180**	**39.895**	**34.134**

** A part of salary and social security expenses and employee bonuses is accounted under Cost of Sales (the Company during 2022 and 2021 accounted EUR 11.655 and 10.578 thousand respectively, the Group accounted EUR 13.944 and EUR 13.452 thousand respectively)

24. INCOME AND EXPENSES OF OTHER ACTIVITIES

	The Group		The Company	
	2022	**2021**	**2022**	**2021**
Other operating income				
Goods for resale sales income	301	285	307	316
Gain on disposal of property, plant and equipment	114	71	114	71
Rental income	480	496	434	449
Other	109	92	127	106
	1.004	**944**	**982**	**942**
Other operating expenses				
Cost of goods for resale sold	(239)	(155)	(228)	(167)
Rental expenses	(317)	(289)	(315)	(288)
Other	(140)	(203)	(164)	(223)
	(696)	**(647)**	**(707)**	**(678)**
Net income and expenses of other activities:	**308**	**297**	**275**	**264**

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

Rent Income	The Group		The Company	
	31st Dec 2022	**31st Dec 2021**	**31st Dec 2022**	**31st Dec 2021**
Less than 1 year	449	419	449	419
2 – 5 years	3.274	1.180	3.274	1.180
Over 5 years	-	-	-	-
Total:	**3.723**	**1.599**	**3.723**	**1.599**

In the year 2022 and 2021 the currency of the rent income agreements was EUR.

25. FINANCIAL AND INVESTMENT ACTIVITY INCOME AND EXPENSES

	The Group		The Company	
	2022	**2021**	**2022**	**2021**
Income from financial and investment activities				
Interest income	107	89	107	89
Foreign currency exchange gain	42	164	42	164
Other financial income	93	67	93	66
Goodwill/merger result	-	-	-	-
	242	**320**	**242**	**319**
Expenses from financial and investment activities				
Foreign currency exchange (loss)	-	-	-	-
Interest expense	(352)	(84)	(350)	(84)
Other financial expenses	3	(2)	4	(2)
	(349)	**(86)**	**(346)**	**(86)**
Total:	**(107)**	**234**	**(104)**	**233**

(All amounts in EUR thousands unless otherwise stated)

26. CORPORATE INCOME TAX EXPENSES (BENEFIT)

	The Group		The Company	
	2022	**2021**	**2022**	**2021**
Current income tax expenses	1.393	632	1.393	632
Change in deferred income tax asset	(781)	135	(836)	204
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	**612**	**767**	**557**	**836**

	The Group		The Company	
	2022	**2021**	**2022**	**2021**
Profit before tax	**4.561**	**8.792**	**6.017**	**8.910**
Income tax, applying valid tax rate (15%)	903	1.336	903	1.336
Permanent differences	(176)	37	(231)	106
Investment incentive utilization	(115)	(606)	(115)	(606)
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	**612**	**767**	**557**	**836**
The correction of prior year income tax	**-**	**-**	**-**	**-**
Income tax expenses (income) reported in the statement of comprehensive income	**612**	**767**	**557**	**836**

	The Group		The Company	
	31st Dec 2022	**31st Dec 2021**	**31st Dec 2022**	**31st Dec 2021**
Deferred income tax asset				
Accounts receivable	31	15	31	15
Inventory allowance	630	83	569	37
Accrued vacation reserve	213	203	212	203
Other accrued expenses	708	639	665	589
Tax loss	273	273	-	-
Investment incentive	-	-	-	-
Total deferred income tax asset	**1.855**	**1.213**	**1.477**	**844**
Deferred income tax asset realization allowance*	(-)	(-)	(-)	(-)
Deferred income tax asset (after realization allowance)	1.855	1.213	1.477	844
Deferred income tax liability				
Change in depreciation rates of tangible assets	(1.255)	(1.394)	(982)	(1.184)
Total deferred income tax liability, in total	**(1.255)**	**(1.394)**	**(982)**	**(1.184)**
Deferred income tax asset, net	**600**	**(181)**	**495**	**(340)**

27. COMMITMENTS AND CONTINGENCIES

During the financial year 2022 the Company had litigation proceedings indicated below.

The list of important decisions of judicial, enforcement cases, administrative processes that have been or are being carried out by state institutions and that have been examined and are being examined in 2022.

1. **Bank of Lithuania v. ŽEMAITIJOS PIENAS regarding the application of an administrative enforcement measure.**
   On the 12th of January 2022, the Supreme Administrative Court of Lithuania has examined the administrative case according to the appeals of the Company and the Bank of Lithuania against the decision of the Vilnius Regional Administrative Court dated 8th of July 2021 in the case regarding the decision No. 241-38 of the Bank of Lithuania dated 28th of February 2018 "On the application of the enforcement measure to AB ŽEMAITIJOS PIENAS" (hereinafter referred to as the decision of the Bank of Lithuania). By the ruling adopted on the 12th of January 2022, the Court partially satisfied the Company's appeal and changed the decision of the Vilnius Regional Administrative Court dated 8th of July 2021, annulling the part of the decision of the Bank of Lithuania, by which the Company was recognized as having violated the requirements of Article 22 part 3 of the Law on Securities of the Republic of Lithuania due to the fact that, that in the annual information for the year 2016, incorrect information was disclosed about how the provisions (recommendations) of point 7.1 of the Management Code of the Companies listed in AB "Nasdaq Vilnius" (hereinafter referred to as the Code) were complied with in 2016. The Court has rejected the appeal of the Bank of Lithuania in its entirety.
   The court stated that the Bank of Lithuania did not prove that the Company did not comply with recommendation 7.1 of Principle VII of the Code during the dispute period, and the court of first instance did not properly assess the circumstances of the case in this part, therefore the parts of the decision of the Vilnius Regional Administrative Court and the decision of the Bank of Lithuania, which recognized that the Company did not comply with this provision of the Code, must be annulled as unfounded.
   The Court has left the resolution part of the decision of the Vilnius Regional Administrative Court dated 8th of July 2021, which reduced the fine imposed by the decision of the Bank of Lithuania, unchanged. The court decided that the reduced amount of the fine is proportional to the established violations and there is no reason to reduce it further.
   As the Company had previously announced, the Vilnius Regional Administrative Court has partially satisfied the Company's complaint by its decision of the 8th of July 2021 and reduced the fine imposed by the decision of Director of the Supervisory Service of the Bank of Lithuania dated 28th of February 2018 to 125,500.00 EUR. The court has rejected the other part of the complaint.
   The Company has paid the fine.

2. The Company has filed a lawsuit in a civil case regarding the award of 96,020 EUR in compensation of losses from the defendant **VšĮ „Pakuočių tvarkymo organizacija**" */name in Lithuanian; in English: Public Enterprise "Packaging Management Organization"/* (hereinafter referred to as the PTO). On the 22/09/2022, the PTO bankruptcy case was initiated by ruling of the Vilnius Regional Court.
   AB Žemaitijos pienas has filed a creditor's claim in the bankruptcy case, which was approved. On the 02/02/2023, by its ruling, the Vilnius Regional Court has recognized PTO as the entity under liquidation due to bankruptcy.

3. **ŽEMAITIJOS PIENAS v. The company registered in Poland "ADT Sp. z o. o." for compensation of losses.**
   The Company has filed a lawsuit against the debtor company registered in Poland "ADT Sp. z o. o." (legal entity code 367327484), for compensation of losses in the amount of 630,521.00 EUR. It should be noted that due to improper performance of contractual obligations of Polish company "ADT Sp. z. o. o.", AB ŽEMAITIJOS PIENAS has suffered a loss of 630,521.00 EUR, as it had to pay value added tax of this amount to the state budget, even though the transactions were subject to a 0 VAT rate. Considering this, AB ŽEMAITIJOS PIENAS has submitted a creditable VAT invoice to the Polish company on the 20/12/2021 for the unpaid part of VAT. Upon

(All amounts in EUR thousands unless otherwise stated)

the failure to pay the creditable VAT invoice submitted to the Polish company on time, the Company appealed to the court. A preparatory hearing is scheduled for the 13/04/2023.

4. **ŽEMAITIJOS PIENAS v. ADB "Compensa Vienna Insurance Group" regarding the award of the full insurance benefit.**

The Company has filed a lawsuit to the court regarding the award of an insurance benefit of 248,028.62 EUR from the insurance company "Compensa Vienna Insurance Group". On the 01/07/2021, the roof of one building belonging to the Company was completely ruined-broken due to a large amount of precipitation: the supporting structures of the building and the roof covering were damaged. The company has suffered a damage of 303,993.42 EUR (VAT exclusive) due to the insured event. The insurance company has only partially satisfied the Company's claim to pay the insurance benefit by paying the Company an insurance benefit of 55,964.80 EUR. The insurance company has refused to cover the rest of the damage suffered by the Company. ~~Considering~~ this, the Company, defending its interests, was forced to file a lawsuit to the court for the award of an insurance benefit. The case examination has begun. The next hearing is scheduled for the 15/03/2023.

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.

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 2022	31 12 2021	31 12 2022	31 12 2021
Cash and cash equivalents	1.725	3.756	1.064	3.398
Loans granted	1.645	1.636	1.645	1.636
Trade accounts receivable	23.370	19.674	23.307	19.484
Other accounts receivable	3.831	2.372	3.787	2.337
Other	126	126	126	126
Total financial assets	**30.697**	**27.564**	**29.929**	**26.981**

(All amounts in EUR thousands unless otherwise stated)

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 2022 and 2021. The composition of trade receivables of such clients is stated in the table below. Moreover, the Client No. 1 generated more than 10% of total Company's revenue during 2021 and 2022.

	The Group		The Company	
	2022 12 31	2021 12 31	2022 12 31	2021 12 31
Customer No. 1	19%	15%	19%	16%
Customer No. 2	10%	15%	10%	15%
Customer No. 3 (related party)	5%	4%	5%	4%

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.

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.

(All amounts in EUR thousands unless otherwise stated)

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	-	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	-	-	-	-	-	-
Balance as of 31 December 2021	**-**	**16.464**	**2.126**	**2.892**	**-**	**21.482**
Trade payables	-	18.535	-	-	-	18.535
Trade payables to related parties	-	1.550	-	-	-	1.550
Loans received	-	875	19.860	5.750	-	26.485
Financial lease	-	271	646	1.617	-	2.534
Other financial debts	-	-	-	-	-	-
Balance as of 31 December 2022	**-**	**21.231**	**20.506**	**7.367**	**-**	**49.104**

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	-	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	-	-	-	-	-	-
Balance as of 31 December 2021	**-**	**19.812**	**2.126**	**2.892**	**-**	**24.830**
Trade payables	-	17.508	-	-	-	17.508
Trade payables to related parties	-	2.163	-	-	-	2.163
Loans received	-	875	19.860	5.750	-	26.485
Financial lease	-	271	646	1.617	-	2.534
Other financial debts	-	-	-	-	-	-
Balance as of 31 December 2022	**-**	**20.817**	**20.506**	**7.367**	**-**	**48.690**

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 2022		31 12 2022	
	Assets	Liabilities	Assets	Liabilities
EUR	30.415	59.993	29.622	58.850
USD	249	29	249	29
PLN	115	12	115	12
GBP	40	0	40	0
HUF	160	9	160	9
Other	2	0	2	0
Total:	**30.981**	**60.043**	**30.188**	**58.900**

	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**

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 2022 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 2022 and 2021 (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 2022 The Group's and Company's capital consists of share capital in the amount of EUR 12,104 million, own shares (-) EUR 389 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 2022 and 2021.

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 2022.

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: 10 Rue de Penthievre 75008, 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: Neuer Wall 41, 20354 Hamburg , Germany	Marketing and product sales
14.	Dziugas Hungary Kft	Company code: 01-09-325932, address: 1064 Budapest, Podmaniczky u. 57.2 emelet 14, Vengrija	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 2022	**31 12 2021**	**31 12 2022**	**31 12 2021**
1)Sales				
Sales of goods				
To the subsidiary				
Šilutės Rambynas ABF	-	-	2,695	2.891
	-	-	***2.695***	***2.891***
To other related parties				
Klaipėdos pienas AB	1.835	1.185	1.292	1.075
Žemaitijos pieno investicija AB	0	0	0	0
Čia Market UAB	5.733	5.038	5.733	5.038
Dziugas USA LLC	-	-	-	-
Dziugas UK Ltd	210	142	210	142
S.A.R.Dziugas France	-	2	-	2
Dziugas Deutschland GmbH	10	2	10	2
Dziuugas Hungary Kft	205	122	205	122
Dziugas Eesti OU	4	9	4	9
Dziugas Poland	1.004	672	1.004	672
Nepriklausoma tyrimų laboratorija UAB	17	17	14	15
Muizas piens SIA	977	731	977	731
	9.995	***7.920***	***9.449***	***7.808***
Sales of inventory and services				
To the subsidiary				
Šilutės Rambynas ABF	-	-	114	91
	-	-	***114***	***91***
To other related parties				
Klaipėdos pienas AB	530	443	525	442
Žemaitijos pieno investicija AB	332	42	332	42
Samogitija UAB	0	0	0	0
Čia Market UAB	387	364	379	361
Muizas piens SIA	3	4	3	4
Nepriklausoma tyrimų laboratorija UAB	92	62	54	35
S.A.R.Dziugas France	2	1	2	1
Dziugas UK Ltd	1	0	1	0
Dziugas Deutschland GmbH	10	28	10	28
Dziugas Hungary Kft	12	4	12	4
Dziugas Eesti OU	6	5	6	5
Dziugas USA LLC	-	-	-	-
Dziugas Poland	33	25	33	25
	1.408	***978***	***1.357***	***947***
Total Sales:	**11.403**	**8.898**	**13.615**	**11.737**

(All amounts in EUR thousands unless otherwise stated)

	The Group		The Company	
	31 12 2022	**31 12 2021**	**31 12 2022**	**31 12 2021**
2) Purchases				
From the subsidiary	-	-	-	-
Šilutės Rambynas ABF	-	-	8.105	8.093
	-	**-**	***8.105***	***8.093***
From other related parties				
Samogitija UAB	12	22	12	22
Čia Market UAB	2.237	2.703	2.236	2.702
Klaipėdos pienas AB	98	78	98	77
Žemaitijos pieno investicija AB	910	891	910	891
Muizas piens SIA	460	558	460	558
Nepriklausoma tyrimų laboratorija UAB	1.451	1.542	1.127	1.257
Dziugas Poland	645	507	645	507
Dziugas UK Ltd	190	219	190	219
Dziugas Hungary Kft	338	200	338	200
Dziugas Deutschland GmbH	362	653	362	653
S.A.R.Dziugas France	256	311	255	311
Dziugas USA LLC	-	8	-	8
Dziugas Eesti OU	288	309	288	309
Danutė Pažemeckienė	112	114	112	114
	7.359	***8.115***	***7.033***	***7.828***
Total Purchases:	**7.359**	**8.115**	**15.138**	**15.921**

Balances outstanding with related parties	The Group		The Company	
	31 12 2022	**31 12 2021**	**31 12 2022**	**31 12 2021**
3) Accounts receivable and financial debts				
Subsidiary				
Šilutės Rambynas ABF	-	-	-	-
	-	**-**	**-**	**-**
Other related parties				
Samogitija UAB	0	0	0	0
Čia Market UAB	1.155	800	1.154	799
Klaipėdos pienas AB (including loan)	1.781	1.676	1.750	1.628
Žemaitijos pieno investicija UAB	-	-	-	-
Muizas piens SIA	119	52	119	52
Dziugas Hungary Kft	33	12	33	12
Dziugas Deutschland GmbH	0	1	0	1
S.A.R.Dziugas France	0	1	0	1
Dziugas Eesti Ou	1	-	1	-
Dziugas Poland	180	126	180	126
Dziugas UK Ltd	52	34	52	34
Dziugas USA LLC	-	-	-	-
	3.321	***2.702***	***3.289***	***2.653***
Total balances of receivables:	**3.321**	**2.702**	**3.289**	**2.653**

	The Group		The Company	
	31 12 2022	**31 12 2021**	**31 12 2022**	**31 12 2021**
4) Balances of payables				
Subsidiary				
Šilutės Rambynas ABF	-	-	1.242	4.297
	-	-	***1.242***	***4.297***

(All amounts in EUR thousands unless otherwise stated)

Other related parties				
Žemaitijos pieno investicija UAB	1.346	425	746	425
Klaipėdos pienas AB	-	-	-	-
Čia Market UAB	-	-	-	-
Muizas piens SIA	-	-	-	-
Samogitija UAB	40	26	40	26
Nepriklausoma tyrimų laboratorija UAB	125	396	96	363
Dziugas Poland	-	-	-	-
Dziugas UK Ltd	-	-	-	-
S.A.R.Dziugas France	10	-	10	-
Dziugas USA LLC	-	-	-	-
Dziugas Deutschland GmbH	-	-	-	-
Dziugas Hungary Kft	-	-	-	-
Dziugas Eesti OU	29	32	29	32
	1.550	***879***	***921***	***846***
Total balances of payables:	**1.550**	**879**	**2.163**	**5.143**

In 2022-2021, the Company did not account for the impairment of debts related to amounts that belong to related parties. The assessment of these doubtful debts is reviewed each financial year by examining the related party's financial position, the market in which the related party operates and future factors as described in Note 3 (Impairment of Financial Assets). The main assumptions used by the Company's management in assessing the value of doubtful debts were as follows: (a) the period during which it is expected to recover the existing debt balance. As at 31 December 2022, the debts were due for repayment (as at 31 December 2021, it was one year).

As at 31 December 2022 and 31 December 2021, there were no indications of applying related party impairment to receivables.

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

There were no significant events after the balance sheet date that could significantly affect the financial reporting of the Company and the Group as at 31 December 2022.

2022

AB „ŽEMAITIJOS PIENAS“ CONSOLIDATED GOVERNANCE REPORT

CONTENT

GENERAL INFORMATION ON CORPORATE GOVERNANCE REPORT

Governance report of AB ŽEMAITIJOS PIENAS (hereinafter – Report) provides main information and principles regarding management and related processes. During development of the Consolidated governance report one followed the Law on Financial Statements of Companies of the Republic of Lithuania and Law on Consolidated Financial Statements of Groups of Companies of the Republic of Lithuania, Law on Companies of the Republic of Lithuania, legal acts regulating issuer legal form and activities, documents on incorporation of issuer and affiliated Company and other legal acts.

AB ŽEMAITIJOS PIENAS (hereinafter - the Company) is a large public interest entity whose securities are traded on the regulated market of the Republic of Lithuania. The Company has a subsidiary (subsidiary) - ABF Šilutės Rambynas, which is a medium-sized company (hereinafter - the Companies or the Group). As both Companies are related, therefore the consolidated Report is provided.

The Report indicates key risks faced during pursuant in economic activities, their mitigation measures and processes, provides information on the structural bodies of both Companies, data on shareholders and their (directly or indirectly) shareholdings, shareholders' rights, transactions concluded by the Group in accordance with the procedure established in Article 37^2 of the Law on Companies of the Republic of Lithuania as well as data on the Group management and other bodies, systems policies on election of their members, powers and functions of bodies, information on following to the Corporate Governance Code for the Companies, review of other information related to the Group management. other information required by law.

The governance report for 2022 is an integral part of the consolidated annual report and is published on the Company's website http://www.zpienas.lt/lt and www.nasdaqomxbaltic.com in accordance with the procedure established by legal acts.

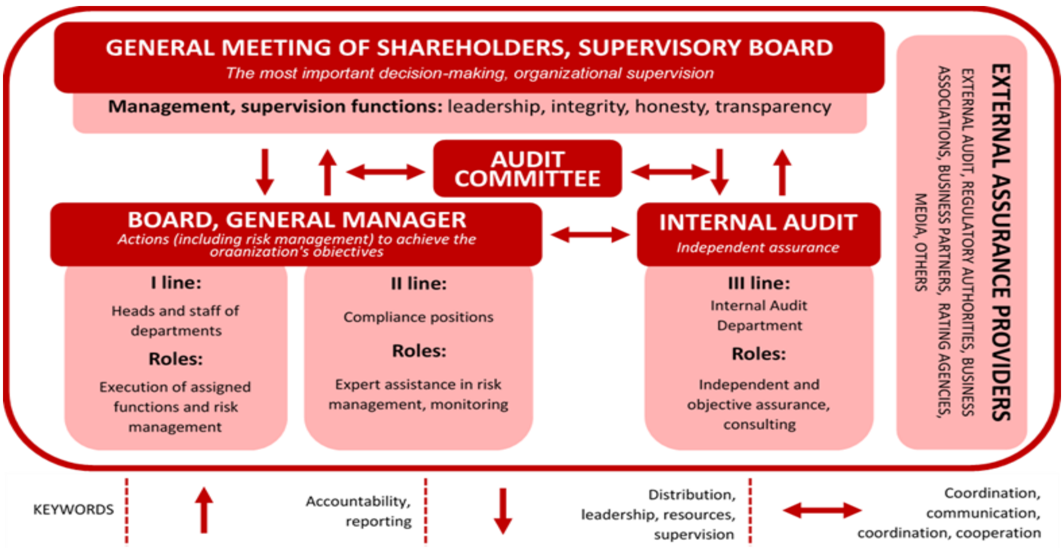
RISK SCOPE, FACTORS AND RISK MANAGEMENT

INTERNAL CONTROL SYSTEM, RISK MANAGEMENT OBJECTIVES

The risk management of the Group's companies is based on the principles of COSO ERM (The Committee of Sponsoring Organizations' Enterprise Risk Management (ERM) Framework), which defines ERM as: „Enterprise risk management is not a function or a division, but the culture, capabilities, and practices, integrated with strategy-setting and performance, that organizations rely on to manage risk in creating, preserving, and realizing value “.

Risks in our operations are inherent and may be related to strategic objectives, performance, compliance with laws and regulations, and key environmental, social and governance priorities. Risk management starts with the individual and collective abilities of the organization’s employees; knowledge of risks, their significance and impact on the organization; approach to strong risk management as an important contribution to effective organizational governance. All employees of the Group are encouraged to be open, honest and guided by the facts when discussing risks and their management, thus enabling the Group to consider all possible opportunities and risks and to make informed decisions.

Organizational structure, roles and responsibilities of risk management



The main objectives of risk management are:

- Expeditious management of internally identified risks related to compliance with laws and other legal acts by ensuring the production and supply of quality products, consumer safety, satisfaction and proper customer relations;
- Supporting strategies to ensure resource efficiency; enabling an optimized, proactive approach to audit and compliance identification/recovery processes; promoting monitoring and reporting of functional compliance;
- Continuous improvement of decision-making, planning and prioritization in the assessment of opportunities and threats;
- Promoting value creation by enabling the management to respond quickly, effectively, and efficiently to future events that create uncertainty and indicate a significant threat or opportunity.

Risk management enables the successful business development of the Group of companies in line with our business principles and organizational values.

MAIN RISKS, THEIR FACTORS AND RISK MANAGEMENT

Risk - the influence of surprise, uncertainty on goals (deviation from what we expected).
The approach of the Group of companies is twofold:

RISK = THREATS + OPPORTUNITIES.

Risks are rarely isolated, so management identifies the **interactions between risks** when identifying them. The risk is assessed according to its consequences and **probability** of occurrence.
Risk management requires a broad understanding of the **business environment (internal and external factors)** that may affect the achievement of strategic and business objectives. As the business environment changes, so do the risks, their impact, and management priorities.

In the Group of companies, **risks are divided into categories**. Reviewing and categorizing risks is an ongoing, uninterrupted process, the frequency and extent of which depend on changes in the business environment. The following are selected examples of risks specific to our industry. A definitive and static definition of all possible types of risks is not possible due to the ever-changing business environment.

Risk categories, description, examples

Risk categories	Description, examples
Strategic	◦ Reduction in business vitality due to competition and increasing pricing pressures ◦ Loss of intellectual property and trade secrets ◦ Increasing geopolitical barriers to trade in the form of protectionism and nationalism ◦ Production quality control, including changes in food safety standards ◦ Negative impact to reputation/loss of public trust
Operational	◦ Supply chain breakdown and / or- insufficient / inappropriate information flow within the organization and / or with suppliers and buyers ◦ Loss of business continuity or resilience ◦ Third party risk - the quality of relations with external business partners and their relations with their partners, including human rights issues ◦ Availability of key materials, labour and other critical resources ◦ Inefficient use of resources/increased product cost
Cybersecurity	◦ Hacking, data loss, breach, fraud ◦ Impact to availability of critical information systems ◦ Security incident at critical third-party affecting business operations
Environmental	◦ Environmental, social and governance perceptions - opportunities to identify strategies to address long-term sustainability ◦ Restriction of labour resources and trade due to the effects of diseases and viruses ◦ Increased severe weather events such as storms, flooding, drought
Social	◦ Human capital development risks, including leadership sustainability, management succession and capability, employee engagement and accountability ◦ Unfair labour practices, including collective bargaining, freedom of association and grievance processes
Compliance	◦ Increasing regulatory changes and enforcement in areas such as: - Animal welfare and protection - Protection and handling of personal information in accordance with data protection requirements - Employee health and safety - Selling and promotion of products, including health compliance, healthy eating promotion, climate change programs, anti-corruption trade requirements, other governmental, international programs ◦ Product quality, safety and effectiveness concerns ◦ Significant legal proceedings, including product liability
Financial	◦ Credit risk related with the fulfilment of obligations of customers or other parties to the Group of companies ◦ Liquidity risk related with the fulfilment of the Group's obligations to suppliers and other bound parties ◦ Achievement of the set / planned financial results, economic exponents ◦ Changes in tax laws or exposures to additional tax liabilities ◦ Fluctuating currency exchange rates; inflation and currency devaluation ◦ Impact of interest rates changes

Risk categories	Description, examples
	◦ Risk of errors / non-compliances in financial statements ◦ Risk of changes in the value of assets and liabilities ◦ Risk of capital adequacy ratio and maintenance

Depending on the complexity of the risks, their interactions, probabilities, impacts and ability to manage the situation, the behavior of the risks (response) is different. In the general case, the access to risk response of the Group companies is as follows:

- Accept – no action is taken to affect likelihood or impact. This is how risks are treated within tolerance limits (risk appetite). In this case decision to self-insure can be taken against loss because insurance costs and deductibles exceed the cost of replacement.
- Avoidance - steps are taken to stop risky activities. Risk aversion is perceived as, for example, a decision not to undertake or terminate a project due to the excessive probability of unstable cash flows.
- Aiming - action is taken to take greater risks to achieve better results (seizing opportunities). Management understands the nature and extent of the changes required for improvements, such as the development of new products, services, and the expansion of operations through more aggressive growth strategies.
- Mitigation - actions are taken to reduce the likelihood and/or impact of the risk. This can include many day-to-day business solutions, such as diversifying product offerings, maintaining significant cash reserves, investing in technology upgrades that reduce the likelihood of system failures, and so on.
- Sharing/Transfer - actions are taken to reduce the likelihood or impact of a risk by transferring or otherwise sharing a portion of the risk. Examples include risk sharing with customers or suppliers through contract terms; purchase of insurance to protect against large unexpected losses; business partnerships, etc.

The following is a more detailed description of the risks that the Group companies identify as the most important (priority) for the period 2022 and the directions of management of these risks:

Strategic/operational risk category

Business resilience risk is highly related to the environment in which the Company and the Group operate and which affect the Company's and the Group's performance. This is the competitiveness of the Company and the Group; economic viability of the Company's and the Group's largest customers; the political and economic environment in the European Union and Russia; legal regulations for the purchase of the main raw materials.

The major risk faced by AB ŽEMAITIJOS PIENAS is raw milk seasonality: in summer one purchases twice as much milk than in winter, therefore such situation at the **raw milk** market has negative impact on both Companies. Therefore, production capacities of the Company are used irregularly: in summer the Company operates with full capacity, and in winter – could be with only 60 per cent capacity. So, wishing to ensure raw milk supply, the Company pays to raw milk suppliers (farmers) higher price than it is paid at the market. The main reasons for the Company's lack of milk as a milk processor are the high standards of milk quality and dairy farms in the EU, including regulations related to the Climate change policy; A large part of the milk purchased by cooperatives in Lithuania is exported from the country, because milk processors can no longer pay higher raw material prices due to cheaper milk products imported into the country more freely by foreign competitors (e. g. Poland).

The rise in energy prices is affecting the Company and the Group due to rising production costs. As the price of fuel becomes more expensive, the transportation costs of importing raw materials and distributing products increase. In order to reduce these risks, the Company and the Group streamline production by digitizing and standardizing workplaces, investing in energy cost optimization solutions, optimizing logistics routes. In 2022, the Company started negotiations with a German wind power plant manufacturer regarding the acquisition of 2 wind power plants in order to move in the direction of sustainable business, looking for opportunities to invest in green energy.

Competitive risk. The Company and the Group face competitive risk at the local market, so the main objective of the Company and Group is to increase export sales directly to "shelves" of marketing networks. In order to avoid lack of sales specialists, the Company has associated companies in strategic countries that employ sales specialists in those countries, thus reducing the risk of shortage of specialists. Ambitious goals are also being set for the increasing export to EU countries, development of e-commerce and export distribution channels.

Reputation risk is related to the decisions made by the Company and the behavior of employees. Reputation and honor in the Company and the Group are valued as the foundation of business and business relationships. In 2018, the Code of Ethics of the Company and the Group was approved. The Code of Ethics sets standards of conduct for all employees, regardless of their position, scope of employment and other conditions. With regard to reduce the risk of corruption and bribery, the Company and the Group have implemented appropriate internal processes. In 2018, the Company's and the Group's equal opportunities policy was approved as well. In order to achieve high standards of compliance with competition law and ethical treatment of its competitors, in 2021 the Company's Competition Compliance Policy was approved. According to the management assessment, the implemented measures are effective.

Purchase and supply risk. Purchases of goods (basic, auxiliary materials, parts, equipment, etc.) and services in the Company are carried out by public and closed tenders or by sending inquiries/inquiries to suppliers of services or goods. The supplier of goods or services is usually selected from three commercial offers. The Company and the Group have procedures for identifying and analyzing purchase and supplier risk factors. When selecting key suppliers, internal audits of suppliers are performed. Contracts with suppliers are prepared and signed in accordance with the procedures provided for in the approved procedure for concluding, coordinating and approving contracts between the Company and the Group. The Company has a legal department that oversees all signed contracts between the Company (or Group companies) and the suppliers and buyers.

Environmental / cyber risk category

The Company and the Group companies, as well as all Lithuanian and World business organizations, live in the conditions of increased threat and impact of these risks. The most important risks in this category today are the impact of the COVID-19 pandemic, the impact of climate change and the increased threat of cyber-attacks and hacking. Due to their uniqueness and importance in today's context, these risks and their management approaches have been discussed in the Annual Report and the impact on the financial statements in the Explanatory Note. Therefore, the information in the Management Report is no longer duplicated.

Impact of the COVID-19 pandemic:
- preventive measures are constantly applied in accordance with the Company's profession risk assessment protocol;
- protective measures are applied;
- Prepared training material for the company's employees;
- On-demand hybrid work is applied, staff flow segregation;
- The Company has a license that enables it to perform periodic testing of employees at the Company's healthcare facility (within the Company) as required.

The impact of climate change and compliance with legal requirements are managed on the basis of the company's established procedures, procedures and through targeted project activities. In 2021 new position of sustainability specialist has been approved.

The threat of cyber-attacks and possibilities of break-ins are managed according to the company's current procedures. 2021 The company has implemented modernization work for critical communications, server, software and also security systems.

Financial risk category

The Company and the Group are exposed to major financial risks, most of which are market risks. Financial risk management is an integral part of the Group's Financial Management Policy, which in turn is an integral part of the Group's Risk Management System. The main risks of the financial category faced by the Company and the Group to date are interest rate, exchange rate risk, liquidity and credit risks.

The Company and the Group operate internationally, therefore they are exposed to the risk of **foreign exchange rate fluctuations.** International business involves settlements in foreign currencies, which exposes it to the risk of foreign exchange fluctuations, which are related to fluctuations in the exchange rates of the Polish zloty, the US dollar and other currencies. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations when the recognized assets and liabilities are denominated in a currency that is not the functional currency of the Company and of the Group. The primary currency in which the Company and the Group makes settlements is the Euro.

The Company's and the Group's operating income and expenses are largely independent of changes in market interest rates. However, the Company is exposed to **interest rate change risk** due to long-term loans. In order to determine the impact of interest rates on the Company's performance, positions are identified that give rise to the interest rate risk. Assets and liabilities that are sensitive to changes in interest rates include the Company's actual transactions, such as: deposits, investments, loans granted, securities held by the Company and any other on-balance sheet and off-balance sheet transactions whose value depends on fixed or variable interest rates and positively correlates with interest rate fluctuations. The Company does not use any financial instruments to hedge against the risk of interest rate fluctuations, but the situation is constantly monitored to ensure that such decisions are made in a timely manner if necessary.

Credit risk. In order to ensure the timely settlement of receivables, before signing purchase and sale agreements with the client/buyer, the buyer's financial and economic situation is checked through available sources (data provided by the client, various databases, registers, etc.). The concentration of customers in the dairy industry determines the overall credit risk of the Company and the Group, as these customers may be similarly exposed to changes in environmental and economic conditions. The Company has procedures in place, including a Credit Risk Management Policy, to ensure that sales do not exceed the accepted credit risk limit, i. e. the Company evaluates the reliability of each business partner both when selling and buying goods or services, i.e. - performs reliability analysis. Sale of products (dispatch of goods) in the Company begins if there is a 90-100% payment guarantee. Various payment guarantees apply, such as: 100% prepayment; mortgage of liquid real estate (value is determined by property valuers); a bank guarantor (this is a settlement security, but not a settlement instrument, it is used when payment is not made); documentary letter of credit (L/C); the most commonly used trade credit limit insurance; document collection (payment procedure when the bank undertakes to mediate for the seller of the goods in order to obtain payment for the goods from the buyer).

The Company is among those Lithuanian companies that pays for purchased goods and services on time, and evaluates, rates and determines the reliability of their customers. In each case, it is decided what kind of hedging can and must be required from customers, what kind of credit limit and payment deferral in days may be granted. Customers' settlements are constantly monitored and analysed. Because this type of risk is well managed, the Company does not have new large "bad" debts, which makes it easier to plan its cash flows

Liquidity risk. The Company's policy is to maintain a sufficient amount of cash and cash equivalents and, if necessary, to attract additional external financing in order to fulfil its strategic plans and commitments and maintain an optimal capital structure. As liquidity is determined by the asset-liability ratio, the aim is to have a liquidity ratio close to or higher than 1.

Liquidity risk is managed by planning and forecasting cash flows, which helps to pro-proactively identify potential cash shortages and facilitate the choice of financing method. Cash flow forecasts are prepared for one month, year and long-term - up to 3-5 years. The cash flow forecast anticipates cash receipts and payments and enables to plan short-term borrowing and investing money. Until the end of the current year, the forecast shows the main trends in working capital and cash flow: the need for external financing of activities or the possibility of investing funds is identified, the impact of possible interest rates and currency exchange risk is assessed. At the end of the current year, the monetary budget for the following year is drawn up. Long-term forecasting (over a year) is part of strategic business planning. These cash flow projections provide with information on the extent of the cash surplus or extra need: when the cash surplus or extra need will arise, the extension of the period of the surplus or extra need, how the cash surplus will be used or the need will be financed. For the cash flow projections until the end of the month or the current year the cash payments and receipts method is exploited, and the sources and uses of funds method is embraced for the next year's budget plan or for the next 3-5 years. Cash flow forecasting is necessary due to the uneven distribution of income and expense flows.

Payments for goods sold are deferred from 14 to 30 days, in rare cases - up to 60-90 days. Suppliers are paid for services and goods on average within thirty days, and raw milk providers / farmers – within 15-20 days from the end of the decade. Based on these facts, the forecasts for the month, week are quite accurate. There is the aim to agree on a deferral of payments with suppliers of goods and services for up to 60 days.

The company has a loan committee that assesses the risk of loans granted to employees and milk providers / farmers. The Company has approved lending regulations, based on which the members of the loan committee evaluate the applications of borrowers. Loans are not granted if the borrower does not have to offer liquid real estate / movable property as collateral.

A conservative approach to liquidity risk management allows the Company to maintain the required amount of cash while maintaining funding flexibility.

Compliance risk category

The Company seeks to minimize **the risk of legal non-compliance** and ensure that the Company's activities comply with applicable legal requirements and standards. For this purpose, the Company's lawyers participate in decision-making, preparation of various procedures and agreements, coordination processes.

Representatives of potential clients, who visited the Company several times with the **independent audit** engagements, positively assessed the conditions of the existing infrastructure, the organization of the main operational and safety processes, cooperation with related third parties and the designed control system.

The Company's Audit Committee supervises the preparation of consolidated financial statements; internal control and financial reporting risk management system; compliance with the legislation governing the preparation of consolidated financial statements. The Company is responsible for the quality and timely preparation of the consolidated financial statements.

The Company's and the Group's risk management is implemented through a Risk Management System with integrated internal policies, procedures and regulations in line with the organization's operating principles, values and business philosophy. The proper functioning of internal control is implemented through the development and maintenance of an appropriate control environment; continuous monitoring and evaluation; horizontal and vertical communication, including information systems supporting business processes. The Company has separated business decision-making and operational functions from controlling functions; the limits of decision-making power are set and their control is provided for; defined collegial decision-making in business processes, etc. The overall logic of the functioning of internal control is presented in the Map of the Risk Management System

Map of the risk management system

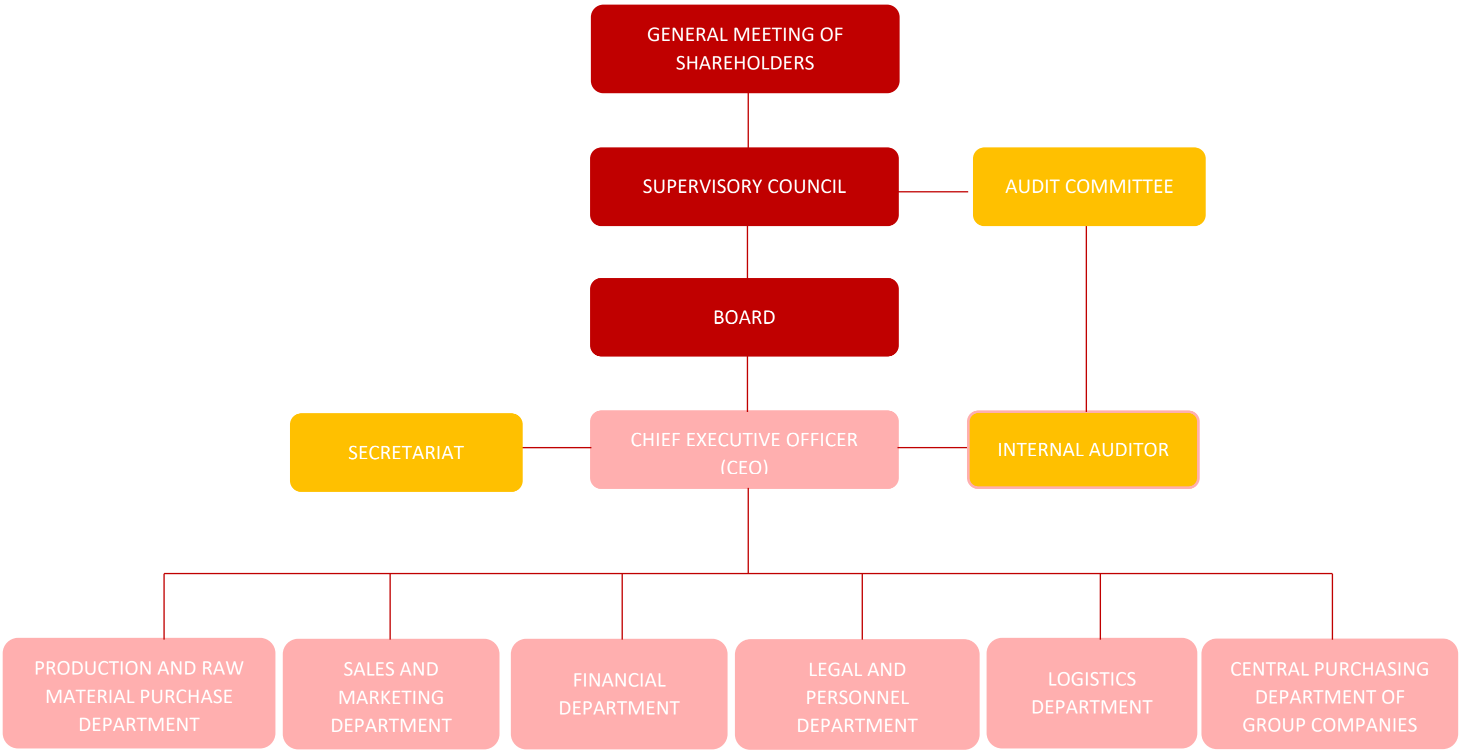
MANAGEMENT OF THE COMPANIES

MANAGEMENT STRUCTURE

Management bodies of AB „ŽEMAITIJOS PIENAS“ are: (i) The General Meeting of Shareholders; (ii) The Supervisory council; (iii) The Board; ir (iv) Chief Executive Officer (CEO, General Manager). Administration of the Company, consisting of structural divisions – departments, is subordinate to General Manager.

The Company has the following departments: (i) Financial; (ii) Legal and personnel; (iii) Logistics; (iv) Production and Raw material purchase; (v) Sales and Marketing; and (vi) Central purchasing. Also the Company has operating Audit Committee.

ORGANIZATIONAL AND MANAGEMENT STRUCTURE OF THE COMPANY:



The General Meeting of Shareholders is the supreme body of the Company responsible for taking of decisions. Competence of the General Meeting of Shareholders, its convocation procedure, rights and obligations do not differ from competence of the General Meeting of Shareholders, its convocation procedure and rights and obligations provided for in the Law on Companies of the Republic of Lithuania, other legal acts and Articles of Association of the Company.

It should be noted that due to the fact that the shares of ŽEMAITIJOS PIENAS, AB are traded on the stock exchange, the number of shareholders and their structure are constantly changing.

Assessing the data obtained from the intermediary of public trading in securities, on 31 of December 2022, there were 3154 shareholders (natural and legal persons). While at the beginning of the year 2022 there were 3178 shareholders. Thus, the number of shareholders increased during the reporting period.

On 2022 the structure of the Company's major shareholders holding more than 5 % of the capital had no essential changes.

During 2022 the structure of the Company's major shareholders holding more than 5% of the capital on the basis of the shareholders' decision (15/04/2022) has slightly changed after canceling the Company's 4,637,500 units own ordinary shares. Other major shareholders have kept their number of shares broadly unchanged. It should also be noted, that during 2022 the Company acquired the buyback of its own shares and currently owns 222,020 of its own shares or 0,53% of its authorized capital.

MAIN SHAREHOLDERS 2022-12-31 (≥ 5% CAPITAL):

Shareholder	Number of shares owned, pcs.	Proportion of the authorized capital owned, %	Share of votes owned, %	Proportion of votes held together with related, %
Pažemeckas Algirdas*	14 063 152	33,69	33,69	67,27
Pažemeckienė Danutė*	14 014 581	67,27	67,27	
UAB "Baltic Holding" į. k.: 302688114, adresas: Vilhelmo Berbomo g. 9-4, Klaipėda	4 530 380	10,85	11,36	11,36
AB "KLAIPĖDOS PIENAS" į. k.: 240026930, Šilutės pl. 33, 91107, Klaipėda	2 901 844	6,95	6,95	6,95

** - Algirdas Pažemeckas and Danutė Pažemeckienė hold 14 063 152 pcs. of shares (votes) under the right of joint ownership;*

*** - Danutė Pažemeckienė holds 14 014 581 pcs. of shares by the right of personal ownership and it is considered that Danutė Pažemeckienė owns together with her spouse 28 077 733 pcs. of shares or 67,27 percent (in aggregate) of the shares (votes)*

The largest shareholder of Šilutės Rambynas, ABF is ŽEMAITIJOS PIENAS, AB. This Company directly owns 87.82 % of shares. The remaining shares are held by minor shareholders, the majority of which are raw milk producers. The total number of shareholders is 602. Šilutės Rambynas, ABF is not subject to share management and usage restrictions. Šilutės Rambynas, ABF does not own shares of any other significant entities either directly or indirectly.

INFORMATION ON RIGHTS OF SHAREHOLDERS, THEIR REALISATION, RESTRICTIONS OF VOTING RIGHTS OR SPECIFIC VOTING RIGHT USE SYSTEMS

Neither AB ŽEMAITIJOS PIENAS, nor ABF Šilutės Rambynas have been restricted in terms of the transfer (disposal of) securities, or subject to any other constraints, including those imposed on voting rights. The shareholders of both Companies exercise their property and non-property rights, and are obliged to perform the duties specified in the Republic of Lithuania Law on Companies, and the Articles of Association of the

Company. All of the issued shares grant their holders equal rights laid out in the Republic of Lithuania Law on Companies, other legislation, and the Company's Articles of Association.

Restrictions imposed on voting rights or other rights. All registered ordinary shares of the companies carry equal voting rights and are of equal nominal value. Each share grants its holder one vote during general shareholder meetings. The companies do not know of any restrictions, bans and/or other special conditions which have been applicable to their securities or shareholdings during the reporting period, and are not aware of (have no data on) any systems in accordance with which the property rights attached to securities have been separated from the holders thereof. The companies do not know of any special control rights held by any individual shareholders (shareholder), which leads them to believe that no such shareholders exist, and are not aware of any special agreements drawn up between shareholders or Groups thereof which could fundamentally alter, give rise to, or terminate their rights and duties with regards to controlling the Company, including affecting the interests of the Group or the shareholders.

Shareholders of the Companies shall have the following property rights:

(i) to receive a part of the Company profit; (ii) to receive a part of the assets of liquidated companies; (iii) to receive shares free of charge, provided that authorized capital has been increased using Company funds, except in cases specified by the law; (iv) in cases where the shareholder is a natural person – to bequeath all shares, or a part thereof, to one or more persons; (v) having regard to the procedure and conditions laid out by the law, to sell or otherwise transfer all shares, or part thereof, to other persons; (vi) other rights conferred by legislation;

Shareholders of the Companies shall have the following non-property rights:

(i) to attend meetings; (ii) according to the rights granted by the shares to vote at the meetings; (iii) to receive non-confidential information about the economic activity of the company under the conditions and on the grounds established by legal acts; (iv) to elect and be elected to the management and control bodies of the company, to hold any position in the company, unless otherwise provided by the Law on Companies of the Republic of Lithuania; (v) to submit specific proposals for the improvement of the company's financial, economic, organizational, etc. activities, to appeal to the court against the decisions or actions of the shareholders' meetings, the Supervisory Board, the Board and the manager of the company that violate the laws of the Republic of Lithuania, the Company's Articles of Association, shareholders' property and non-property rights. One or more shareholders have the right to claim compensation for damage caused to shareholders without a separate authorization; (vii) other non-property rights established by law.

A person acquires all the rights and obligations granted to him by the part of the authorized capital and / or voting rights acquired in the company: in case of increase of authorized capital - from the date of registration of amendments to the Company's Articles of Association related to increase of the authorized capital and/or voting rights, in other cases - from the acquisition of ownership rights to the part of the authorized capital of the Company and/or voting rights.

INFORMATION ON THE MUTUAL AGREEMENTS, THEIR SPECIAL CONTROL RIGHTS, RESTRICTIONS IMPOSED ON VOTING RIGHTS, AND OTHER FEATURES RELATED TO THE HOLDING OF SHARES

The companies do not know of any significant agreements drawn up between shareholders or by any shareholders who have been conferred any special control rights. Furthermore, based on the available data, shares held by the shareholders are not subject to any restrictions, constraints, or special rights. As far as the Company is aware, all shareholders are free to exercise their property and non-property rights attached to the shares.

There have been no arrangements wherein AB ŽEMAITIJOS PIENAS is a party and which would enter into force, change, or be terminated in the event of a change in control of the issuer, or the effects thereof, except in cases where due to the nature of the arrangements the disclosure thereof would cause significant damage to the issuer. The same situation is with ABF Šilutės Rambynas.

The companies have not entered into any unusual agreements with members of the bodies or employees that would would provide for compensation in the event of their resignation or dismissal without just cause or if their employment is terminated due to a change in control of the issuer.

During the reporting period, there have been no harmful transactions which: fail to comply with the aims of the Company or the Group, or with regular market conditions; violate the interests of the shareholders or other groups of persons; and have had any negative impact on the operations of the Company or the performance thereof, or might have such an impact in the future. There were also no transactions concluded due to conflicts of interest between the Company's managers, controlling shareholders or other parties' obligations to the Company and their private interests and (or) obligations.

On 15 of April, 2022, during the Ordinary General Meeting of Shareholders of ŽEMAITIJOS PIENAS AB, was decided to amend Paragraph 5.1 of the Articles of

Association of the Company and to set out it as follows: "5.1. The authorized capital of the COMPANY amounts to EUR 12,103,875 (twelve million one hundred three thousand eight hundred seventy five). The authorized capital of the COMPANY is divided into 41,737,500 (forty one million seven hundred thirty seven thousand five hundred) ordinary registered shares with a nominal value of EUR 0.29 (twenty-nine hundredths) per share". The new wording of the Articles of Association on 4 of July, 2022 was registered in the Register of Legal Entities of Center of Registers of State of Enterprises.

The Supervisory Board of the Company is a collegial supervisory body, responsible for the Company activity supervision, managed by the Chairman. Supervisory Board of the Company consists of 3 members elected by the General Meeting of Shareholders for the period of four years. Articles of Association of the Company provide that number of cadencies of the Board members is unlimited. By 31 December 2022 the Supervisory Board was independent, because all members of the Supervisory Board do not have any relationships with the Company.

More detailed aspects related to the Supervisory Board and its activities are reviewed in the Report on Following to the Corporate Governance Code. It should be noted that no special rules regulating election, replacement of members of the Supervisory Board are applied. These actions are taken in accordance with provisions of the Law on Companies and Articles of Association of the Company. No special policies related to age, gender, education, professional experience applied to election of members. We appreciate personal properties which would be the best for interests of the Group and shareholders. Functioning of the Supervisory Board is regulated in the Work Procedure of the Supervisory Board.

MEMBERS OF THE SUPERVISORY COUNCIL AS AT 31-12-2022	
Linas Sirаštanovas (independent member)	Chairman of the Company's Supervisory Council. Elected to the Supervisory Council on the 2 August, 2021, by the ordinary General Meeting of Shareholders for a four-year term. Education: Vilnius university, Master of commerce. Participation in activities of other companies and (or) organizations: Compensa Vienna Insurance Group, Head of Klaipėda region. Supervising Company's field of sales of products and finances.
Gražina Norkevičienė (independent member)	Member of the Company's Supervisory Council. Elected to the Supervisory Council on the 2 August, 2021, by the ordinary General Meeting of Shareholders for a four-year term. Education: Kaunas Polytechnic Institute, mild and dairy products technologist-engineer. Does not participate in any activities of other companies, institutions and (or) organizations. Supervising Company's field of quality parameters in production processes, performs quality control of raw milk and also controls companies that provide raw milk test services, also performs tasting supervision.
Virginija Vaitkuvienė (independent member)	Member of the Company's Supervisory Council. Elected to the Supervisory Council on the 2 August, 2021, by the ordinary General Meeting of Shareholders for a four-year term. Education: Kaunas Polytechnic Institute, milk and dairy products technologist-engineer. Does not participate in any activities of other companies, institutions and (or) organizations. Supervising Company's manufacturing processes and development of new products.

During 2022, the following amounts were accrued to the members of the Supervisory Board for their work on the Supervisory Board:

- Gražina Norkevičienė – 12 565 Eur;
- Virginija Vaitkuvienė – 11 388 Eur;
- Linas Siraštanovas – 11 388 Eur.

No loans were granted to the members of the Supervisory Board, no guarantees were issued, no assets were disposed of.

The Board of the Company – a collegial management body representing the shareholders of the Company within the period between their meetings and making decisions on the most important issues of the Company's economic activities. The Board of the Company does not perform supervisory functions since these functions are delegated to the Supervisory Board of the Company. All members of the Board have the powers provided for by law, the Articles of Association of the Company and the Rules of Procedure of the Board adopted by it. All members of the Board are responsible for the specific economic activity spheres of the Company. Currently, the Board consists of 5 (five) members.

The members of the Board are elected by the Supervisory Council for a maximum four-year period. The number of their cadencies is unlimited. It should be noted that no special rules regulating election, replacement of members of the Board are applied. These actions are taken in accordance with provisions of the Law on Companies and Articles of Association of the Company. The election of members is not subject to special policies related to age, gender, education, professional experience, and the qualities that would best suit the interests of the Group and shareholders are assessed. The activities of the Board are managed by the chairman who is elected by the members of the Board. Specific aspects related to the Board and its activity is provided in the Report on Following to the Company Management Code. Below are the data about the members of the Board of ŽEMAITIJOS PIENAS, AB.

In addition to the general and statutory functions, the members of the Board of the Company also carry out delegated special and individual functions directly related to the activities of the Companies, including some functions oriented to prevention in order to avoid various negative external impacts.

MEMBERS OF THE BOARD AS AT 31-12-2022	
Robertas Pažemeckas	Member of the Board of the Company since 24-08-2021, until the term of office of the acting Board of Company. Chairman of the Board. Education: Vilnius University, Master of laws. Workplace: General Manager of the Company. Does not participate in the management of other companies. Holds 2540 pcs. of Company's shares. The shareholding of the Company is less than 0.05%.
Marius Dromantas	Member of the Board of the Company since 24-08-2021, until the term of office of the acting Board of Company. Education: Kaunas University of Technology, bachelor of transport engineering; Vilnius Gediminas Technical University, master of transport engineering. Workplace: ŽEMAITIJOS PIENAS, AB Logistics director. Participation in the management of other companies - Member of the Board of Čia Market, UAB (code 141354683, Sedos 35a, Telšiai, LT-87101). Do not hold Company shares.
Dalia Gecienė	Member of the Board of the Company since 24-08-2021, until the term of office of the acting Board of Company. Education: Kaunas Polytechnic Institute (KTU), engineer - economist. Workplace: ŽEMAITIJOS PIENAS, AB Chief Accountant. Does not participate in the management of other companies. Holds 475 160 pcs of Company shares. The Company's shareholding is 1.14%.
Algirdas Pažemeckas	Member of the Board of the Company since 27-07-2022, until the term of office of the acting Board of Company. Education: University degree - Kaunas Polytechnic Institute - mechanical engineer. Workplace: ŽEMAITIJOS PIENAS, AB Sales manager. Does not participate in the management of other companies. Together with the spouse under the right of joint ownership holds 33.69% of the Company's shares
Monika Jasiulionienė	Member of the Board of the Company since 24-08-2021, until the term of office of the acting Board of Company. Education: Kaunas University of Technology, Bachelor of food chemistry and engineering; Kaunas University of Technology, Master of manufacturing/engineering. Workplace: ŽEMAITIJOS PIENAS, AB Chief production manager. Does not participate in the management of other companies. Do not hold Company shares.

During 2022, no remuneration or other monetary amounts were accrued to the members of the Board of Company. Board member Monika Jasiulionienė was provided with loan of EUR 100,000 for the purchase of real estate. The loan was granted until 05/01/2028 with interest and real estate pledge. No loans were granted to other members of the Board, no guarantees were issued, no assets were disposed of. All members of the Board are employees of the Company, therefore they were paid according to their duties.

The Manager of Company is the CEO, who is acting on the basis of the Company's Articles of Association, the decisions of the General Meeting of Shareholders, Board decisions and other Company's local acts. The manager of the Company is elected by the Board of the Company. The Manager shall organise Company's daily activities and implement the actions required to perform the functions, to implement the decisions of Company's management bodies and to ensure Company's business. The CEO of the Company is a responsible one and reports to the Board on a regular basis. It should be noted that no special rules, regulating selection or replacement of the Manager of the Company, are applied; when taking these actions the Company shall follow the Law on Companies and the provisions of Articles of Association of the Company.

The members of management, control and supervisory bodies of the Company are elected in accordance with the requirements of the legislation, considering the skills, qualifications and professional experience of these persons; moreover, before being elected to the relevant body each candidate shall fill in a declaration of conflict of interests. The Company believes that such a system of election of candidates for a position fully meets the interests of the Company and the majority of shareholders.

The administration of the Company consists of the CEO, Chief production officer, Logistics director, Sales and marketing department director, Procurement manager, Legal and personnel department director, Chief financial officer, Chief Accountant and other staff performing administrative functions. Administration of the Company is managed by the CEO. The departments of the Company are the structural subdivisions of the Company that execute and implement the decisions, orders and other instructions of the Board and the CEO of the Company.

INFORMATION ABOUT ADMINISTRATION AS AT 31-12-2022

Robertas Pažemeckas	General Manager. Employed in the company since August 26, 2002. Holds 2540 pcs. Company shares. The shareholding of the Company is less than 0.05%.
	The position of CFO is currently vacant.
Dalia Gecienė	Chief Accountant. Has been working for the company since July 29, 1986. Holds 475,160 pcs. Company shares. The Company's shareholding is 1.14%.
Monika Jasiulionienė	Chief Production Officer. Has been working for the company since August 10, 2020. Has no shares of the Company.
Marius Dromantas	Director of Logistics. Employed in the company since 01/12/2003. Has no shares of the Company.
	The position of Director of the Personnel and Legal Department is currently vacant.
	The position of Director of Sales and Marketing is currently vacant.
Severina Butkė	Marketing Manager. Has been working since November 28, 2018. Education: Vilnius Gediminas Technical University, Bachelor of Communication. Has no shares of the Company.
Nijolė Penkovskienė	Head of Purchasing Department. Has been working in the company since 2017-07-03. Education: higher. Has no shares of the Company.

Audit Committee of the Company – the Company has an audit committee consisting of three members: Angelė Taraškevičienė (chairwoman of committee), Zina Sakalauskienė and Sigita Leonavičienė. During the 2022, the structure of the audit committee did not change.

The main functions of the audit committee are to perform unexpected financial inspections, inventories of material values, to submit proposals on the optimization of processes, to perform other duties assigned by legal acts. This committee also performs the advisory function of the Company's Supervisory Board, and its main task is to increase the efficiency of the work of the Supervisory Board in the field of the Company's financial supervision, to help ensure that impartial and well-considered decisions are made. It should be noted that there are no other committees or bodies established in the Company.

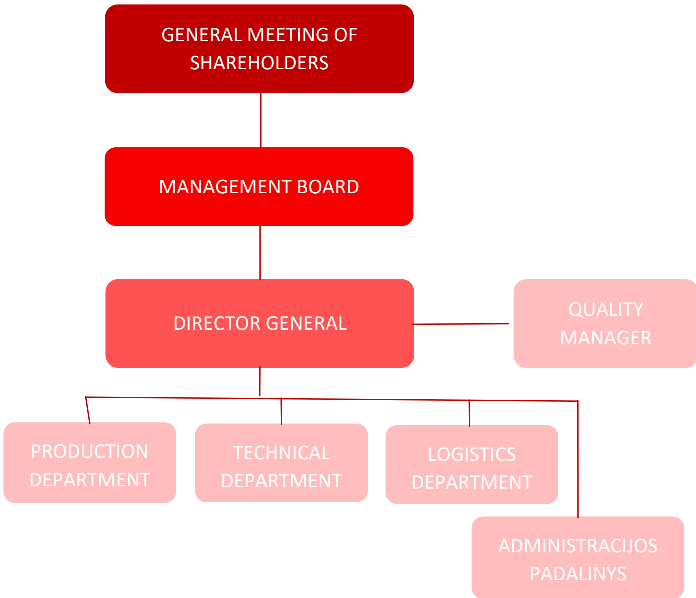
No loans were granted to the members of the Audit Committee, no guarantees were issued, no assets were transferred, no premiums, extra fees, bonuses, bonuses and any other benefits were paid, except for the amount paid to the chairwoman of the Audit Committee under the service agreement.

MEMBERS OF THE AUDIT COMMITTEE

Angelė Taraškevičienė	Independent member of the Audit Committee since 2017. Chairwoman of the Audit Committee. During 2022 the calculated remuneration with taxes is EUR 5,000.
Zina Sakalauskienė	Independent member of the Audit Committee since 2017
Sigita Leonavičienė	Independent member of the Audit Committee since 2017

MANAGEMENT OF SUBSIDIARY ABF „ŠILUTĖS RAMBYNAS“

The bodies of ABF Šilutės Rambynas (hereinafter - Šilutės Rambynas) are: (i) the General Meeting of Shareholders; (ii) the Management Board; and (iii) the sole managing body is the head of the company (CEO). There are also administrative staff working under the authority of the manager. The company does not have a supervisory board and an audit committee.



The competence of the General Meeting of Shareholders, the rights and duties of the shareholders are provided by the Law on Companies of the Republic of Lithuania, as well as other legal acts and the Articles of Association of the Company.

The Articles of Association of Šilutė Rambynas are being amended or separate new provisions are being adopted in accordance with the usual procedure established by legal acts.

The activities of the Board of Šilutė Rambynas, the election and replacement of its members are subject to the same rules as those established by AB ŽEMAITIJOS PIENAS, as well as the requirements of the Law on Companies and the Articles of Association of the Company. The members of the Board are not granted any other or special powers than provided by law and the Articles of Association of the Company. The members of the Board of Šilutės Rambynas do not have special functions or authorizations, e.g. certain activities of the company are not assigned, except those that perform the duties arising from the employment contract, if they are employees of the company.

MEMBERS OF ŠILUTĖ RAMBYNAS BOARD,, 2022-12-31

Algirdas Bladžinauskas	Member of the Board of the Company from 30/04/2018, elected as a member of the Board until the end of the term of office of the current Board of the Company (30/04/2023). Chairman of the Board. Education: Lithuanian Academy of Agriculture, Master of Agronomy. Workplace: Šilutė Rambynas Director General. Does not participate in the management of other companies. Šilutė Rambynas has no shares.
Irena Baltrušaitienė	Member of the Board from 30 April 2018, elected until the end of the term of office of the current Board of the Company (30 April 2023). Education: Kaunas Polytechnic Institute, Master of Milk and Milk Products Technology. Workplace: not working. Does not participate in the management of other companies. He has no shares in the company.
Linas Puskunigis	Member of the Board of the Company from 30/04/2018, elected as a member of the Board until the end of the term of office of the current Board of the Company (30/04/2023). Education: Lithuanian Academy of Agriculture, Master of Economics and Organization. Workplace: Šilutė Rambynas accountant. Does not participate in the management of other companies. Holds 2076 pcs. Šilutė Rambybas shares. The shareholding is 0.24%.
Robertas Pavelskis	Member of the Board of the Company from 30/04/2018, elected as a member of the Board until the end of the term of office of the current Board of the Company (30/04/2023). Education: VMU Agricultural

	Academy. Workplace: AB "ŽEMAITIJOS PIENAS" technical manager. Does not participate in the management of other companies. He has no shares in the company.
Renata Rupšienė	Member of the Board of the Company from 30/04/2018, elected a member of the Board until the end of the term of office of the current Board of the Company (30/04/2023). Education: Kaunas University of Technology - Bachelor of Food Chemistry and Engineering; Kaunas University of Technology, Master of Manufacturing Engineering. Workplace: Production Director of AB ŽEMAITIJOS PIENAS. Does not participate in the management of other companies. He has no shares in the company.

ŠILUTĖ RAMBYNAS MANAGER AND ADMINISTRATION

The administration of Šilutė Rambynas consists of the I Director General, Chief Production Officer, Technical Director, Transport Manager, Sales Manager, Production Manager, Chief Accountant and other employees. The administration of the company is headed by the CEO. The directors / managers implement the goals and tasks set by the management bodies of the Company, perform the functions according to the competencies assigned to them and manage the subordinate employees.

During the reporting period (2022), no amounts were accrued to the members of the Board of Šilutė Rambynas for their work in the Board. The directors / managers of the administration were paid EUR 181 thousand under their employment contracts. The average amount per administration manager was € 36,200.

During the reporting period, no guarantees or sureties were given to the members of the Board, the General Manager and the Chief Accountant, no property or other property rights were transferred.

Board members, company director, chief accountant has no material obligations to the company, just as the company has no obligations to those persons.

There were no guarantees and sureties and / or other means of securing obligations to ensure the fulfillment of obligations of other entities (manager, chief accountant) on behalf of the issuer during 2022, the issuer did not grant loans to these entities either.

OTHER GOVERNANCE INFORMATION

During 2022 AB ŽEMAITIJOS PIENAS and AB Šilutės Rambynas transactions with related parties as provided for in Article 37(2) of the Law on Companies of the Republic of Lithuania, were not concluded. Other transactions between the parties referred to the company's financial statements.

INFORMATION ABOUT COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

ŽEMAITIJOS PIENAS AB, acting in compliance with Paragraph 3 of Article 12 of the Law of the Republic of Lithuania on Securities and Paragraph 24.4 of the Listing Rules of NASDAQ Vilnius AB, hereby discloses how the Company complies with the Corporate Governance Code of NASDAQ Vilnius, as well as its specific provisions and recommendations. In the event of non-compliance with this Code or any of its provisions or recommendations, the specific provisions or recommendations which are not complied with and the reasons for such non-compliance must be stated. In addition, other explanatory information provided in this form must be provided.

The company's management structure consists of four levels – general meeting of shareholders, supervisory board, management board and manager. In 2021, the supervisory board consisted of three members, whereas the management board consisted of five members; members of the management board are elected and dismissed from office by the supervisory board; the management board has a competence to elect and dismiss from office the manager of the company.

The Company generally complies with the recommendations of the Corporate Governance Code of the companies listed on the NASDAQ VILNIUS, except for the recommended conditions related to the establishment of nomination and remuneration committees and the assignment of certain functions to the competence of these committees (clauses 5.2 and 5.3). The Company has the opinion that the emergence of these bodies would be excessive, disproportionate to the Company's management objectives, increase the Company's administrative costs, and the Company's Board and Supervisory Board are responsible for performing these functions (according to their competence).

PRINCIPLES / RECOMMENDATIONS	YES /NO / IRELEVANT	COMMENT
Principle 1: **General meeting of shareholders, equitable treatment of shareholders, and shareholders' rights** **The corporate governance framework should ensure the equitable treatment of all shareholders. The corporate governance framework should protect the rights of shareholders.**		
1.1. All shareholders should be provided with access to the information and/or documents established in the legal acts on equal terms. All shareholders should be furnished with equal opportunity to participate in the decision-making process where significant corporate matters are discussed.	Yes	The Company publishes the most significant information in public, provides it at general meetings of shareholders, as well as provides other ways of access to it and participation in the company's governance in the manner and under the procedure laid down in legal acts.
1.2. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all of their holders.	Yes	The Company's shares currently grant equal rights to all shareholders.
1.3. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.	Yes	The recommendations are complied according to the procedure laid down in legal acts.
1.4. Exclusive transactions that are particularly important to the company, such as transfer of all or almost all assets of the company which in principle would mean the transfer of the company, should be subject to approval of the general meeting of shareholders.	Yes	According to the procedure laid down in legal acts.

1.5. Procedures for convening and conducting a general meeting of shareholders should provide shareholders with equal opportunities to participate in the general meeting of shareholders and should not prejudice the rights and interests of shareholders. The chosen venue, date and time of the general meeting of shareholders should not prevent active participation of shareholders at the general meeting. In the notice of the general meeting of shareholders being convened, the company should specify the last day on which the proposed draft decisions should be submitted at the latest.	Yes	According to the procedure laid down in legal acts.
1.6. With a view to ensure the right of shareholders living abroad to access the information, it is recommended, where possible, that documents prepared for the general meeting of shareholders in advance should be announced publicly not only in Lithuanian language but also in English and/or other foreign languages in advance. It is recommended that the minutes of the general meeting of shareholders after the signing thereof and/or adopted decisions should be made available publicly not only in Lithuanian language but also in English and/or other foreign languages. It is recommended that this information should be placed on the website of the company. Such documents may be published to the extent that their public disclosure is not detrimental to the company or the company's commercial secrets are not revealed.	Yes	The recommendation is complied with, rights of shareholders living abroad to access the information and/or familiarise with it are ensured.
1.7. Shareholders who are entitled to vote should be furnished with the opportunity to vote at the general meeting of shareholders both in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.	Yes	Shareholders are furnished with the opportunity to vote both, in advance and in person in general meetings of shareholders.
1.8. With a view to increasing the shareholders' opportunities to participate effectively at general meetings of shareholders, it is recommended that companies should apply modern technologies on a wider scale and thus provide shareholders with the conditions to participate and vote in general meetings of shareholders via electronic means of communication. In such cases the security of transmitted information must be ensured and it must be possible to identify the participating and voting person .	Yes	The company, after assessing justified, real and reasonable proposals on the application of electronic means of communication in general meetings of shareholders, also after assessing other conditions, including interests of all shareholders, economic costs, technological feasibility and other aspects, would consider this recommendation.
1.9. It is recommended that the notice on the draft decisions of the general meeting of shareholders being convened should specify new candidatures of members of the collegial body, their proposed remuneration and the proposed audit company if these issues are included into the agenda of the general meeting of shareholders. Where it is proposed to elect a new member of the collegial body, it is recommended that the information about his/her educational	Yes	It is complied with in so far as it is reasonable and practicable.

background, work experience and other managerial positions held (or proposed) should be provided.		
1.10. Members of the company's collegial management body, heads of the administration1 or other competent persons related to the company who can provide information related to the agenda of the general meeting of shareholders should take part in the general meeting of shareholders. Proposed candidates to member of the collegial body should also participate in the general meeting of shareholders in case the election of new members is included into the agenda of the general meeting of shareholders.	Yes	It is complied with in so far as it is reasonable and practicable.
Principle 2: Supervisory board **2.1. Functions and liability of the supervisory board** **The supervisory board of the company should ensure representation of the interests of the company and its shareholders, accountability of this body to the shareholders and objective monitoring of the company's operations and its management bodies as well as constantly provide recommendations to the management bodies of the company. The supervisory board should ensure the integrity and transparency of the company's financial accounting and control system.**		
2.1.1. Members of the supervisory board should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders and represent their interests, having regard to the interests of employees and public welfare.	Yes	The majority of the supervisory board is independent. This enables to ensure their responsible actions with respect to all interest holders.
2.1.2. Where decisions of the supervisory board may have a different effect on the interests of the company's shareholders, the supervisory board should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed about the company's strategy, risk management and control, and resolution of conflicts of interest.	Yes	The majority of the supervisory board is independent. This enables to ensure their responsible actions with respect to all interest holders.
2.1.3. The supervisory board should be impartial in passing decisions that are significant for the company's operations and strategy. Members of the supervisory board should act and pass decisions without an external influence from the persons who elected them.	Yes	The majority of the supervisory board is independent. This enables to ensure their responsible actions with respect to all interest holders.
2.1.4. Members of the supervisory board should clearly voice their objections in case they believe that a decision of the supervisory board is against the interests of the company. Independent2 members of the supervisory board should: a) maintain independence of their analysis and decision-making; b) not seek or accept any unjustified privileges that might compromise their independence	Yes	
2.1.5. The supervisory board should oversee that the company's tax planning strategies are designed and implemented in	Yes	

accordance with the legal acts in order to avoid faulty practice that is not related to the long-term interests of the company and its shareholders, which may give rise to reputational, legal or other risks.		
2.1.6. The company should ensure that the supervisory board is provided with sufficient resources (including financial ones) to discharge their duties, including the right to obtain all the necessary information or to seek independent professional advice from external legal, accounting or other experts on matters pertaining to the competence of the supervisory board and its committees.	Yes	Conditions are established for proper discharge of duties.
2.2. Formation of the supervisory board **The procedure of the formation of the supervisory board should ensure proper resolution of conflicts of interest and effective and fair corporate governance**.		
2.2.1. The members of the supervisory board elected by the general meeting of shareholders should collectively ensure the diversity of qualifications, professional experience and competences and seek for gender equality. With a view to maintain a proper balance between the qualifications of the members of the supervisory board, it should be ensured that members of the supervisory board, as a whole, should have diverse knowledge, opinions and experience to duly perform their tasks.	Yes	
2.2.2. Members of the supervisory board should be appointed for a specific term, subject to individual re-election for a new term in office in order to ensure necessary development of professional experience.	Yes	
2.2.3. Chair of the supervisory board should be a person whose current or past positions constituted no obstacle to carry out impartial activities. A former manager or management board member of the company should not be immediately appointed as chair of the supervisory board either. Where the company decides to depart from these recommendations, it should provide information on the measures taken to ensure impartiality of the supervision.	Yes	
2.2.4. Each member should devote sufficient time and attention to perform his duties as a member of the supervisory board. Each member of the supervisory board should undertake to limit his other professional obligations (particularly the managing positions in other companies) so that they would not interfere with the proper performance of the duties of a member of the supervisory board. Should a member of the supervisory board attend less than a half of the meetings of the supervisory board throughout the financial year of the company, the shareholders of the company should be notified thereof.	Yes	
2 2.2.5. When it is proposed to appoint a member of the supervisory board, it should be announced which members of the supervisory board are deemed to be	Yes	

independent. The supervisory board may decide that, despite the fact that a particular member meets all the criteria of independence, he/she cannot be considered independent due to special personal or company-related circumstances		
2.2.6. The amount of remuneration to members of the supervisory board for their activity and participation in meetings of the supervisory board should be approved by the general meeting of shareholders.	Yes	The annual budget of remuneration to members of the supervisory board is approved by the general meeting of shareholders.
2.2.7. Every year the supervisory board should carry out an assessment of its activities. It should include evaluation of the structure of the supervisory board, its work organisation and ability to act as a group, evaluation of the competence and work efficiency of each member of the supervisory board, and evaluation whether the supervisory board has achieved its objectives. The supervisory board should, at least once a year, make public respective information about its internal structure and working procedures.	Yes	Partly carried out.
Principle 3: Management board **3.1. Functions and liability of the management board The management board should ensure the implementation of the company's strategy and good corporate governance with due regard to the interests of its shareholders, employees and other interest groups.**		
3.1.1. The management board should ensure the implementation of the company's strategy approved by the supervisory board if the latter has been formed at the company. In such cases where the supervisory board is not formed, the management board is also responsible for the approval of the company's strategy.	Yes	The management board carries out and implements strategic plans and goals.
3.1.2. As a collegial management body of the company, the management board performs the functions assigned to it by the Law and in the articles of association of the company, and in such cases where the supervisory board is not formed in the company, it performs inter alia the supervisory functions established in the Law. By performing the functions assigned to it, the management board should take into account the needs of the company's shareholders, employees and other interest groups by respectively striving to achieve sustainable business development.	Yes	The management board, while performing the functions assigned to it, takes into account the needs of the company, shareholders, employees and other interest groups by striving to achieve sustainable business development.
3.1.3. The management board should ensure compliance with the laws and the internal policy of the company applicable to the company or a group of companies to which this company belongs. It should also establish the respective risk management and control measures aimed at ensuring regular and direct liability of managers.	Yes	
3.1.4. Moreover, the management board should ensure that the measures included into the OECD Good Practice Guidance3 on Internal Controls, Ethics and Compliance are applied at the company in order to ensure	Yes	As far as practicable.

adherence to the applicable laws, rules and standards.		
3.1.5. When appointing the manager of the company, the management board should take into account the appropriate balance between the candidate's qualifications, experience and competence.	Yes	
3.2. Formation of the management board		
3 3.2.1. The members of the management board elected by the supervisory board or, if the supervisory board is not formed, by the general meeting of shareholders should collectively ensure the required diversity of qualifications, professional experience and competences and seek for gender equality. With a view to maintain a proper balance in terms of the current qualifications possessed by the members of the management board, it should be ensured that the members of the management board would have, as a whole, diverse knowledge, opinions and experience to duly perform their tasks.	Yes	
3.2.2.Names and surnames of the candidates to become members of the management board, information on their educational background, qualifications, professional experience, current positions, other important professional obligations and potential conflicts of interest should be disclosed without violating the requirements of the legal acts regulating the handling of personal data at the meeting of the supervisory board in which the management board or individual members of the management board are elected. In the event that the supervisory board is not formed, the information specified in this paragraph should be submitted to the general meeting of shareholders. The management board should, on yearly basis, collect data provided in this paragraph on its members and disclose it in the company's annual report.	Yes	
3.2.3. All new members of the management board should be familiarised with their duties and the structure and operations of the company	Yes	All members of the management board are familiarised with and explained their rights and duties.
3.2.4. Members of the management board should be appointed for a specific term, subject to individual re-election for a new term in office in order to ensure necessary development of professional experience and sufficiently frequent reconfirmation of their status.	Yes	

3.2.5. Chair of the management board should be a person whose current or past positions constitute no obstacle to carry out impartial activity. Where the supervisory board is not formed, the former manager of the company should not be immediately appointed as chair of the management board. When a company decides to depart from these recommendations, it should furnish information on the measures it has taken to ensure the impartiality of supervision.	Yes/No	Chair of the management board holds office of the CEO, however he does not vote when voting on decisions that may cause a conflict of interest.
3.2.6. Each member should devote sufficient time and attention to perform his duties as a member of the management board. Should a member of the management board attend less than a half of the meetings of the management board throughout the financial year of the company, the supervisory board of the company or, if the supervisory board is not formed at the company, the general meeting of shareholders should be notified thereof.	Yes	
3.2.7. In the event that the management board is elected in the cases established by the Law where the supervisory board is not formed at the company, and some of its members will be independent4, it should be announced which members of the management board are deemed as independent. The management board may decide that, despite the fact that a particular member meets all the criteria of independence established by the Law, he/she cannot be considered independent due to special personal or company-related circumstances.	Irrelevant	
3.2.8. The general meeting of shareholders of the company should approve the amount of remuneration to the members of the management board for their activity and participation in the meetings of the management board.	Yes	The budget of remuneration to independent members is approved by the company's general meeting of shareholders. No additional remuneration is paid to members of the management board who work at the company on the basis of employment agreements.
3.2.9. The members of the management board should act in good faith, with care and responsibility for the benefit and the interests of the company and its shareholders with due regard to other stakeholders. When adopting decisions, they should not act in their personal interest; they should be subject to no-compete agreements and they should not use the business information or opportunities related to the company's operations in violation of the company's interests.	Yes	
3.2.10. Every year the management board should carry out an assessment of its activities. It should include evaluation of the structure of the management board, its work organisation and ability to act as a group, evaluation of the competence and work efficiency of each member of the management board, and evaluation whether the management board has achieved its objectives. The management board should, at least once a year, make public respective information about its internal structure and	Yes	Partly carried out.

working procedures in observance of the legal acts regulating the processing of personal data.		
Principle 4: **Rules of procedure of the supervisory board and the management board of the company** **The rules of procedure of the supervisory board, if it is formed at the company, and of the management board should ensure efficient operation and decision-making of these bodies and promote active cooperation between the company's management bodies.**		
4.1. The management board and the supervisory board, if the latter is formed at the company, should act in close cooperation in order to attain benefit for the company and its shareholders. Good corporate governance requires an open discussion between the management board and the supervisory board. The management board should regularly and, where necessary, immediately inform the supervisory board about any matters significant for the company that are related to planning, business development, risk management and control, and compliance with the obligations at the company. The management board should inform he supervisory board about any derogations in its business development from the previously formulated plans and objectives by specifying the reasons for this.	Yes	
4.2. It is recommended that meetings of the company's collegial bodies should be held at the respective intervals, according to the pre-approved schedule. Each company is free to decide how often meetings of the collegial bodies should be convened but it is recommended that these meetings should be convened at such intervals that uninterruptable resolution of essential corporate governance issues would be ensured. Meetings of the company's collegial bodies should be convened at least once per quarter.	Yes	A preliminary schedule is approved in which the time, date and agenda of the meeting are set out.
4.3. Members of a collegial body should be notified of the meeting being convened in advance so that they would have sufficient time for proper preparation for the issues to be considered at the meeting and a fruitful discussion could be held and appropriate decisions could be adopted. Along with the notice of the meeting being convened all materials relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body present at the meeting agree with such change or supplement to the agenda, or certain issues that are important to the company require immediate resolution.	Yes	Are informed beforehand by e-mail and/or other means of communication.
4.4. In order to coordinate the activities of the company's collegial bodies and ensure effective decision-making process, the chairs of the company's collegial supervision and	Yes	

management bodies should mutually agree on the dates and agendas of the meetings and close cooperate in resolving other matters related to corporate governance. Meetings of the company's supervisory board should be open to members of the management board, particularly in such cases where issues concerning the removal of the management board members, their responsibility or remuneration are discussed.		
Principle 5: Nomination, remuneration and audit committees **5.1. Purpose and formation of committees** **The committees formed at the company should increase the work efficiency of the supervisory board or, where the supervisory board is not formed, of the management board which performs the supervisory functions by ensuring that decisions are based on due consideration and help organise its work in such a way that the decisions it takes would be free of material conflicts of interest. Committees should exercise independent judgment and integrity when performing their functions and provide the collegial body with recommendations concerning the decisions of the collegial body. However, the final decision should be adopted by the collegial body.**		
5.1.1. Taking due account of the company-related circumstances and the chosen corporate governance structure, the supervisory board of the company or, in cases where the supervisory board is not formed, the management board which performs the supervisory functions, establishes committees. It is recommended that the collegial body should form the nomination, remuneration and audit committees.	Yes/Ne	An audit committee has been formed.
5.1.2. Companies may decide to set up less than three committees. In such case companies should explain in detail why they have chosen the alternative approach, and how the chosen approach corresponds with the objectives set for the three different committees.		Functions of committees are currently performed by the collegial bodies themselves.
5.1.3. In the cases established by the legal acts the functions assigned to the committees formed at companies may be performed by the collegial body itself. In such case the provisions of this Code pertaining to the committees (particularly those related to their role, operation and transparency) should apply, where relevant, to the collegial body as a whole.	Yes/No	This principle is partly complied with.
5.1.4. Committees established by the collegial body should normally be composed of at least three members. Subject to the requirements of the legal acts, committees could be comprised only of two members as well. Members of each committee should be selected on the basis of their competences by giving priority to independent members of the collegial body. The chair of the management board should not serve as the chair of committees.	Yes	
5.1.5. The authority of each committee formed should be determined by the collegial body itself. Committees should perform their duties according to the authority delegated to them and regularly inform the collegial body about their activities and performance on a	Yes/No	

regular basis. The authority of each committee defining its role and specifying its rights and duties should be made public at least once a year (as part of the information disclosed by the company on its governance structure and practice on an annual basis). In compliance with the legal acts regulating the processing of personal data, companies should also include in their annual reports the statements of the existing committees on their composition, the number of meetings and attendance over the year as well as the main directions of their activities and performance.		
5.1.6. With a view to ensure the independence and impartiality of the committees, the members of the collegial body who are not members of the committees should normally have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or request that certain employees of the company or experts would participate in the meeting. Chair of each committee should have the possibility to maintain direct communication with the shareholders. Cases where such practice is to be applied should be specified in the rules regulating the activities of the committee.	Yes	
5.2. Nomination committee		
5.2.1. The key functions of the nomination committee should be the following: 1) to select candidates to fill vacancies in the membership of supervisory and management bodies and the administration and recommend the collegial body to approve them. The nomination committee should evaluate the balance of skills, knowledge and experience in the management body, prepare a description of the functions and capabilities required to assume a particular position and assess the time commitment expected; 2) assess, on a regular basis, the structure, size and composition of the supervisory and management bodies as well as the skills, knowledge and activity of its members, and provide the collegial body with recommendations on how the required changes should be sought; 4) devote the attention necessary to ensure succession planning.	No	Has not been formed. The functions are carried out by the collegial bodies.
5.2.2. When dealing with issues related to members of the collegial body who have employment relationships with the company and the heads of the administration, the manager of the company should be consulted by granting him/her the right to submit proposals to the Nomination Committee.	No	

5.3. Remuneration committee		
The main functions of the remuneration committee should be as follows: 1) submit to the collegial body proposals on the remuneration policy applied to members of the supervisory and management bodies and the heads of the administration for approval. Such policy should include all forms of remuneration, including the fixed-rate remuneration, performance-based remuneration, financial incentive schemes, pension arrangements and termination payments as well as conditions which would allow the company to recover the amounts or suspend the payments by specifying the circumstances under which it would be expedient to do so; 2) submit to the collegial body proposals regarding individual remuneration for members of the collegial bodies and the heads of the administration in order to ensure that they would be consistent with the company's remuneration policy and the evaluation of the performance of the persons concerned; 3) review, on a regular basis, the remuneration policy and its implementation.	No	Has not been formed. The functions are carried out by the collegial bodies.
5.4. Audit committee		
5.4.1. The key functions of the audit committee are defined in the legal acts regulating the activities of the audit committee.	Yes	
5.4.2. All members of the committee should be provided with detailed information on specific issues of the company's accounting system, finances and operations. The heads of the company's administration should inform the audit committee about the methods of accounting for significant and unusual transactions where the accounting may be subject to different approaches.	Yes	All members of the audit committee are familiarised with peculiarities of activities of the company, excluding information that is treated as confidential.
5.4.3. The audit committee should decide whether the participation of the chair of the management board, the manager of the company, the chief finance officer (or senior employees responsible for finance and accounting), the internal and external auditors in its meetings is required (and, if required, when). The committee should be entitled, when needed, to meet the relevant persons without members of the management bodies present.	Yes	Conditions for realising the principle are established.
5.4.4. The audit committee should be informed about the internal auditor's work programme and should be furnished with internal audit reports or periodic summaries. The audit committee should also be informed about the work programme of external auditors and should receive from the audit firm a report describing all relationships	Yes	

between the independent audit firm and the company and its group.		
5.4.5. The audit committee should examine whether the company complies with the applicable provisions regulating the possibility of lodging a complaint or reporting anonymously his/her suspicions of potential violations committed at the company and should also ensure that there is a procedure in place for proportionate and independent investigation of such issues and appropriate follow-up actions.	Yes	
5.4.6. The audit committee should submit to the supervisory board or, where the supervisory board is not formed, to the management board its activity report at least once in every six months, at the time that annual and half-yearly reports are approved.	Yes	
Principle 6: Prevention and disclosure of conflicts of interest **The corporate governance framework should encourage members of the company's supervisory and management bodies to avoid conflicts of interest and ensure a transparent and effective mechanism of disclosure of conflicts of interest related to members of the supervisory and management bodies.**		
Any member of the company's supervisory and management body should avoid a situation where his/her personal interests are or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory or management body should, within a reasonable period of time, notify other members of the same body or the body of the company which elected him/her or the company's shareholders of such situation of a conflict of interest, indicate the nature of interests and, where possible, their value.	Yes	The principle is complied with, each member of the supervisory and management body declares in writing and confirms his interests, as well as undertakes to avoid a conflict of interest.
Principle 7: Remuneration policy of the company **The remuneration policy and the procedure for review and disclosure of such policy established at the company should prevent potential conflicts of interest and abuse in determining remuneration of members of the collegial bodies and heads of the administration, in addition it should ensure the publicity and transparency of the company's remuneration policy and its long-term strategy.**		
7.1. The company should approve and post the remuneration policy on the website of the company; such policy should be reviewed on a regular basis and be consistent with the company's long-term strategy.	Yes	The company has a remuneration policy for the members of the management, the board and the supervisory board, which is made public.
7.2. The remuneration policy should include all forms of remuneration, including the fixed-rate remuneration, performance-based remuneration, financial incentive schemes, pension arrangements and termination payments as well as the conditions specifying the cases where the company can recover the disbursed amounts or suspend the payments.	Yes	

7.3. With a view to avoid potential conflicts of interest, the remuneration policy should provide that members of the collegial bodies which perform the supervisory functions should not receive remuneration based on the company's performance.	Yes	
7.4. The remuneration policy should provide sufficient information on the policy regarding termination payments. Termination payments should not exceed a fixed amount or a fixed number of annual wages and in general should not be higher than the non-variable component of remuneration for two years or the equivalent thereof. Termination payments should not be paid if the contract is terminated due to inadequate performance.	Irrelevant	Severance pay is not specified in the Company's Remuneration Policy.
7.5. In the event that the financial incentive scheme is applied at the company, the remuneration policy should contain sufficient information about the retention of shares after the award thereof. Where remuneration is based on the award of shares, shares should not be vested at least for three years after the award thereof. After vesting, members of the collegial bodies and heads of the administration should retain a certain number of shares until the end of their term in office, subject to the need to compensate for any costs related to the acquisition of shares.	Irrelevant	The Company does not have a system of remuneration for financial instruments.
7.6. The company should publish information about the implementation of the remuneration policy on its website, with a key focus on the remuneration policy in respect of the collegial bodies and managers in the next and, where relevant, subsequent financial years. It should also contain a review of how the remuneration policy was implemented during the previous financial year. The information of such nature should not include any details having a commercial value. Particular attention should be paid on the major changes in the company's remuneration policy, compared to the previous financial year.	Yes	Information on the implementation of the Company's remuneration policy and the average amounts of remuneration of individual groups of employees are published in the Company's annual report, which is published on the Company's website.
7.7. It is recommended that the remuneration policy or any major change of the policy should be included on the agenda of the general meeting of shareholders. The schemes under which members and employees of a collegial body receive remuneration in shares or share options should be approved by the general meeting of shareholders.	Yes	The company does not apply the mentioned schemes.
Principle 8: Role of stakeholders in corporate governance **The corporate governance framework should recognise the rights of stakeholders entrenched in the laws or mutual agreements and encourage active cooperation between companies and stakeholders in creating the company value, jobs and financial sustainability. In the context of this principle the concept "stakeholders" includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interests in the company concerned.**		
8.1. The corporate governance framework should ensure that the rights and lawful interests of stakeholders are protected.	Yes	
8.2. The corporate governance framework should create conditions for stakeholders to	Yes	

participate in corporate governance in the manner prescribed by law. Examples of participation by stakeholders in corporate governance include the participation of employees or their representatives in the adoption of decisions that are important for the company, consultations with employees or their representatives on corporate governance and other important matters, participation of employees in the company's authorised capital, involvement of creditors in corporate governance in the cases of the company's insolvency, etc.		The implementation of the recommendation of Principle 8 is ensured by the precise supervision and control of the state institutions that regulate and control the activities of the Company. The Company conducts consultations with employee representatives on the business processes carried out in the Company. Stakeholders may participate in the management of the Company to the extent provided by law.
8.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.	Yes	
8.4. Stakeholders should be provided with the possibility of reporting confidentially any illegal or unethical practices to the collegial body performing the supervisory function.	Yes	
Principle 9: Disclosure of information **The corporate governance framework should ensure the timely and accurate disclosure of all material corporate issues, including the financial situation, operations and governance of the company.**		
9.1.In accordance with the company's procedure on confidential information and commercial secrets and the legal acts regulating the processing of personal data, the information publicly disclosed by the company should include but not be limited to the following: 9.1.1.operating and financial results of the company; 9.1.2.objectives and non-financial information of the company; 9.1.3.persons holding a stake in the company or controlling it directly and/or indirectly and/or together with related persons as well as the structure of the group of companies and their relationships by specifying the final beneficiary; 9.1.4.members of the company's supervisory and management bodies who are deemed independent, the manager of the company, the shares or votes held by them at the company, participation in corporate governance of other companies, their competence and remuneration; 9.1.5.reports of the existing committees on their composition, number of meetings and attendance of members during the last year as well as the main directions and results of their activities; 9.1.6.potential key risk factors, the company's risk management and supervision policy; 9.1.7.the company's transactions with related parties; 9.1.8.main issues related to employees and other stakeholders (for instance, human resource policy, participation of employees in corporate governance, award of the company's shares or share options as incentives, relationships with creditors, suppliers, local community, etc.); 9.1.9.structure and strategy of corporate governance; 9.1.10.initiatives and measures	Yes	Information is published according to the procedure laid down by legal acts; shareholders are provided with an opportunity to become familiar with it also in other ways, excluding the information and data that are treated as confidential.

of social responsibility policy and anti-corruption fight, significant current or planned investment projects. This list is deemed minimum and companies are encouraged not to restrict themselves to the disclosure of information included into this list. This principle of the Code does not exempt companies from their obligation to disclose information as provided for in the applicable legal acts		
9.2. When disclosing the information specified in paragraph 9.1.1 of recommendation 9.1, it is recommended that the company which is a parent company in respect of other companies should disclose information about the consolidated results of the whole group of companies.	Yes	See comment on point 9.1 above
9.3. When disclosing the information specified in paragraph 9.1.4 of recommendation 9.1, it is recommended that the information on the professional experience and qualifications of members of the company's supervisory and management bodies and the manager of the company as well as potential conflicts of interest which could affect their decisions should be provided. It is further recommended that the remuneration or other income of members of the company's supervisory and management bodies and the manager of the company should be disclosed, as provided for in greater detail in Principle 7.	Yes	See comment on point 9.1 above
9.4. Information should be disclosed in such manner that no shareholders or investors are discriminated in terms of the method of receipt and scope of information. Information should be disclosed to all parties concerned at the same time.	Yes	See comment on point 9.1 above
Principle 10: Selection of the company's audit firm **The company's audit firm selection mechanism should ensure the independence of the report and opinion of the audit firm.**		
10.1. With a view to obtain an objective opinion on the company's financial condition and financial results, the company's annual financial statements and the financial information provided in its annual report should be audited by an independent audit firm.	Yes	Audit is carried out by an independent company.
10.2. It is recommended that the audit firm would be proposed to the general meeting of shareholders by the supervisory board or, if the supervisory board is not formed at the company, by the management board of the company.	Yes	An audit company is selected by way of public competition out of several (at least) three proposals.
10.3. In the event that the audit firm has received remuneration from the company for the non-audit services provided, the company should disclose this publicly. This information should also be available to the supervisory board or, if the supervisory board is not formed at the company, by the management board of the company when considering	Yes	

which audit firm should be proposed to the general meeting of shareholders.		

ŽEMAITIJOS PIENAS JSC
The Report on Social Responsibility and Sustainability
2022

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The name of the cheese is associated with the legendary warrior Džiugas. The legend says that in agreement with the devils, under their protection, Džiugas showed miracles of bravery: alone, with an iron club, he knocked out crusaders, knocked down hundred-year-old oaks, and moved mountains. When he had a fight with the devils, he did not lose his strength: he dug **Lake Mastis** and built his first homestead nearby. Jealous neighbors revealed the secret of the strong man - they found **yellow cheese** in the basement, which the extraordinary man used to strengthen himself.

From the CEO

Concerns regarding climate change, growing economic, racial and gender inequality and other challenges are becoming increasingly global and threaten not only the existence of companies, but also the existence of humanity itself. In addition, the start of the year 2022 brought the dire news of Russia's unjustified and unprovoked war on Ukraine, which had a major impact on energy and food markets. This military aggression against Ukraine has a direct impact on global food security and food affordability.

As a result of this event, we lost several export markets, but in perspective they represented up to 3% of our total sales. We diverted our planned sales to other markets, so we did not experience significant damage and continued with our daily operations.

To the best of our ability, we contributed to the support provided to Ukraine by sponsoring our products, and we employed willing Ukrainians in the company, who quickly joined our team.

In the future, one of our main goals remains to ensure the production and supply of products that meet the highest quality standards and create added value to the consumer, which is why we have continued relations with scientists from Lithuanian universities and experts from abroad and Lithuania itself. This collaboration allowed us to introduce five new dairy products to the market.

An ongoing commitment to sustainable development reinforces our efforts to improve our company values and empowers our employees to work safely, reliably, and responsibly. I understand that a sustainability report alone is not enough to fully express our commitment to these efforts. As a result, certain aspects of our approach and how our business decisions are encompassed are best assessed through discussions with stakeholders. Therefore, we hope to continue this dialogue with you and always welcome feedback and ways we can improve.

Robertas Pažemeckas
CEO

He has been working in the company since 2002. Elected as a member of the Board of the Company from 24-08-2021, elected as a member of the Board until the end of the term of office of the acting Board of the Company. Chairman of the Board Education: Vilnius University, Master of Law.

ŽEMAITIJOS PIENAS JSC

CEO

About the report

This is the annual report on social responsibility and sustainability of the Group of companies ŽEMAITIJOS PIENAS JSC (hereinafter - ŽEMAITIJOS PIENAS, the Company) and Šilutės Rambynas JSCF (hereinafter - Group company or Subsidiary) (hereinafter - Sustainability Report).

The report shows how we view the entire value chain of our operations, including how social, environmental and governance areas are managed. All data and activities reported are as of 2022. January 1 until 2022 December 31, unless otherwise stated. ŽEMAITIJAS PIENAS presents the first report based on the standards of the Global Reporting Initiative - GRI.

The content of this report meets the requirements of non-financial reports. The report took into account Nasdaq's Environmental, Social and Governance (ESG) Guidelines, a United Nations global agreement to contribute to the Sustainable Development Goals (SDGs).

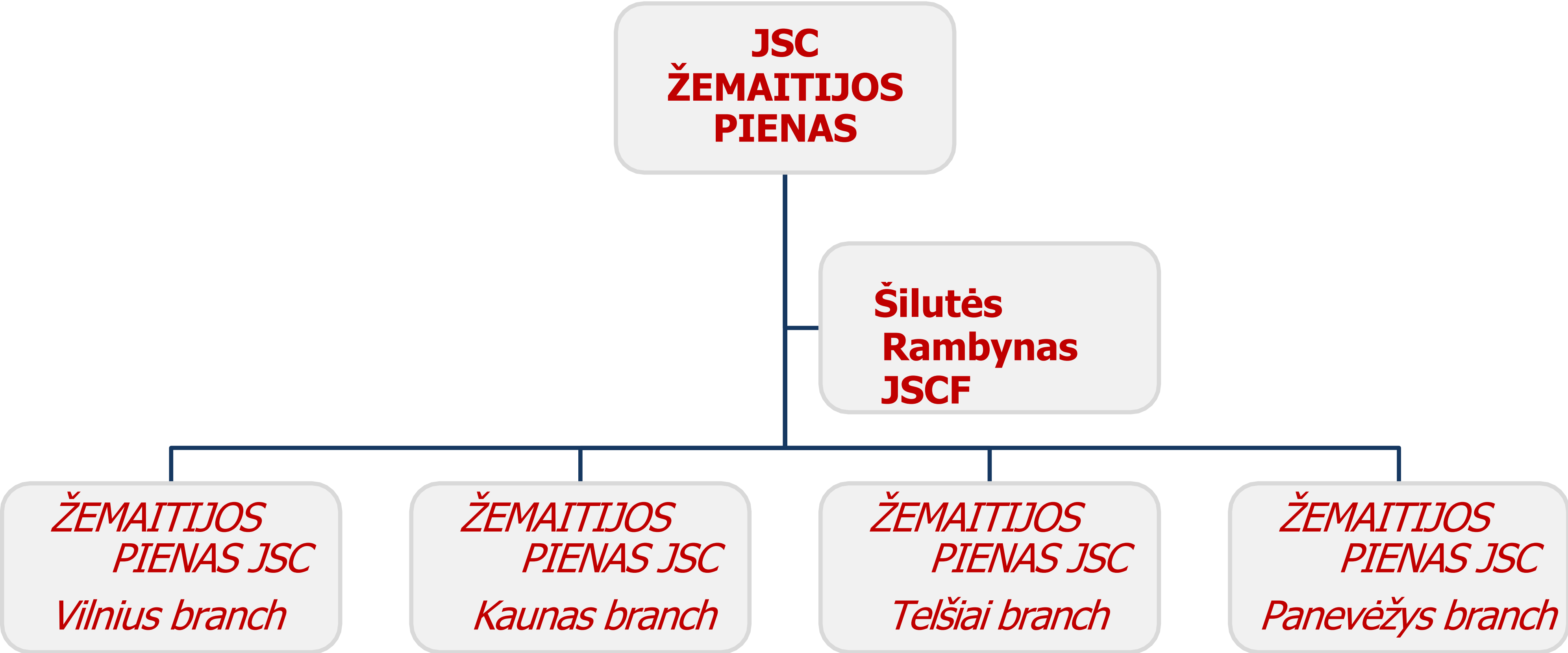
The sustainability report is classified as a non-financial statement of the company's activity, therefore, together with the consolidated set of financial statements and the annual report, it is reviewed and audited by an independent auditor.

***Džiugas** - time to taste, time to appreciate!*

The content of the report includes the latest information available at the time of publication. This report should be read in conjunction with the Group's consolidated Group Annual Report, which is available on the website.. If you have any questions about the content of this report or the activities of the Group, please email us at info@zpienas.lt or e.pikturna@zpienas.lt.

OPERATION AND STRUCTURE

Group structure



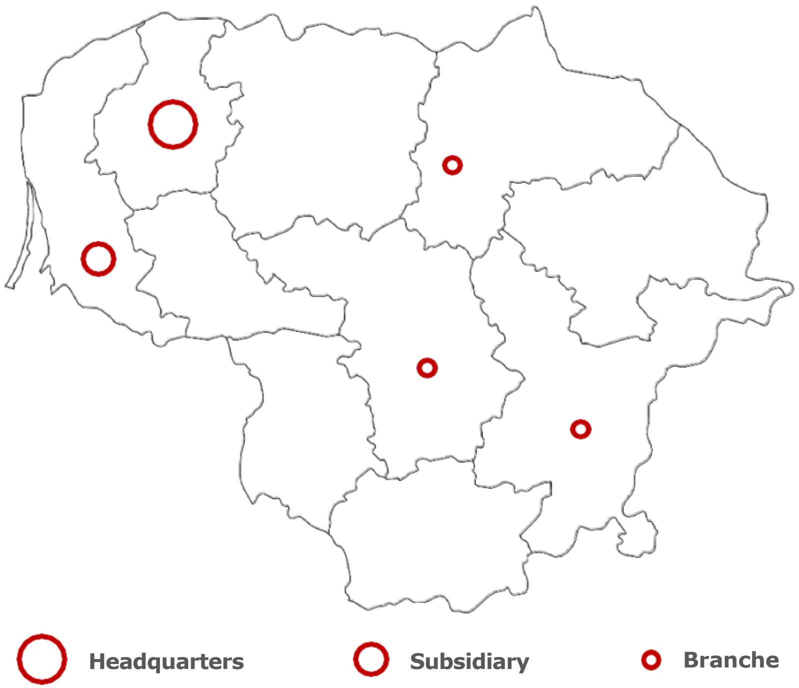
The group of companies consists of ŽEMAITIJOS PIENAS JSC (code: 180240752, address: Sedos st. 35, Telšiai) and the subsidiary company Šilutės Rambynas JSCF (code: 277141670, address: Klaipėdos g. 3. Šilutė), and branches: Vilnius branch (code: 123809154, address Algirdo g. 40/13, Vilnius), Kaunas branch (code: 134853981, address: Europos pr. 36, Kaunas), Telšiai branch (code: 110893017, address: Sedos g. 35, Telšiai), Panevėžys branch (code: 148133399, address: J. Janonio g. 9, Panevėžys). The Company's branches carry out the functions of selling goods (dairy products) in the established territory of the branch and perform other actions or orders of the Company. The company has not established representative offices.

About companies of the Group

ŽEMAITIJOS PIENAS JSC is a Lithuanian company with a long tradition of milk processing, nurturing classic recipes and technologies for the production of dairy products, promoting the revitalization and consumption of heritage and cultural products reflecting a hundred-year history.

The company is a private legal profit-seeking person with economic, financial, organizational and legal independence, which is guided by the laws of the Republic of Lithuania, Government resolutions and other valid normative acts of the Republic of Lithuania in its activities.

ŽEMAITIJOS PIENAS JSC, together with its subsidiary company, is involved in the production and sale of dairy products. Its products are cheese and cheese products, prepackaged cheeses, cream, buttermilk product mixture spreads, milk fat, pasteurized cream, dried milk products, fresh milk products. The company markets its products: Džiugas, Germanto, Žemaitijos, Magija, Pik-nik, Rambyno, Dobilas.



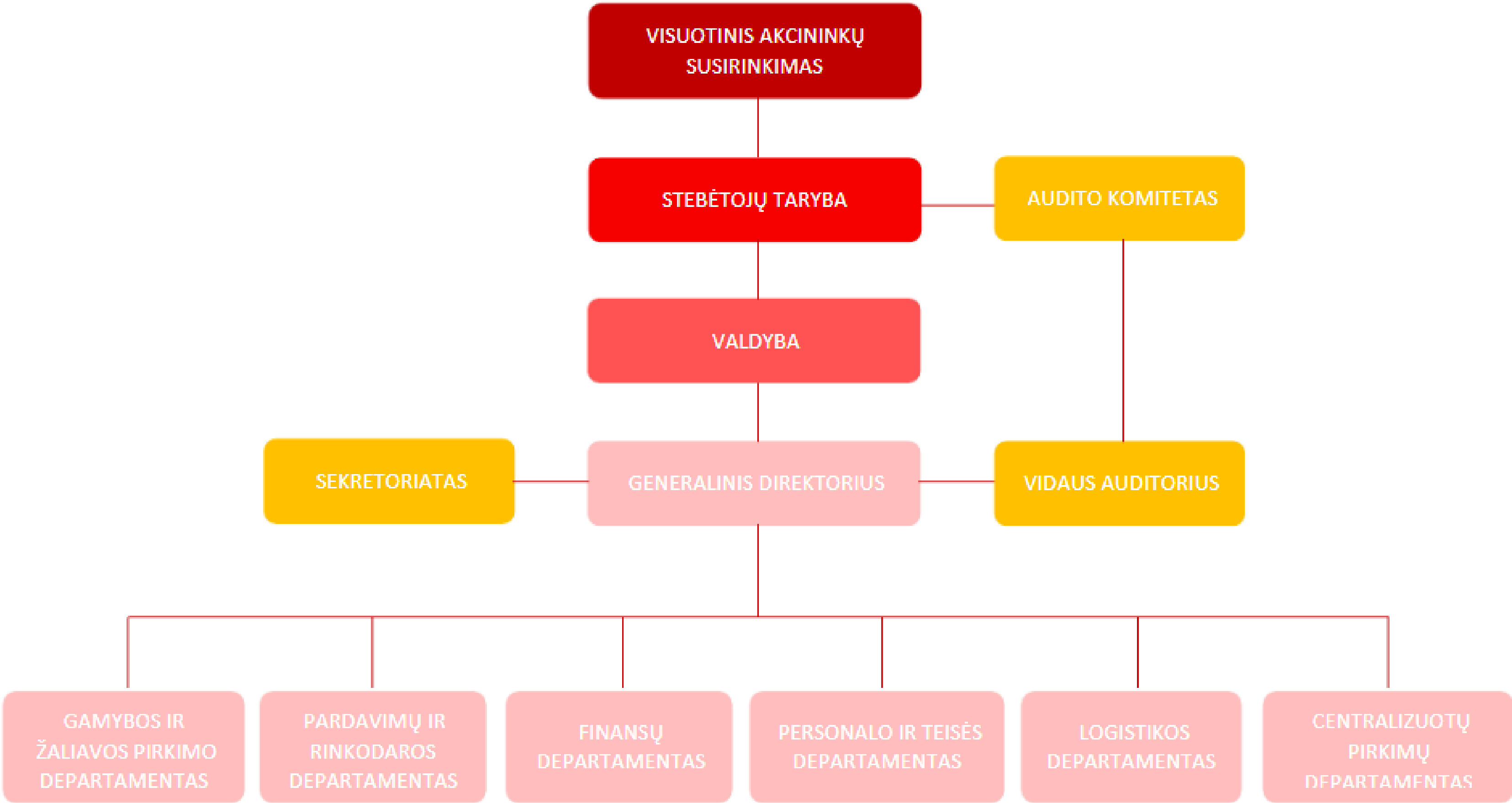
The main activity of Šilutės Rambynas JSCF is production and sale of fermented cheeses and cheese products, production and sale of pasteurized cream, and pasteurized whey. It also provides rental, transportation, storage, servicing of milk purchase points and other services.

Main goals and nature of economic activity

The companies of the group carry out economic and commercial activities in pursuit of benefit and profit for themselves and their shareholders. The objectives of the activity are the organization and execution of the activities provided for in the articles of association with the aim of obtaining income and profit, satisfying the property interests of shareholders and the interests of employees.

Management bodies and management system

Organizational structure of ŽEMAITIJOS PIENAS JSC



The bodies of ŽEMAITIJOS PIENAS JSC are as follows: general shareholders' meeting; supervisory board; board; and CEO. The Company's administration, which consists of structural units - departments, is subordinate to the head of the company. The following departments function in the company: finance, personnel and legal, logistics, production and raw material purchase and sales and marketing. The company has an established and functioning audit committee.

GENERAL SHAREHOLDERS' MEETING

The body that makes the most important decisions in the Company. The competence, convening procedure, rights and duties of the general meeting of shareholders do not fundamentally differ from the competence, convening procedure and rights and duties of the general meeting of shareholders stipulated in the Law on Joint Stock Companies of the Republic of Lithuania and other legal acts, the Company's articles of association.

SUPERVISORY BOARD

Collegial supervisory body of the Company's activities, which consists of 3 members. It is headed by its chairman. The work procedure of the supervisory board is regulated in the work regulations of the supervisory board. The Supervisory Board is elected by the general meeting of shareholders for 4 (four) years. On 02 August 2021 to the following persons were elected for a four-year term:

Linas Sirаštanovas
Chairman of the Supervisory Board of the company

Gražina Norkevičienė
Member of the Supervisory Board of the Company

Virginija Vaitkuviene
Member of the Supervisory Board of the Company

COMPANY BOARD

The collegial management body represents the Company's shareholders in the period between their meetings and makes decisions that are the most important in matters of the Company's economic activity. Below are the data on the members of the board of ŽEMAITIJOS PIENAS JSC, 31-12-2022:

Robertas Pažemeckas

Member of the Board of the Company from 24-08-2021, elected as a member of the Board until the end of the term of office of the acting Board of the Company. Chairman of the Board

Marius Dromantas

Member of the Board of the Company from 24-08-2021, elected as a member of the Board until the end of the term of office of the acting Board of the Company.

Dalia Gecienė

Member of the Board of the Company from 24-08-2021, elected as a member of the Board until the end of the term of office of the acting Board of the Company.

Monika Jasiulionienė

Member of the Board of the Company from 24-08-2021, elected as a member of the Board until the end of the term of office of the acting Board of the Company.

Algirdas Pažemeckas

Member of the Board of the Company from 27-07-2022, elected as a member of the Board until the end of the term of office of the acting Board of the Company.

Board members are elected by the supervisory board for a maximum of four years. Their number of terms is not limited. It should be noted that there are no special rules governing the election of the Company's board members and their replacement, in performing these actions the Company follows the provisions of the Law on Joint Stock Companies and the Company's Articles of Association.

No special policies related to age, gender, education, professional experience are applied to the selection of members, qualities that best suit the interests of the Group and shareholders are valued. The activities of the board are managed by the chairman, who is elected by the board from among its members.

The members of the company's board perform not only general and legally assigned functions, but also delegated special - individual functions directly related to the activities of the companies, among other things, part of the functions are aimed at prevention in order to avoid various negative external effects.

The Company's board considers and approves:

- the structure of the COMPANY's activities;
- For each month, it determines the assortment and quantity of the production produced by the firm, which is presented free of charge to customers for tasting, in order to study and/or expand the market;
- COMPANY management structure and positions of employees;
- Regulations of the COMPANY's branches and representative offices;
- Positions to which employees are recruited through the competition;
- Job regulations and salaries of the head of the COMPANY and his deputies.

MANAGER OF THE COMPANY

In his activities, the General Director is guided by the Company's articles of association, decisions of the general meeting of shareholders, decisions of the board and other local acts of the Company. The CEO of the company is responsible and regularly reports to the board.

The head of the company is elected by the board of the company. The manager organizes the daily activities of the Company and performs the actions necessary to perform its functions, implement the decisions of the Company's bodies and ensure the Company's activities.

The Company does not apply changes to the special rules governing the election of the Company's manager, while performing these actions the Company is guided by the provisions of the Law on Joint Stock Companies and the Company's Articles of Association.

Company Management

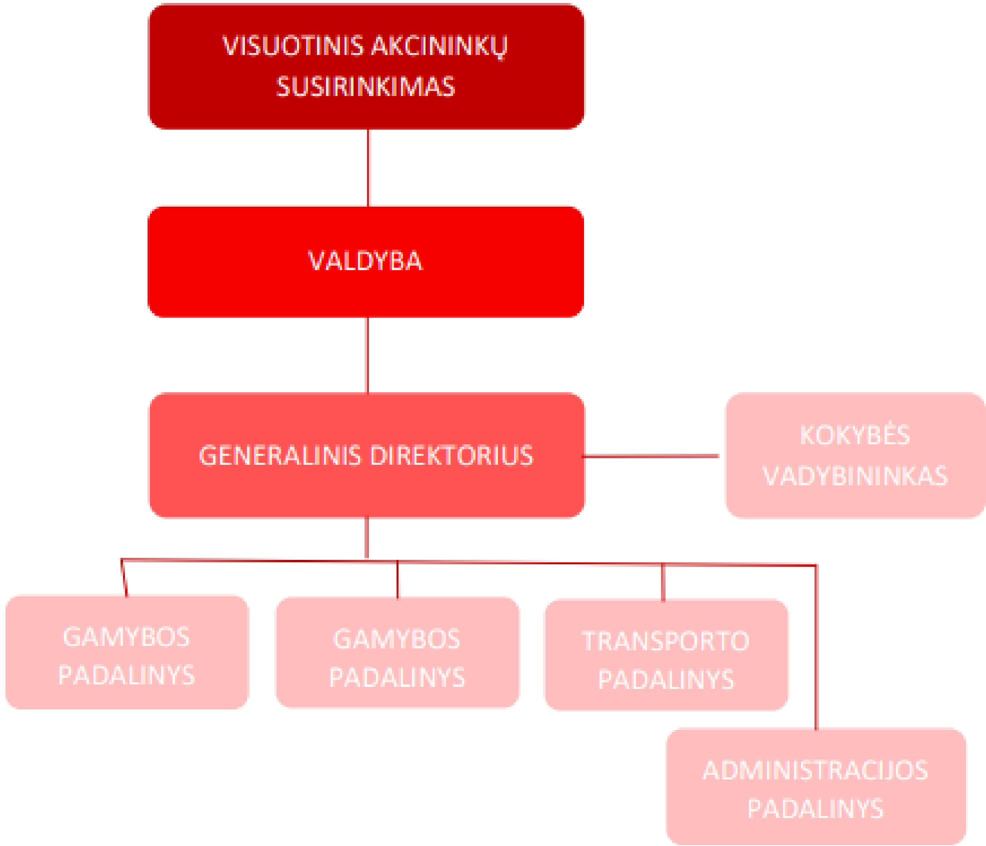
It consists of the general director, production director, logistics director, director of the sales and marketing department, financial director, chief executive. accountant, director of personnel and legal department, other employees performing administrative functions. The Company's management is headed by the ceo. Departments of the Company are the structural divisions of the Company that carry out and implement the decisions, assignments, and other instructions of the Company's Board and the General Director.

The Company's audit committee

The company has an audit committee consisting of three members: Angelė Taraškevičienė (chairwoman of the committee), Zina Sakalauskienė and Sigita Leonavičienė. The composition of the audit committee did not change during 2022. The main functions of the audit committee are to perform unexpected financial inspections, inventories of material values, to submit proposals for optimization of processes, to perform other duties assigned by legal acts. This committee also performs the advisory function to the Company's Supervisory Board, and its main task is to increase the effectiveness of the Supervisory Board's work in the field of financial supervision of the Company, to help ensure that unbiased and thoroughly considered decisions would be made.

Distribution of ŽEMAITIJOS PIENAS JSC board members by diversity categories:
By gender: 40% women and 60% men.
By age: younger than 30 years: 0%; from 30 to 50 years: 60%; older than 50 years: 40%.

Organizational structure of Šilutės Rambynas JSCF.



The bodies of Šilutės Rambynas JSCF (hereinafter - Šilutės Rambynas) are: shareholders' general meeting; board; and a sole management body - the head of the company (CEO). Also working under the manager are administrative employees. The company does not have a supervisory board or an audit committee.

GENERAL SHAREHOLDERS' MEETING

The competence of the general meeting of shareholders, the rights and duties of shareholders are provided for by the Law on Joint-Stock Companies of the Republic of Lithuania, as well as other legal acts and the Company's articles of association. The articles of association of Šilutės Rambynas are changed or separate new provisions are adopted according to the usual procedure established by legislation.

THE BOARD

The activities of the board of Šilutės Rambynas, the election and replacement of its members are subject to the same rules as those established by ŽEMAITIJOS PIENAS JSC, as well as the requirements of the Law on Companies and the Company's Articles of Association. Board members are not given other or special powers than those provided for by laws and the Company's articles of association. Board members of Šilutės Rambynas do not have special functions or powers, e.g. are not assigned certain areas of activity in the company, except for those that perform the duties stipulated in the employment contract, if they are employees of the company. Below are the details on Šilutės Rambynas board members, 31-12-2022:

Algirdas Bladžinauskas	Irena Baltrušaitienė	Linas Puskunigis	Robertas Pavelskis	Renata Rupšienė
Member of the Board of the Company from 30-04-2018, elected as a member of the Board until the end of the term of office of the acting Board of the Company (30-04-2023). Chairman of the Board	Member of the Board of the Company from 30-04-2018, elected as a member of the Board until the end of the term of office of the acting Board of the Company (30-04-2023).	Member of the Board of the Company from 30-04-2018, elected as a member of the Board until the end of the term of office of the acting Board of the Company (30-04-2023).	Member of the Board of the Company from 30-04-2018, elected as a member of the Board until the end of the term of office of the acting Board of the Company (30-04-2023).	Member of the Board of the Company from 30-04-2018, elected as a member of the Board until the end of the term of office of the acting Board of the Company (30-04-2023).

MANAGER AND THE MANAGEMENT

Šilutės Rambynas Management consists of:

CEO	**Production Director**	**Technical Director**	**Transport manager**
Sales manager	**Head of the production**	**Chief Accountant**	**Other employees**

The Company's management is headed by the ceo. Directors/managers implement the goals and objectives set by the Company's management bodies, perform functions according to their assigned competences and lead subordinate employees.

Šilutės Rambynas JSCF board members distribution by diversity categories:
By gender: 40% women and 60% men.
By age: younger than 30 years: 0%; from 30 to 50 years: 0%; older than 50 years: 100%.

Vision, mission, and values

The company's managers, considering the operational plans and strategy, confirmed that 2022 is the year of the Company's SUSTAINABILITY AND UNDISCOVERED OPPORTUNITIES.

The goal of the Company and the Group is to sell the manufactured products directly to the shelves of strategic foreign countries with their own trademarks and brands, and for the customer to have the opportunity to choose healthy and organic food.

Long-term goals of the Group companies:

- To become and be strong, competitive, technically modern, reliable, attractive companies for investors, so that the Company's return to shareholders is one of the highest among comparable companies.
- To find and maintain the most profitable markets for our products in the European Union and other countries of the world, giving priority to the closest markets, as well as the markets of Germany, France, England, and Hungary.
- Maximize use of existing production capacity.
- Constantly studying the consumer market, their needs for new products, carrying out tastings, with the help of scientists and new scientific methods, the aim is to improve and create new dairy products.

VISION

MISSION*

VALUES

Create unique and delicious products by anticipating the future needs of consumers today. To represent the culture of the Žemaitija region in the world. To be attractive to the environment, employees, and society.

Continuously create added value for the Buyer and the Company, retaining existing Customers and attracting new ones, ensuring the highest level of product quality from the field to the shelves.

Work and time planning, fulfillment of promises and accepted obligations, direct communication, honesty, the desire to learn and improve, the desire to strive to do more, better and more rationally.

RELATION TO SUSTAINABILITY

Maintaining sustainable development and harmony in the mutual relationship of people, nature, and society. Responsibility to achieve a better quality of life for all people.

Promote sustainability throughout the food industry through common opinion in cooperation with stakeholders and related sectors in carrying out sustainable activities.

Resiliency, cost savings, talent attraction and retention, attraction and satisfaction of customers, brand and reputation, innovation and productivity.

***see About us section on the website of ŽEMAITIJOS PIENAS JSC**

Sustainability management

In the company, we strive for sustainability to be implemented by applying the recommendations of international sustainability standards and good practices. Our activities include social, environmental and economic responsibility in a sustainable value chain, from raw milk suppliers to waste managers and more. The sustainability topics are selected taking into account the EC Non-Financial Reporting Guidelines and the UN Global Compact, based on the Company's impact on nature and society, and financial significance for the Company's results.

SOCIAL SCOPE

- ensure employees' health and safe workstations
- respect human rights
- maintain open relations with communities

ENVIRONMENTAL SCOPE

- comply with all legislation of the Republic of Lithuania related to environmental protection
- reduce the consumption of energy resources
- reduce air pollution

ECONOMIC (MANAGEMENT) SCOPE

- create value for our shareholders
- ensure the effectiveness of the management of risk factors related to food safety
- ensure the prevention of corruption and bribery.

In the company, sustainability issues and the preparation of sustainability reports are taken care of by the Sustainability Specialist, raising competence and gaining more knowledge and understanding in the field of sustainable development, participated in external sustainability trainings and seminars in 2022.

In order to ensure broad involvement and commitment to achieving common sustainability goals, we will prepare a Sustainability Policy, which would have clear principles of the Company's sustainability management and clear guidelines, which will determine the areas for which top management and responsible persons will be responsible, based on which the established sustainability agenda will run even more smoothly.

SUSTAINABLE DEVELOPMENT GOALS

The Agenda for 2030 was established by the United Nations back in 2015 as a global call to action to end poverty and move the world towards a healthy planet of peace, prosperity and opportunity for all. The agenda consists of 17 sustainable development goals (SDGs) and 169 headline targets to be achieved by the end of this decade. The implementation of the goals of the set agenda was accepted by all UN member states.

We also use our knowledge and business to contribute to the transformations needed to achieve the Sustainable Development Goals.

Stories of our success

- **Tests are being carried out on prototypes of the jointed caps** that will have to be used by all EU member states from 2024.
- Corrugated cardboard boxes used for product packaging are made of **100% recycled cardboard.**
- Investments were made into **EURO 6 standard trucks and hybrid cars** that will reduce air pollution.
- As a contribution to climate change mitigation goals, the calculation of greenhouse gas emissions in scopes 1 and 2 were started .

8 DERAMAS DARBAS IR EKONOMINIS AUGIMAS

12 ATSAKINGAS VARTOJIMAS IR GAMYBA

13 SUŠVELNINTI KLIMATO KAITOS POVEIKĮ

- Our hard cheese DŽIUGAS participated in competitions and international projects, where it was **awarded and evaluated with the highest awards** for its taste and quality, thus approaching the 100th award.
- The longest cheese stick in the history of Šilutė Rambyn was made. The length of the record cheese stick reached 699.56 meters, it weighted 91.2 kg, and more than 970 liters of milk were used to make it.

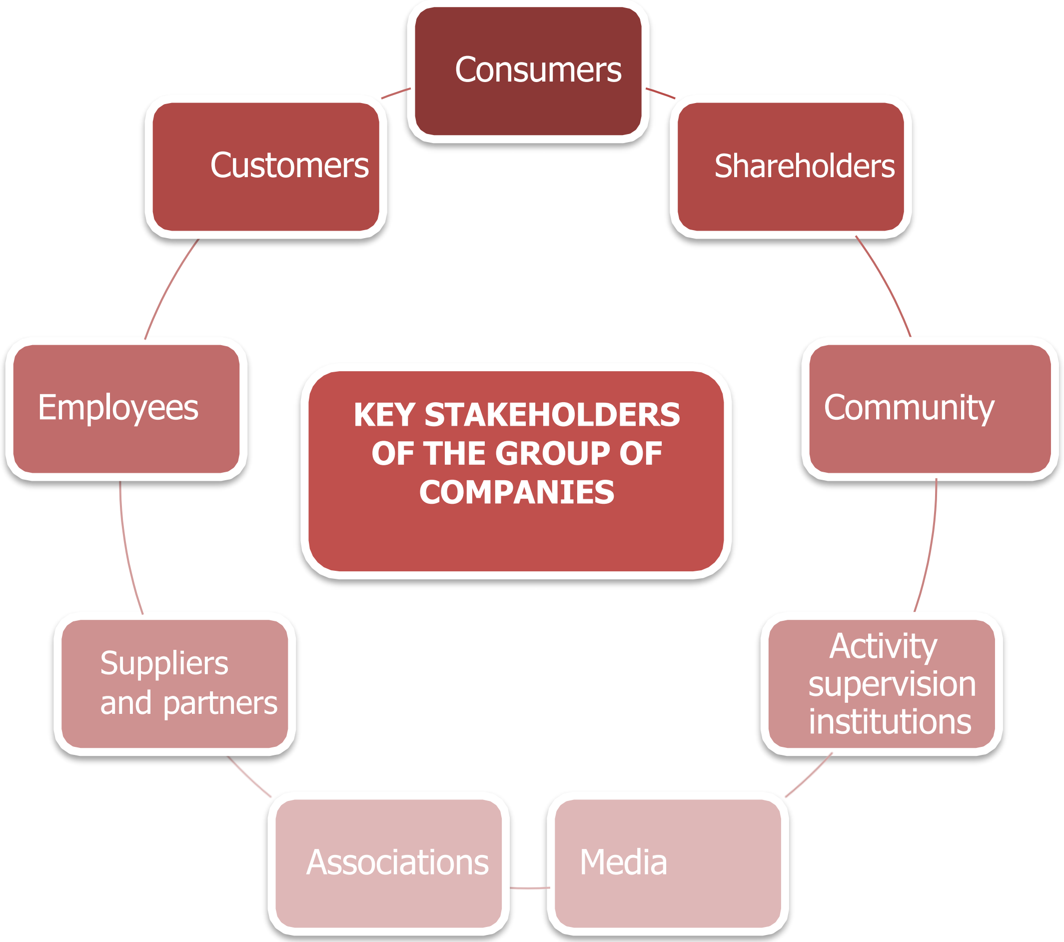
5
New products of ŽEMAITIJOS PIENAS Were put on the market

3%
Reduction in the amount of generated waste

25%
Reduction in the amount of plastic for product packaging per position

0
The number of environmental violations identified

Stakeholders

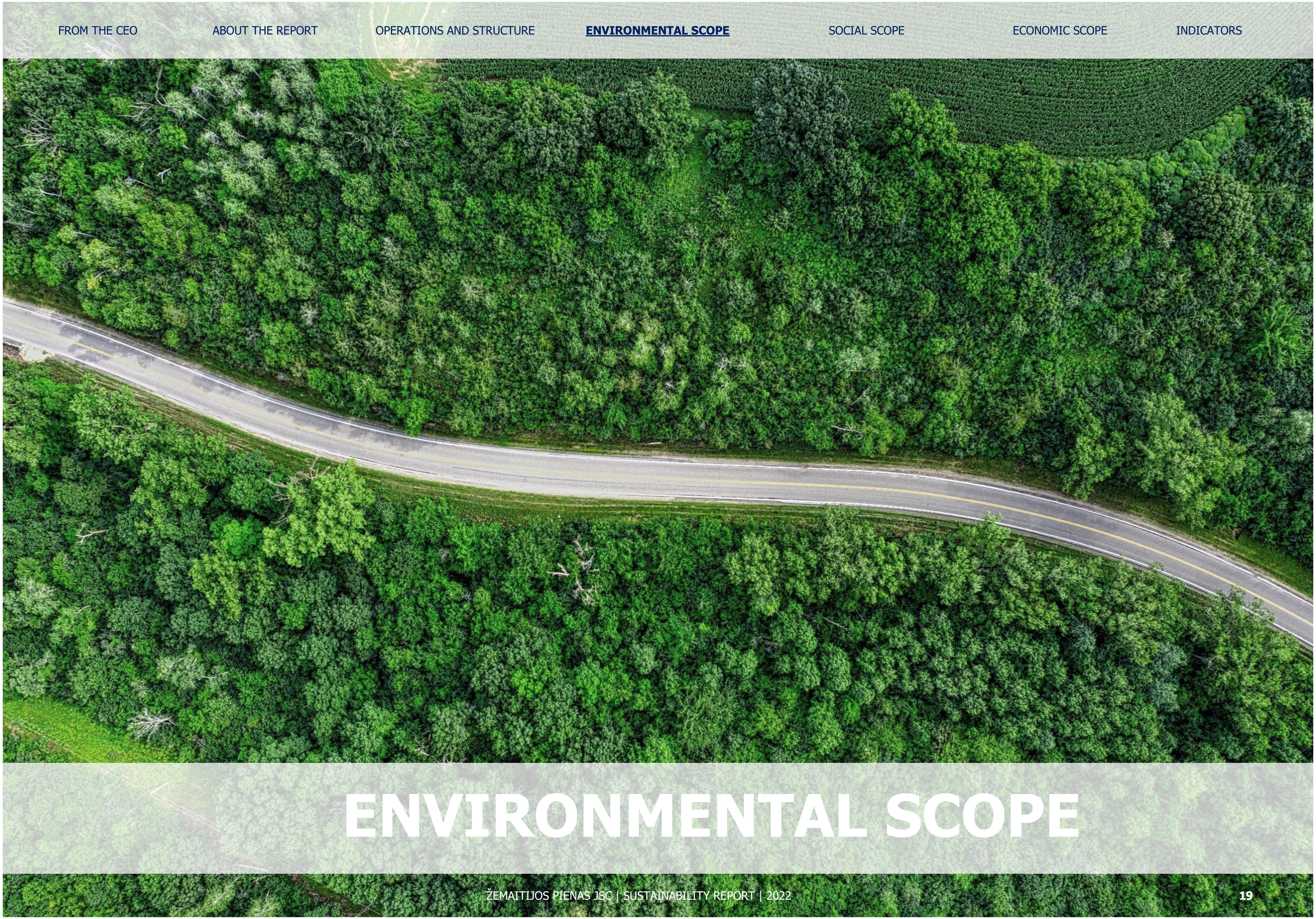


Dialogue with stakeholders within and beyond our sector is critical to inclusive and sustainable growth.

We consider our stakeholders to be groups that are relevant and/or significantly affected by our activities, as well as individuals or organizations that have significant influence over our companies. Without stakeholder feedback, we risk missing out on valuable insights and possibilities for improvement. We communicate with stakeholders with stakeholders as often as possible: during meetings with customers and partners, employee and customer satisfaction surveys, as well as at company events, career fairs, joint audits and social networks.

Complaints and reporting channel.

In order for us to fulfill our obligations as best as possible and to contribute to correcting the possible negative effects of our activities, we have our own survey form, which is designed to learn about issues of concern or to report various violations. Received reports are examined according to internal procedures by responsible persons.



ENVIRONMENTAL SCOPE

Energy efficiency

This topic corresponds to:

One of the priority areas of sustainability is the impact on the environment, the Company constantly monitors its performance indicators, plans and implements the latest technologies that would reduce production and operational costs and energy costs, conserve natural resources and improve the Company's environmental status in every way.

The company is well aware that, acting irresponsibly, its activities can cause great damage to nature, and only the complex use of economic, legal, technical and biological measures can guarantee the rational use of natural resources now and in the future, therefore the impact on the environment is controlled according to coordinated monitoring programs. When the company expands or renews facilities and technologies, an environmental impact assessment is carried out to ensure that the Company's development does not exceed the permitted environmental standards. Being socially responsible and taking care of the environment and its preservation, the company invests in saving energy, improving business management processes, and tries to allocate funds for other activities as much as possible.

We used independent auditors in 2022 to conduct an audit of the energy consumption of technological processes and devices, the conclusions of which will be used to determine the need for projects in the future, reducing the use of energy resources.

Energy consumption	Unit of measure	ŽEMAITIJOS PIENAS and Šilutės Rambynas	
		2022	2021
Electric power	TJ	103.270	99.760
	MWh	28,686	27,711
Centralized thermal energy	TJ	0.318	0.329
	MWh	88	92
Gasoline	TJ	0.358	0.224
	MWh	99	62
Diesel	TJ	114.079	110.424
	MWh	31,688	30,674
Biofuel	TJ	213.581	192.398
	MWh	59,328	53 444
Natural gas	TJ	53.201	56.098
	MWh	14,778	15,583
Liquefied petroleum gas	TJ	48.806	52.256
	MWh	13,558	14,516

Notes: energy consumption data are calculated using internal accounting tools. www.converterunits.com calculator is used to convert energy quantities to TJ.

Intensity of consumed energy

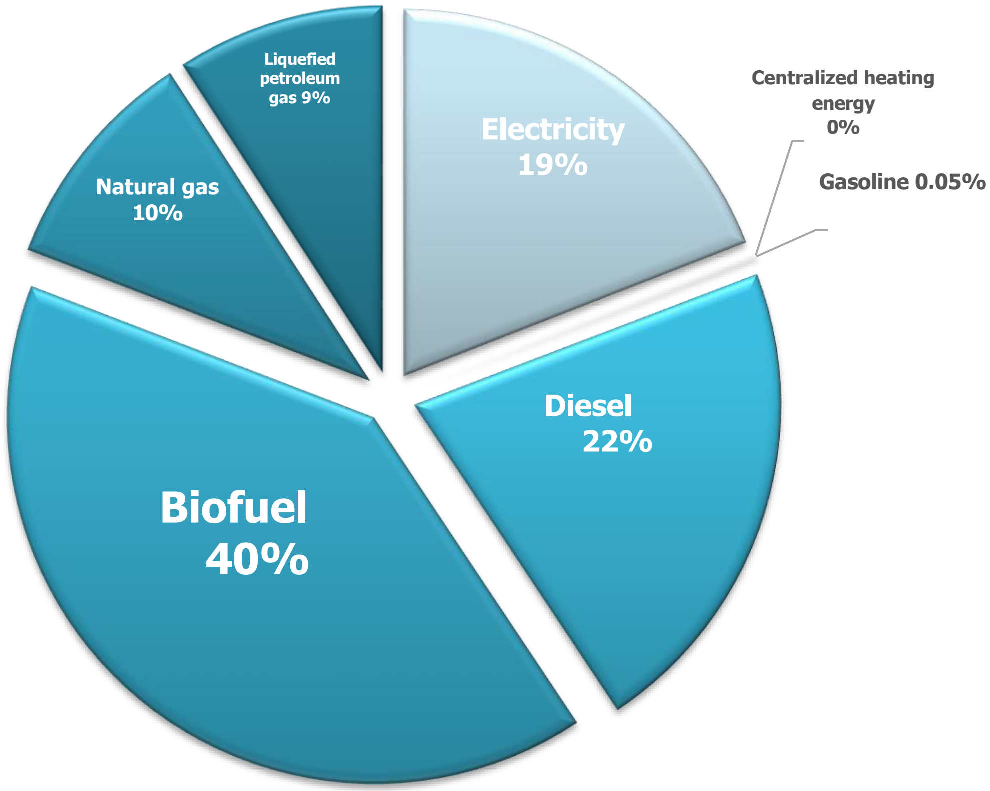
This topic corresponds to:

The intensity of energy consumption is calculated by dividing the annual energy consumption by the selected units of economic activity corresponding to the organization's activities: income, employees, raw materials and manufactured cheeses. The intensity of energy consumption is calculated based on the data of the 2022 financial year of the group of companies.

One of the priority areas of sustainability is the impact on the environment, the Company constantly monitors its performance indicators, plans and implements the latest technologies that would reduce production and operational costs and energy costs, conserve natural resources and improve the Company's environmental status in every way.

During the year 2022, corporate groups consumed 531,737 TJ (gigajoules) of energy in their activities. The consumption in 2021 was 509,732 TJ.

Indicator	2021	2022
TJ / income in thousand EUR	2.53	2.02
TJ / 1 employee	360.23	372.63
TJ / ton of raw milk	1.24	1.17
TJ / ton of produced cheeses	36.13	41.39
Income, thousand Eur	201,246	263,394
The number of employees	1,415	1,427
Raw milk, thousand tons	411	437
Produced cheeses, tons	14,036.9	12,847.8



Reduction of air pollution

This topic corresponds to:

Reducing air pollution is an important topic for ensuring sustainability and business continuity. Heat production generates greenhouse gas emissions, therefore the Company's activities contribute to air pollution and climate change, which is one of the biggest challenges facing humanity today.

The energy sector is one of the essential ones in the European Union's policy towards climate neutrality. The Company is classified as one of the companies that use equipment that requires a special permit for its operations, therefore the Company's air emissions are strictly regulated in the Integrated Pollution Prevention and Control Permit (IPPC), which is issued for an unlimited period of time, but may be adjusted due to operational changes.

Investments, the budget and environmental impact are assessed at board meetings. At management meetings, climate change issues are resolved and progress is constantly assessed.

It is concluded that a more sustainable vehicle model needs to be implemented, which makes it necessary to switch to environmentally friendly vehicles, which is considered one of the priorities to reduce air pollution and greenhouse gas emissions. In 2022 alone, the Company renewed its fleet for more than 800 thousand Euros, which will reduce the Company's CO_2 pollution level in the transport sector.

We favorably evaluate the European Union's Green Course policy initiative, which aims to help the EU carry out the green transition, and the ultimate goal is that by 2050 the aim is to ensure climate neutrality. In order to more accurately and fairly assess the company's current state and prospects for successful competition, we will approve an environmental plan (environmental protection policy) in the coming years, which will determine the goals and objectives of benefits and negative effects on the environment.

GHG emissions

This topic corresponds to:

In our activities, we monitor the CO_2 footprint and aim to eliminate or significantly reduce the emission of such emissions as sulfur dioxide, solid particles or nitrogen oxides. The monitoring of pollutant emissions is carried out in accordance with the environmental monitoring programs of business entities approved by the responsible institutions. Planned and unplanned inspections by inspectors of the Department of Environmental Protection were carried out in the company in 2022, during them not a single violation was found.

The growth of indirect emissions was influenced by the refusal of certificates that prove the origin of green electricity, due to the energy crisis caused by the Russian war in Ukraine - the increased prices of energy resources. However, the Company will invest over 10 million by 2025. Euros to electricity production facilities from renewable resources, which will allow the Company to produce green electricity itself, contribute to the creation of sustainable energy infrastructure and the reduction of greenhouse gas emissions.

When calculating the CO_2 footprint, we use the generally accepted standard Greenhouse Gas Protocol (GHG) and the guidelines of the Intergovernmental Panel on Climate Change (IPCC). The calculation of emissions (volumes 1 and 2) includes not only CO_2, but also other greenhouse gases (CH4, N2O, HFCs) produced in the activity by converting them into CO_2 equivalent according to standard coefficients (IPCC, EEA Inventory guidebook, electricity AIB) for and marking the final total number of CO_2 eq.

GHG emissions	Unit of Measurement	2022	2021
Direct emissions - scope 1	t CO_2 eq.	15,236	13,941
Indirect emissions - scope 2		7060	124
Direct emissions - scope 1 (of biogenic origin)		40,500	35,565

Notes: calculations are made according to the market based method, adding up the actual purchase of electricity. When calculating according to the location based method, according to the nature of energy production characteristic of the region, indirect emissions - scope 2 in 2022 would be 6324 t CO_2 eq.

GHG emission intensity	2022	2021
t CO_2 eq. / 1 million EUR income	84.9	69.9
t CO_2 eq. / 1 employee	15.6	9.9
t CO_2 eq. / ton of raw material*	0.055	0.036
t CO_2 eq. / ton of produced cheeses	1.74	1.00

Notes: the emissions intensity indicator is calculated by dividing the annual amount of GHG by the selected units of economic activity corresponding to the organization's activities: income, employees, raw materials* (raw materials include: processed natural milk, condensed whey, sour whey and cream (AB "ŽEMAITIJOS PIENAS and ABF " Šilutė Rambynas" data) and the amount of cheese produced. The intensity of energy consumption is calculated based on the data of the financial year 2022.

Water conservation

This topic corresponds to

In Telšiai, the Company uses fresh water to carry out its activities, the water needed for production needs is extracted from the water well from its own water wells. Additional water is taken from the centralized city water system, but it does not make up more than 1% of the total annual water consumption.

There is a mineral water well from which TICHĖ mineral water is extracted, which is bottled using advanced production technology, equipment that meets EU standards, and a quality and food safety management system that guarantees the high quality of mineral water.

Šilutė Rambynas also consumes relatively a lot of underground and centralized water. In order to conserve as much

water resources as possible, the company implements modern technologies that allow in production, during whey processing, after concentrating the whey, the remaining whey water is purified by a membrane system to water suitable for washing equipment. A project for the modernization of drainage baths is planned: the acquired equipment will reduce physical work in production, improve working conditions and ensure stability of production quality criteria.

Water	Unit of measure	2022	2021	Change from last year
Water consumption (groups of companies)				
Groundwater	m3	1,109,926	1,037,530	7%
Centralized water		90,897	99,400	-9%
Groundwater	megaliters	1,109.26	1,037.530	7%
Centralized water		90,897	90,897	-9%

Notes: water consumption accounting is carried out according to internal procedures, units of measurement - m3.

In the group of companies, water withdrawal is carried out in compliance with all the rules stipulated by law. All existing water bodies are registered, water resources have been examined, approved and entered in the Register of the Earth's Depths. In order to effectively manage extracted resources, we perform water accounting and control, as well as submit reports and pay taxes in the prescribed manner.

Although there is no shortage of water in Lithuania, we try to reduce any significant negative impact on the environment in our activities.

Nasdaq E6

GRI 303-1, GRI 303-2, GRI 303-3, GRI 303-5

Sewage management

This topic corresponds to:

ŽEMAITIJOS PIENAS is a milk processing company, therefore many by-products are generated during production activities, namely milk, whey residues in tanks and pipelines and production residues in mixing devices.

By implementing the principles typical of the circular economy, reducing waste and pollution and restoring and renewing natural systems, the company sends the generated by-products (SGP) to the biogas plant, where the "secondary" products are transformed into organic fertilizers and biogas, and even later into electricity and heat energy. also part of the animal by-products goes to the farmers who use these products to feed their animals. To this day, such use of animal by-products is, in the company's view, economical and environmentally friendly, therefore, cooperation with biogas power plants and local farmers is expected in the future as well.

Sewage	Unit of measure	2022	2021	Change from last year
Transferred to waste water management (groups of companies)				
Household and industrial sewage	m3	1,288,440	1,205,177	6%
Transferred animal by-products - ABP (groups of companies)				
Transferred for ABP biogas production	t	12,390	8,835	29%
Transferred to ABP farm entities	t	15,005	16,937	-13%

Notes: accounting of generated wastewater is carried out according to approved internal procedures, units of measurement: m³ (cubic meters) and t (tons).

In order to ensure high-quality and reliable management of domestic and industrial wastewater generated in the economic activities of the Company and group companies, they are transferred to a licensed wastewater treatment company, to the wastewater collection system belonging to it. Surface wastewater is directed separately to the surface wastewater treatment-filtration drain. In Šilutės Rambynas, the pollution treatment of industrial wastewater discharged into the city sewage networks is fully ensured: wastewater storage and mixing tanks are installed, which allow to avoid instant pollution and to control the quality of wastewater discharged to the treatment facilities belonging to Šilutės vandenys PJSC.

Our day-to-day operations generate large volumes of waste water and its proper management is critical to our continuity. Therefore, the amount and concentration of the generated wastewater is strictly controlled in accordance with the requirements of the legislation governing wastewater management, in order to avoid negative effects on the environment.

Waste and product packaging management

This topic corresponds to:

Our activities generate a lot of waste, so we, like other EU member states, adhere to the principles of the Green Course, which are aimed at the reduction of the use of natural resources.

The use of negotiable containers is increasing, negotiable containers have been separately created for internal use, which have been successfully adapted and

7 OTHER

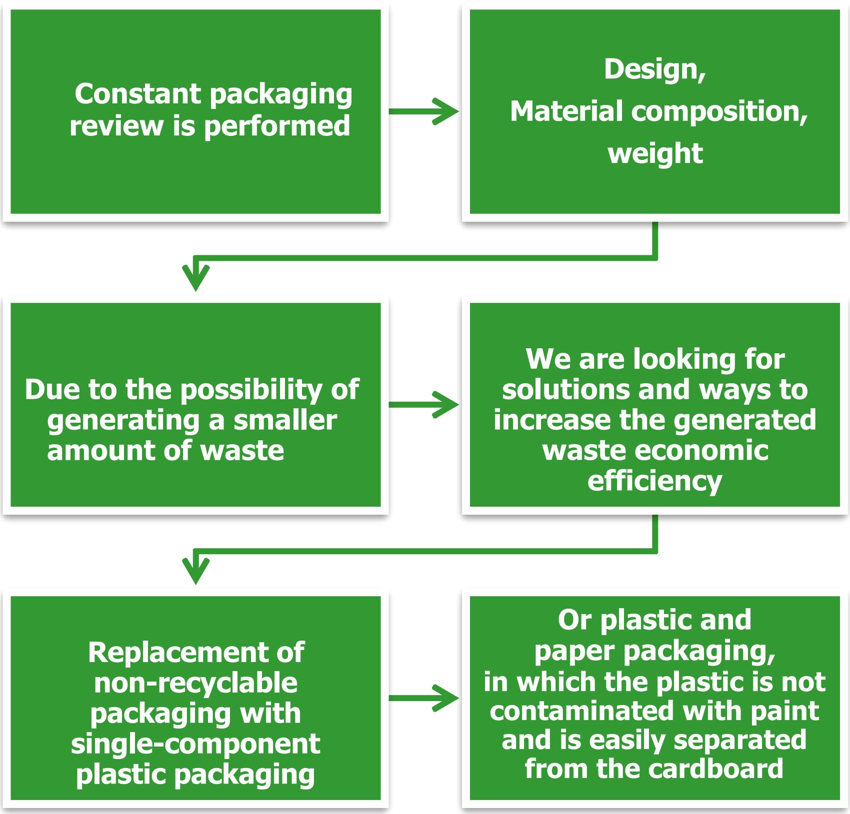
The aim is to change the multi-component plastic labeled "7Other" to a single-component one that is easier to recycle, while maintaining the same shelf life of the product.

Trials are being conducted with the aim of reducing the amount of packaging materials for internal use.

01 PET

Recycled rPET packaging is tested, both in bottles and in shrink and wrap films/labels.

It is a constant challenge for us as dairy producers to ensure that we choose the right packaging to maintain product integrity while reducing the environmental impact of our packaging.



The Company continues to implement its goals in 2023:

- To collect all secondary and tertiary transport packages released to the Lithuanian market - cardboard and packaging film;
- Improve processes that reduce or facilitate manual work;
- To optimize technological processes, to implement new technologies, where it allows to improve the quality of products, and to increase the productivity of production capacities.

In creating efficient packaging waste management, the tasks of packaging and packaging waste management assigned by the Ministry of the Environment of the Republic of Lithuania are being implemented. All accumulated and sorted waste is transferred to a licensed packaging waste management organization.

The resulting product packaging and transport packaging waste is sorted into suitable for recycling (PET, HDPE, LDPE, PP) and unsuitable for recycling (Other, C/PAP and others). In line with sustainable waste management, the company's internal procedures, which include waste sorting and separation, are reviewed and adjusted so that as little as possible of recyclable plastic waste enters the waste disposal process.

All waste is managed in accordance with the requirements of the Waste Management Law and Waste Management Rules. All generated waste is collected, sorted and handed over to waste managers with whom contracts have been signed.

Waste	Unit of measure	2022	2021	Change from last year
TOTAL WASTE GENERATED BY COMPANIES IN THE GROUP	t	**996**	**1032**	**-3%**
Non-hazardous		917	948	-3%
Hazardous		79	84	-6%
Paper and cardboard		271	246	10%
Plastic (PET)		37	39	-6%

Notes: data is collected in accordance with the requirements of legal acts in the Unified Product, Packaging and Waste Accounting Information System (GPAIS).

Effects on biological diversity and ecosystems

This topic corresponds to:

In the course of our activities, we do not avoid direct or indirect emissions that affect the state of the environment. Environmental impact assessments are carried out during the implementation of projects. Pollution from air or sewage generated during daily activities is controlled, and the results of their monitoring are submitted to the responsible authorities. Norms of pollutants (air or water) in pollution sources and environment are not exceeded. Other physical pollution components (noise, odors) are assessed by physical measurements and dispersion modeling and submitted to the responsible authorities for coordination and approval before starting any new economic activity or in case of significant changes in activities.

Sustainable work environment

Employee diversity is key to business success. The company does not differentiate between the sexes when it comes to promotion opportunities or salary. We want to provide a workplace with a diverse workforce characterized by mutual respect and trust, promoting equal opportunities by enabling colleagues to reach their full potential, fostering fair behavior and building the right procedures and policies.

We invest in the development of our employees through various training programs and certifications to increase their competence in various fields to increase their ability to perform their job even better.

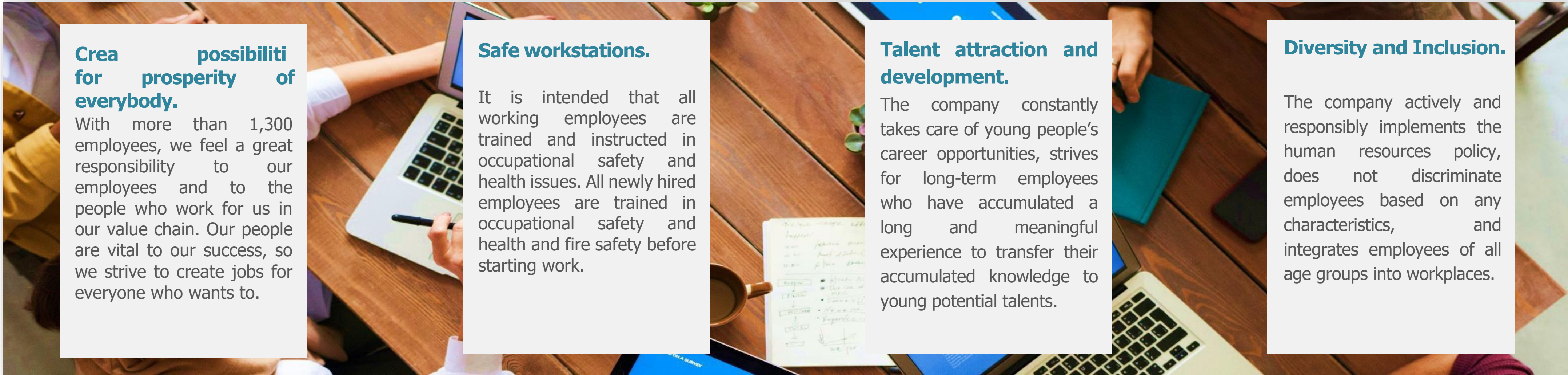
Microclimate studies are ongoing, which are confidential personal interviews where employees expressed their opinions on working conditions, managers, colleagues and other topical issues.

Employee opinion analysis ir performed and after decision making solutions that improve working conditions and microclimate are implemented.

Investments are made in reducing difficult jobs, manual work in technological processes is reduced by mechanizing or automating it.

This topic corresponds to:

- The distances of transporting raw materials and production are shortened by using electric hydraulic carts.
- Product packaging robotization and palletizing devices are being installed to pack the final product.
- Increasing digitization for information display, thus reducing "paper logs".



Crea possibiliti for prosperity of everybody.

With more than 1,300 employees, we feel a great responsibility to our employees and to the people who work for us in our value chain. Our people are vital to our success, so we strive to create jobs for everyone who wants to.

Safe workstations.

It is intended that all working employees are trained and instructed in occupational safety and health issues. All newly hired employees are trained in occupational safety and health and fire safety before starting work.

Talent attraction and development.

The company constantly takes care of young people's career opportunities, strives for long-term employees who have accumulated a long and meaningful experience to transfer their accumulated knowledge to young potential talents.

Diversity and Inclusion.

The company actively and responsibly implements the human resources policy, does not discriminate employees based on any characteristics, and integrates employees of all age groups into workplaces.

Number and diversity of employees

Indicators of ŽEMAITIJOS PIENAS JSC

Distribution of the number of employees

	2022	2021
The number of employees	1,271	1,249
Share of working women, %	46	46
Share of working men, %	54	54
Total employee turnover, %	9.61	13.94
Change in part-time employees, %	7.48	3.74
Part-time workers, %	8.42	8.51
Those working under a fixed-term employment contract, %	12.43	11.84
Employees with disabilities	19	18

Notes: Presented actually in 2022. December 31 the number of employees who worked at ŽEMAITIJOS PIENAS JSC.

Distribution of employees by education

	2022	2021
Primary Education	7	7
Basic education	72	63
Secondary education	345	341
Vocational education	384	358
Higher non university education	286	305
Higher university education	177	175

Distribution of employees according to their positions

	2022	2021
Employee positions, held, % of women	39	40
Employee positions held by men, %	61	60
Specialist positions held by women, %	68	70
Specialist positions held by men, %	32	30
Managerial positions held by women, %	50	50
Management positions held by men, %	50	50

Diversity of employees by age group and salary ratio

	2022	2021
Younger than 29	148	158
From 30 to 49 years	628	603
Older than 50 years	495	488

CEO to employee salary ratio

	2022	2021
Ratio of CEO salary and bonuses to average full-time employee salary	3.9/1	4.4/1
Ratio of the total average salary for men and average salary for women	1.07/1	1.07/1

Indicators of Šilutės Rambynas JSCF

Distribution of the number of employees

	2022	2021
The number of employees	156	166
Number of working women	82	88
Number of working men	74	78

Notes: Presented actually in 2022. December 31 the number of employees who worked at Šilutės Rambynas JSCF.

Diversity of employees by age groups

	2022	2021
Younger than 29	13	16
From 30 to 49 years	65	67
Older than 50 years	78	83

During the summer period, young employees who do not have the necessary experience are temporarily accepted, who are able to perfectly integrate into the daily activities and adapt to the ongoing processes. They willingly familiarize themselves with the specifics of the work and gain experience from experienced employees of the Company. There are cases that after working during the summer vacation, young people return to the Company after graduation to continue their careers. During the year 2022, 7 young employees aged 17-18 were temporarily hired during the summer period.

Distribution of employees by education

	2022	2021
Incomplete secondary education	9	11
Secondary education	25	28
Vocational education	61	60
Higher non university education	35	42
Higher university education	26	25

Šilutės Rambynas JSCF aims to create and develop long-term relationships with employees, therefore employees are constantly encouraged to improve in the professional field. Šilutės Rambynas JSCF
employees have the opportunity to improve their knowledge and skills in various seminars and courses. Šilutės Rambynas has prepared training programs according to which the following are trained and certified:

- specialists
- production workers
- technicians
- Sewage Treatment
- locksmiths
- foremen and foremen's assistants.

Training and improvement of qualification

Improvement of the qualification of our employees remains our priority. All employees of the Company have the opportunity to improve their knowledge and skills live or remotely in internal and external trainings, courses, seminars, conferences or exhibitions.

1712 employees participated in internal training, and 849 in external training in 2022. The company conducts knowledge assessments/attestations for managers, specialists and production employees.

We started implementing the Curator and Mentor training program in July 2022. 132 curators participated in the training "Creating a community of curators" and out of them wanted to be Mentors - 26 employees participated in the training "Creating a community of mentors".

In 2022, we participated in:

- "Career Humps 2022" an event of the Klaipėda State University of applied science that took place in October.
- "KTU WANTed Career Days 2022" an event of the Kaunas University of Technology that took place in October.
- "My career 2022: what does the employer expect?" the event organized by Vytautas Magnus University's Career Center Technology that took place in November.

During the summer period, during the holidays, children of employees have the opportunity to get a job in the Company and receive a reward for it. During the summer period of 2022, 87 young people worked. There is also cooperation with higher schools, we signed 6 cooperation agreements in 2022 alone. The company accepts interns who can get up close and personal with their future specialty. During the past year, 18 high school students completed internships at the Company.

At the end of 2020, the agreement for project No. 09.4.3-ESFA-K-827-04-0028 "Improving the qualifications of company employees at the workplace" financed jointly from EU structural funds was signed, the purpose of which is to ensure the continuous maintenance of the level of qualifications of employees, professional mobility and the ability to rapidly reorient to other activities. The project aims to organize qualification improvement training for the company's employees at the workplace.
According to this project, in 2022, 140 employees were trained in the production units and the transport department. Another 51 employees are being trained in 2023.

Material welfare package

We constantly take care of the material well-being of our employees, so we not only pay a competitive salary that meets the requirements of legislation and labor market conditions, but also aim to ensure that employees who work well and achieve their goals receive an appropriate package of material well-being.

In order to ensure that employees consistently achieve the best results, the company ensures that all employees' wages are as closely related to performance as possible. Employees are also given the opportunity to earn extra:

- completing additional tasks,
- doing additional work,
- proposing candidates for vacancies.

There are various fringe benefits for employees, such as leisure activities (wellness hikes that include employees' family members). Employees can come to work by bicycle or scooter, and there is a specially equipped storage area for loading these vehicles. Employees are also given two paid vacation days to go to a medical facility.

ADDITIONAL BENEFITS, WHICH MAY BE GRANTED FOR EMPLOYEES

- on the occasion of the first marriage
- in case of death of a family member
- in the event of a difficult financial situation, a loan is granted
- funding of studies
- during the summer period, employees' children are employed for a fixed fee
- incentive payments are awarded on the occasion of receiving a bachelor's or master's degree
- on the occasion of employees' work anniversary and anniversaries

Occupational safety and health

In order to implement employee safety and health measures, the Company has established an Employee Safety and Health Service, which consists of occupational health and safety specialists. Every year, these specialists take part in various trainings, seminars or conferences to improve their qualifications. The company follows an employee health and safety policy.

In all structural units and departments of the Company, employees trained in occupational safety and health issues or employees of departments are appointed, who are responsible for the safety, health and fire safety of the employees of the department. They perform:

- Continuous risk assessment,
- Violation control,
- training of employees,
- And other functions that ensure the safety and health of employees.

We are a milk processing company, so there are very high food safety and hygiene requirements that employees must follow. All newly recruited employees are trained in occupational safety and health, fire safety, as well as first aid training and the application of preventive measures for the management of the Covid-19 virus, before starting work. Also, employees who are employed in a medical facility must undergo a health check and undergo hygiene training for working with food products.

Category	Unit of measure	2022	2021
Incidence of injuries among employees for the number	**100 of employees (3 NA)**	0.24	0.24

Notes: the indicator is calculated based on the number of employees of ŽEMAITIJOS PIENAS JSC.

Management of the Covid-19 pandemic

We are closely monitoring the Covid-19 situation around the world and are taking all possible disease prevention measures to ensure the health of everyone working in the company and people coming from outside.
The first half of 2022 continued to be constrained by the Covid-19 virus, however, thanks to strict restrictions and people’s awareness, the situation improved

cases of illnesses in Lithuania have decreased. However, despite this, ŽEMAITIJOS PIENAS still has the Institution’s personal care license issued by the State Accreditation Health Care Activity Service under the Ministry of Health Protection and has the opportunity to independently perform employee testing in medical offices - to perform rapid serological tests for antibodies and SARS-CoV-2 antigen, to summarize test orders and answers to Electronic information system of health services and cooperation infrastructure.

Product safety and quality

The quality of the manufactured products is of particular importance to us, so we control every stage of the production chain, from the supply of raw materials to the delivery of the product to the consumer.

The ŽEMAITIJA MILK group of companies follows the **QUALITY AND FOOD SAFETY POLICY** approved by the Company's Board.

Food and safety policy goals and objectives:

- In ensuring the quality and safety of the products, comply with the legislation and
  other regulatory documents and requirements of the stakeholders applicable to the company.
- Protect the environment by reducing material and energy consumption at all stages of production.
- Guarantee food safety in the supply chain from the reception of raw materials to the presentation of the final product to the consumer.
- Constantly improve production technology and production.
- To provide consumers and customers with wholesome, authentic, high-quality and safe food products in a timely manner.
- Carefully and competently research the needs of our users and respond promptly to changes.
- Constantly improve integrated food safety and quality management systems that meet the requirements of buyers, retail chains and international standards ISO 22000, FSSC 22000, BRC, etc. requirements, performance.
- Systematically raise qualifications and awareness at all levels, ensuring employees' responsibility for product safety and quality, performed duties and competence.

ŽEMAITIJOS PIENAS continued its evaluation according to the requirements of international standards of food safety and quality management. During the year 2022, 14 evaluations were conducted, the conclusions of which recognize that the Company meets the requirements of international food safety standards, which are recognized as requirements of the International Food Safety, as well as the requirements of individual retail chains.

Šilutės Rambynas pays great attention to ensuring the quality and safety of production. Šilutės Rambynas operates according to the following integrated food safety and quality management systems:

- BRCGS (BRC Global Standard) - since 2010;
- IFS Food (International Featured Standards) - since 2015;
- FSSC 2200 (includes ISO 22000:2005) - from 2019;
- HALAL standard - since 2015;
- EkoAgro certification - since 2007;
- VLOG Ohne Gentechnik Standard (GMO-free products) for the production of Pik-Nik cheese sticks - since 2017.

In 2023 we will continue expanding the areas of certified products and processes to meet the needs of export and local markets as well as certifications according to the currently available schemes - by conducting only unannounced external inspections, and increasing the amount of raw milk sold every year that meets food safety requirements.

Human rights

The company always strives to respect and protect human rights as defined in the Universal Declaration of Human Rights approved by the United Nations General Assembly and does so in accordance with conventions related to human rights.

ŽEMAITIJOS PIENAS JSC implements the following policies:

- Equal opportunities policy
- Zero tolerance to harassment policy

As much as possible, we respect and try to ensure the rights of employees to privacy. In this matter, the Company does not only what is necessary, but also more. As an example, it is possible to present the provisions established in the internal rules of ethics for creating a positive working environment. The company ensures equal opportunities for employees, regardless of their race, nationality, gender, political or religious views, or other characteristics. We evaluate employees only based on their work results and dedication to the Company.

The company complies with all legal acts and regulations so as not to violate any point that specifies the conditions for the employment of children. During the signing of the cooperation contracts, in all cases, the aim is to agree on the observance of the principles of social responsibility and not to use child labor for the performance of our activities and to choose only those goods for the production of which children were not exploited.

In accordance with the Labor Code of the Republic of Lithuania, the Company has an elected Labor Council, which performs clearly defined social partnership functions. The labor council represents the rights and interests of employees by participating in information, consultation and other procedures that involve employees and their representatives in the employer's decision-making. ŽEMAITIJAS PIENAS has a Labor Council consisting of 11 members. It also has an elected Chairman of the Labor Council and Secretary of the Labor Council. During the year 2022, 4 meetings of the Labor Council were held. The new Labor Council was elected on 14/04/2022.

The company has not concluded collective agreements with employees, but there is the possibility of concluding them in the future.

Support for Ukraine

The unprecedented war launched by Russia in Ukraine, which has resulted in the deaths of innocent civilians, the destruction of important engineering and public infrastructure facilities, ruptured supply chains and disrupted logistics, has led to a shortage of clean and potable water.

We did not remain indifferent and contributed to the support of Ukraine. We transported two trucks to Ukraine, which were filled with more than 25 thousand bottles of drinking water.

Social projects

In Poland, hard cheese Džiugas is a sponsor of the JiM Foundation - *DŽIUGAS PROJECT SERce dla* autyzma

What is the JiM Foundation?

JiM Foundation started its activities in 2002, in Poland, in the city of Lodz. This foundation supports almost 6,000 children and adults from all over Poland, many of whom determine future diagnosis and treatment. Every year, JiM clinic doctors diagnose several hundred children and adults free of charge. In addition, the foundation supports almost 6,000 parents and guardians of autistic children belonging to the JiM Club from all over the country, providing them with support (e.g. training and knowledge) and
legal aid.

Several hundred children and adults from all over Poland are diagnosed free of charge at the JiM clinic every year. The JiM Foundation has established a kindergarten and schools for children with autism and organizes seminars for adults. The foundation organizes social campaigns to raise awareness about autism, such as Blue Poland.

During the project period (01 March 2022 - 01 March 2023) POLISH Džiugas 12 months. 180 gr MILD is decorated with project signs, informing about Džiugas - Cheese supporting Polish children with autism. You choose Dziuga, you support children with autism in Poland. About 200 thousand Euros are allocated for the project.

Džiugas is the favorite hard cheese in Poland. Cheese is presented and communicated by famous Polish people in various TV shows, in press projects, and magazines.

The longest cheese stick "Pik-Nik" in Šilute

Group company Šilutės Rambynas celebrated the 511th birthday of the city of Šilutės. The longest was achieved during the city festival Pik-Nik Sausage Record. Agency *Factum* at the Lithuanian Culture Fund entered an improved outstanding achievement in the book of outstanding achievements of Lithuania.

Pik-Nik stick record holder facts

Length 699.56 m.

Weight 91.2 kg.

970 liters of milk used

Stick production took 4 hours.

It took several months to prepare

Travel and eat

For the second year in a row, the RAMBYNO National campaign Travel and eat! has been organized.

The goal of the project is brand awareness, image and user involvement in the activation.

During the game, the people of Lithuania, Latvia and Estonia were invited to buy RAMBYNO products marked with a sticker in the months of June and July, register and check their winnings.
During the game, 300 people registered in 3 Baltic countries instant prizes were awarded to:

- RAMBYNO sets,
- backpacks with external battery,
- EUR 400 in vouchers for recreation.

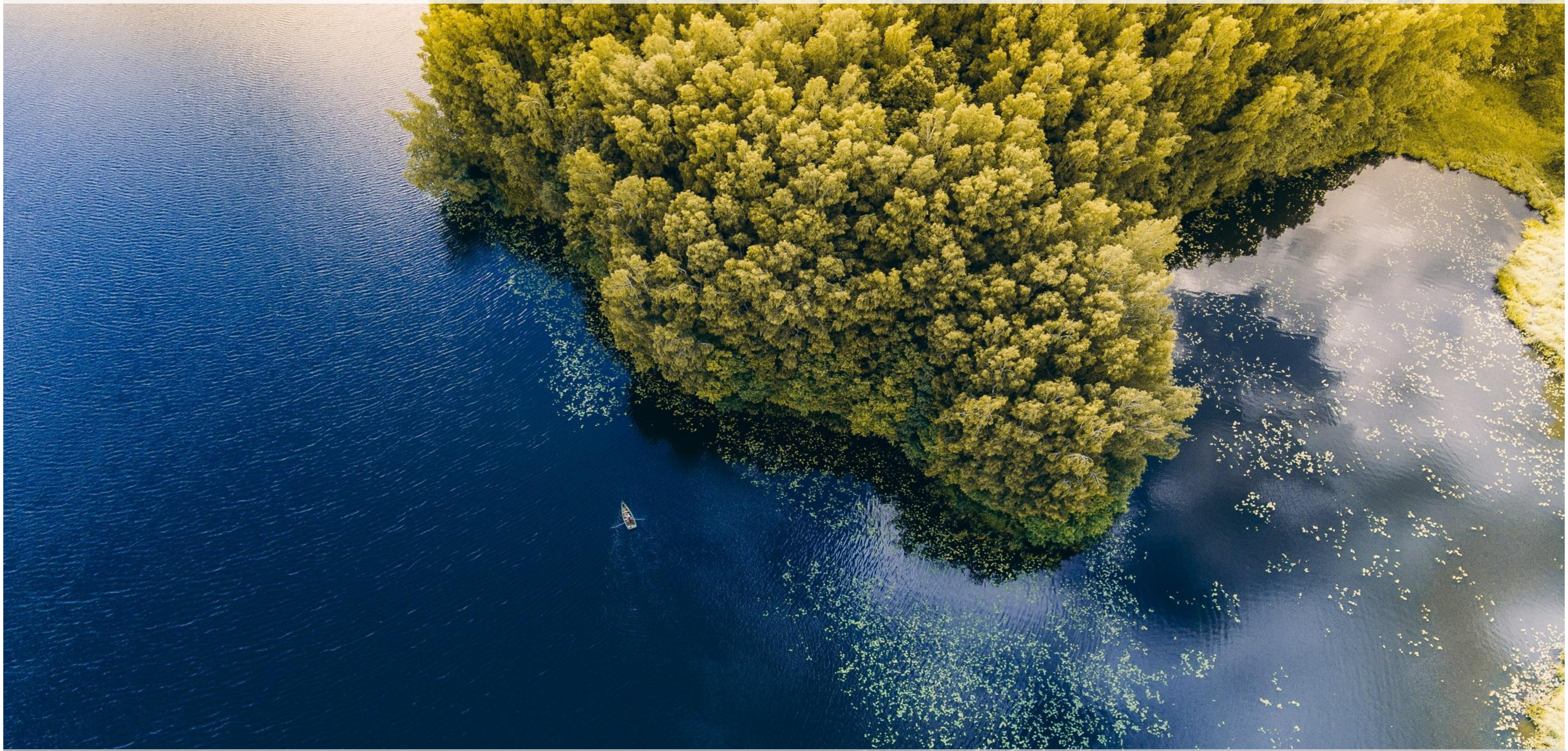
Patirčių vasara su TICHĖ

The TICHĖ national campaign of natural mineral water was launched in June 2022, reaching buyers not only in Lithuania, but also in neighboring Latvia!

During the promotion, the most loyal and new customers who found a Tichė water bottle with a promotion sticker on the shelf could buy, register and win exclusive prizes for body and soul.

TICHĖ gave away 300 sets of mineral water and 3 units of 500 euro coupons for exclusive rest at the hotel.

The slogan of the promotion is "Summer of experience with QUIET", which invited to remember this summer not only with a new, relaxing experience in a high-class hotel, but also to replenish the body with minerals such as calcium, magnesium, sulfates.



ECONOMIC SCOPE

Compliance

Code of ethics of ŽEMATIJOS PIENAS

The Company and Group companies have a Code of Ethics approved in 2018. This code establishes standards of conduct for all employees, regardless of their position, scope of employment, etc. The Company and the Group have implemented appropriate internal processes to reduce the risk of corruption and bribery.

The equal opportunities policy of the Company and the Group was approved in 2018. In order to achieve high standards of competition law compliance and ethical behavior towards our competitors, and approved the Company's Competition Compliance Policy in 2021. In management's assessment, the implemented measures are effective.

Supervision and Responsibilities

The company aims to minimize legal inconsistencies' risk and ensure that the Company's activities are carried out according to the requirements of the legislation and standards.

For that purpose, the Company's lawyers participate in the processes of decision-making, preparation and coordination of various procedures, procedures and contracts.

Tax transparency

Our commitment is to correctly calculate, honestly declare and pay taxes that are valid according to the laws of the Republic of Lithuania. The Finance Department monitors and controls the fair payment of taxes. Management is responsible for the preparation and fair presentation of the Company's and consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as, in the opinion of management, is necessary for the preparation of the Company's and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

When preparing the Company's and consolidated financial statements, the management must assess the Company's and the Group's ability to continue operations and disclose (if necessary) matters related to the continuity of operations and the application of the going concern accounting principle, except in cases where the management intends to liquidate the Company and the Group or cease operations or does not have other real alternatives, only to do so.

Risk management

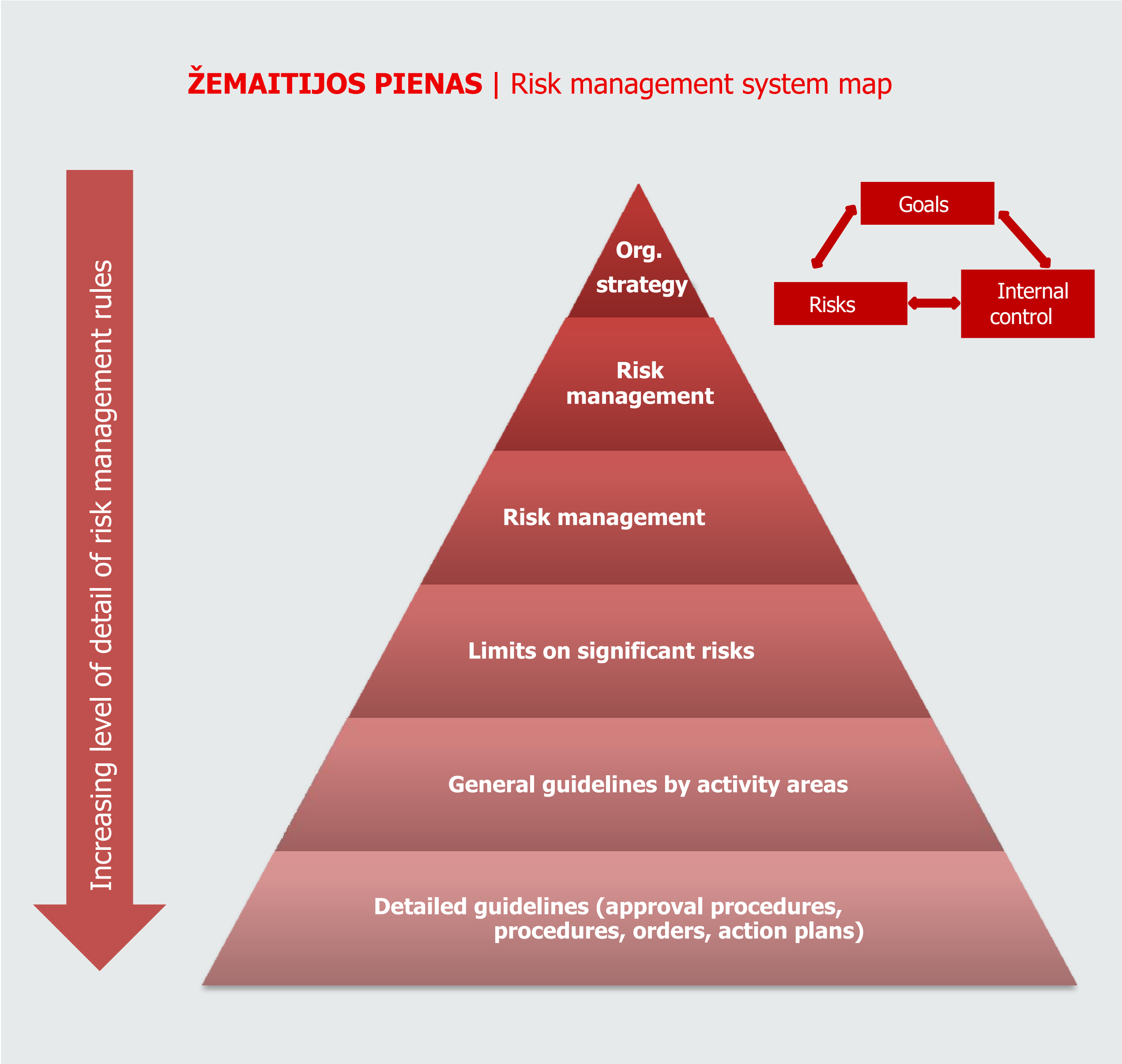
The risk management of the Company and the Group is implemented through a Risk Management System with integrated internal policies, procedures and procedures that meets the principles, values and business philosophy of the organization.

Adequate functioning of internal control implemented through:

- the creation and maintaining of an appropriate control environment and
- continuous monitoring and evaluation,
- horizontal and vertical communication, including information systems supporting business processes.

In the company, the business decision-making and operational functions are separated from the controlling functions; the limits of authority to make decisions are set and their control is foreseen; defined collegial decision-making in business processes, etc.

The general logic of internal control functioning is presented in the ***Map of the*** Risk Management System.

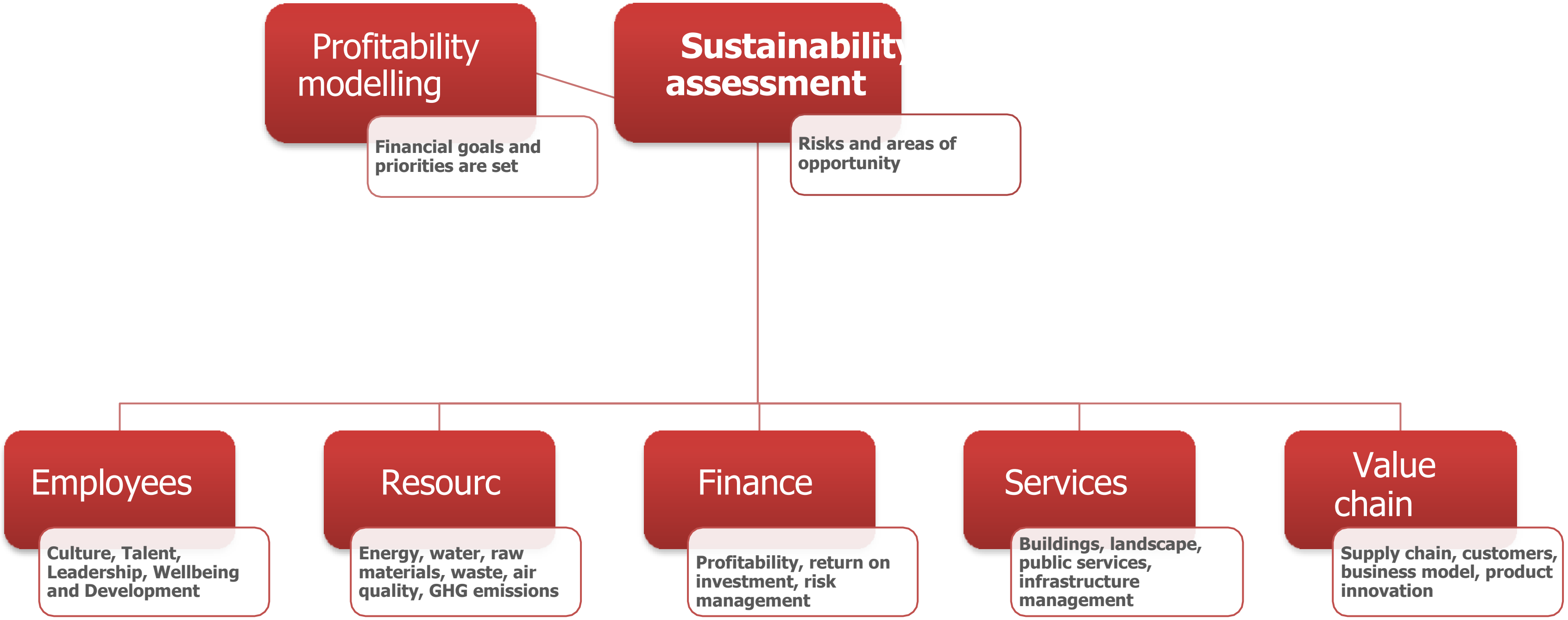


Sustainability risk assessment

In order to ensure business sustainability due to the increasing commitment of companies to the application of stricter legal regulation and realizing its benefits, we must consider the environmental, economic and social factors that affect us not only in the short term, but at the same time we must strive for long-term resilience and continuity of supply throughout the value chain .

Anything that challenges the smooth functioning of supply and demand for goods and services creates value chain and supply chain management risks. Therefore, in an effort to avoid possible risks, before signing contracts with suppliers, we undertake and oblige to actively implement a social responsibility policy - in terms of environmental protection, transparency and employees. In all 100% signed contracts with suppliers, this clause is included in order to reduce possible risks, for continuous and smooth development of activities.

Risk assessment and management refers to the process of identifying, evaluating and controlling any threats to the Company's capital and income. Some degree of risk is always present in any operating system and is important for determining sustainability risk management for all businesses, organizations and governments. By proactively identifying and managing risks affecting our supply chains, manufacturing, operations and other functions, we can create effective systems that ensure business sustainability. Below is a model for sustainability assessment and risk disclosure.



Early identification of risk is essential to effective risk management. Industries with longer supply chains tend to face greater risks, which may arise from occupational health and safety incidents, natural resource shortages or technical breakdowns leading to raw material supply shortages. Risks can take many forms, from those related to the market to those affecting the operations of our Group companies. Effective risk management becomes important, so here are some risk subsystems that we need to consider in our day-to-day operations.

SUPPLY CHAIN SUSTAINABILITY RISK

As a milk processing company, an uninterrupted supply of raw milk is particularly important to us. When determining supply chain risk, we need to look not only at suppliers of raw milk, but also at suppliers of other raw materials that supply the materials needed to produce products and deliver them to the market.

ENVIRONMENTAL RISK

Physical. Extreme weather and biodiversity loss. From the location of business development to supply chains, improperly managed physical risk can have serious consequences for the Company's environment.

Political. New legislation is approved and existing legislation is tightened in relation to all EU member states. It is proposed to take aggressive climate mitigation actions, to develop sustainable products that will become the norm.

EMPLOYEE HEALTH AND SAFETY RISKS

Prioritizing active and engaged employees requires us to identify and manage occupational health and safety risks that may threaten business sustainability, including workplace environment, air quality or other workplace hazards.

EMPLOYEE RISK

Employee risk refers to the consequences of the actions of our Company's employees, when they deviate from the approved internal regulatory documents and may harm the business reputation - fraud or other illegal activities.

QUALITY RISK

When the quality of products or services does not meet the established quality goals of the Company and customer expectations, we face a quality risk. From production equipment to transportation: at all stages of the life cycle, manufactured products are exposed to various quality risks.

TECHNOLOGICAL RISK

Risks related to technology include hardware or software failures, data risks, computer hardware attacks, and data governance failure or otherwise. Technological risks are affecting equipment and processes related to many business systems.

SECURITY RISK

Security risks include physical risks, such as theft of documents or break-ins to private properties, as well as cyber security threats related to data. In the event of a cyber attack, we may lose information and incur economic costs, risking damage to our reputation or loss of sales and customers.

ENERGY RISK

Energy risks that expose us to risk include energy price increases, energy supply disruptions, regulatory changes affecting energy use and customer demands to reduce their carbon footprint.

ECONOMIC RISK

Economic risk refers to the risk posed to the Company by macroeconomic economic conditions, such as inflation, interest rate changes, exchange rate fluctuations or economic sanctions.

LIABILITY PROTECTION RISK

We may be liable if our activities cause damage or injury to a third party - people, property or business.

Nasdaq G5, Nasdaq G6

GRI 201-2

Prevention of corruption

ŽEMAITIJAS PIENAS applies a policy of total zero tolerance to corruption, and makes great efforts to prevent it in all chains. The company has established a clear procedure that it follows when communicating with partners.

The employee code of ethics obliges employees to avoid situations that could lead to conflicts of interest. The Company's policy on this matter strictly prohibits the acceptance of gifts, invitations to meetings, cultural or other events that could create a mutual obligation between the parties. Constant efforts are made to ensure as wide/larger range of suppliers as possible.

When purchasing goods and selecting a supplier, not only the price criteria, but also the criteria of quality and reliability of the supplier are important in the evaluation methodology of ŽEMAITIJOS PIENAS JSC. Before purchasing goods, suppliers are audited and only after that a decision is made on the purchase of goods or services. ŽEMAITIJOS PIENAS JSC purchases goods and services based on the principles of equality, non-discrimination, mutual recognition, proportionality and transparency.

One of the main working principles of **ŽEMAITIJOS PIENAS JSC** is to develop honest and transparent cooperative relations with suppliers, customers and other entities. However, the Company's policy prohibits its employees from offering gifts to customers, suppliers, partners or other persons that would help preserve cooperation. This rule does not apply to gifts of extremely low value, such as holiday cards or greetings.

The **Company** fosters a culture of competition law. In order to effectively comply with competition rules, the Company has an approved the Policy of Compliance with the Competition Law.

The main purpose of this policy is to provide recommendations to all employees of the **Company**, its branches, and subsidiaries regarding the main principles of competition law and to help them comply with them. The purpose of this Policy is to increase awareness of competition rules, to establish rules of conduct in relations with competitors, customers, suppliers and guidelines for evaluating this conduct.

Privacy policy

ŽEMAITIJOS PIENAS takes a responsible approach to the protection of your personal data, therefore it strives to ensure your rights at the level of personal data processing by all means. Data subjects are users of our products, partners and others who trust us with their personal information and we are responsible for working every day to live up to their trust.

In this policy:

- defines the Company's commitment and responsibility to protect and respect personal privacy
- explains how the Company collects, uses and stores (processes) personal data
- informs data subjects about how their personal data is processed and what rights each data subject has

When processing personal data of data subjects, we comply with the Law of the Republic of Lithuania on the Legal Protection of Personal Data, the Law of the Republic of Lithuania on Electronic Communications and other directly applicable legal acts regulating the protection of personal data, as well as the instructions of the competent authorities.

How do we collect your personal data?

- The data provided by you is collected, for example, when you communicate or have a legal relationship with our Company, for example, you purchase products or services, subscribe to newsletters, participate in marketing promotions/games prepared by the Company or contact us regarding the quality of products or requesting information;
- Collected data that is generated when you use our website or accounts on social networks;
- We collect data that we receive from other sources, such as other service providers or publicly available registries.

Compliance with the EU Taxonomy Regulation

The EU Taxonomy Regulation that came into force obliges companies to report how and to what extent their activities are compatible with the presented definition of sustainable activities. The implementation of this regulation helps to identify which economic activities are considered sustainable and environmentally friendly in the EU. The Taxonomy Regulation has six environmental objectives:

- *Climate change mitigation;*
- *Adaptation to climate change;*
- *Sustainable use and protection of water and marine resources;*
- *Transition to a circular economy;*
- *Pollution prevention and control;*
- *Protection of biodiversity and ecosystems and recovery*

ŽEMAITIJOS PIENAS dairies and cheese production were previously not included in taxonomically eligible activities, but now in the Delegated Regulation food production may be eligible if it meets the criteria for contributing to biodiversity or the criteria for contribution to the transition to circular economy.

Therefore, companies must disclose information about their economic activity in accordance with the definition of economic activity provided in Article 1, Part 5 of the Delegated Regulation on disclosure of information.

Identification of taxonomic activities is the first step to assess the compliance of economic activities with the criteria of technical analysis of taxonomy.

We carried out the assessment process of the Taxonomy Regulation for 2022 according to the following assessment criteria: does the activity significantly contribute to one or more of the six environmental objectives and meet the technical analysis criteria: no significant harm is caused. **It is useful to know** that what is not considered sustainable economic activity according to the EU taxonomy is not in itself harmful.

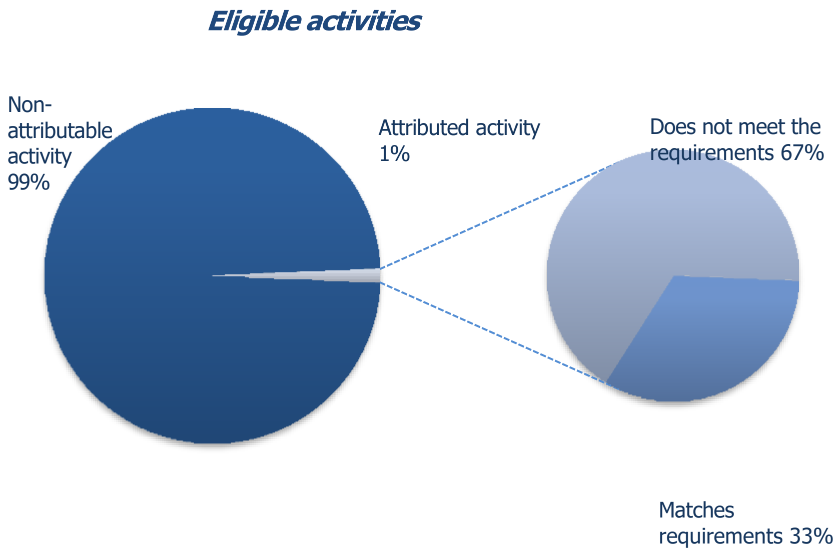
Below are the activities we identified that meet at least one of the taxonomy criteria:

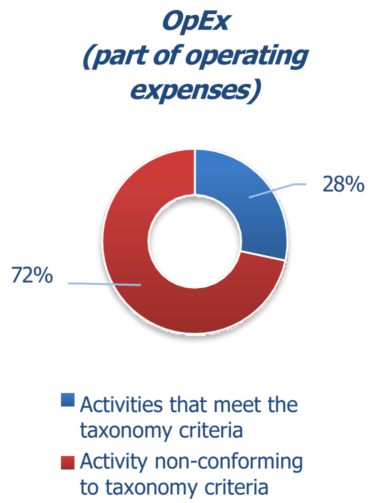
- *heat production from bioenergy,*
- *non-hazardous waste separated at the point of generation collection and transport,*
- *transportation by passenger cars and light commercial vehicles,*
- *road freight services,*
- *renovation of existing buildings,*
- *installation, maintenance and repair of energy-efficient equipment*
- *acquisition and ownership of buildings.*

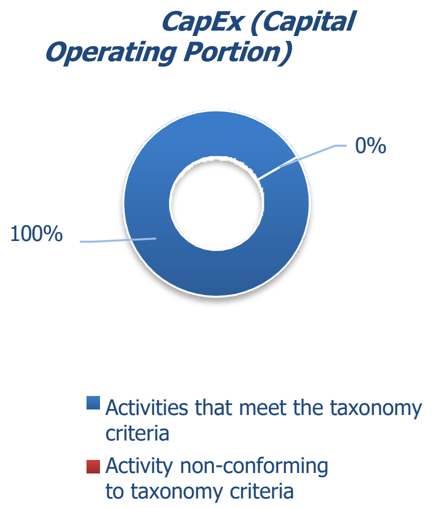
ŽEMAITIJOS PIENAS JSC							
	1-ACTIVITY	2-ACTIVITY	3-ACTIVITY	4-ACTIVITY	5-ACTIVITY	6-ACTIVITY	7-ACTIVITY
	*Heat production from bioenergy	Collection and transportation of non-hazardous waste separated at the place of generation	Transportation by light and light commercial vehicles	Cargo transportation services	Existing buildings renovation	Installation, maintenance and repair of energy efficient equipment	Acquisition and ownership of buildings
Technical analysis criteria (≥ 1)	✗	✓	✗	✓	✓	✓	✗
Not causing significant damage (≥ 1)	✗	✓	✗	✗	✓	✓	✓
Minimum protective measures assurance (≥ 1)	✓	✓	✓	✓	✓	✓	✓

Notes: *heat production from bioenergy does not meet the criteria of the taxonomy, and to qualify as a significant contribution to the protection of biodiversity and ecosystem restoration, additional biomass supply requirements apply, including that it should not come from healthy (green) trees or food or fodder plants and at the same time, a biomass supply plan must be prepared. The European Commission is developing biomass regulations, and in the near future it is expected that an updated delegated act on environmental protection will be issued, which will change the criteria for classifying biomass as a taxonomic activity.

This is the first presentation of matching and counting taxonomic activities. As the European Commission changes existing or issues new related regulations, we will change our calculation methodology and include new taxonomic activities. According to information disclosure obligations, no assessment of taxonomic activities was carried out for the year 2021.

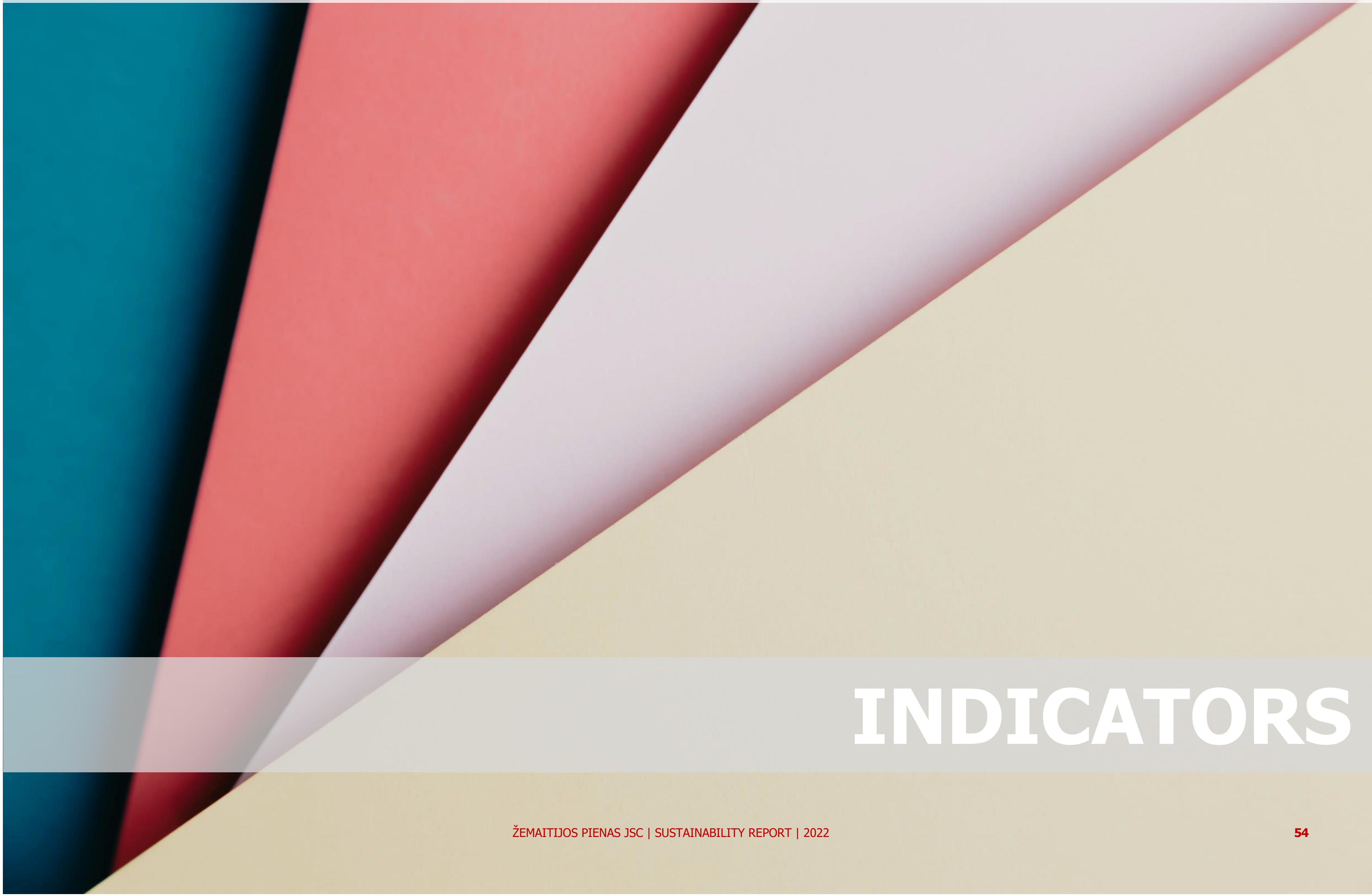






				A significant contribution criteria						Criteria for no significant harm (no significant harm)									
Economic activities	Association with NACE code(s)	Operating expenses	Percentage of operating expenses	Climate change mitigation	Adaptation to climate change	Water and marine resources	Circular economy	Pollution	Biodiversity	Climate change mitigation	Adaptation to climate change	Water and marine resources	Circular economy	Pollution	Biodiversity	Taxonomy-compliant percentage of drug expenditure, in year N	Taxonomy corresponding to operating costs part in the year N-1	Category (conditional activity)	Category (transition activity)
		thousand EUR	%	%	%	%	%	%	%	Yes / No	Yes / No	Yes / No	Yes / No	Yes / No	Yes / No	%	%	E	T
A. TAXONOMIC ACTIVITIES																			
A.1. Environmentally sustainable activities (meeting the criteria)																			
2-ACTIVITY	E38.11	25	1	*												1	-	E	-
4-ACTIVITY	H49.41	209	6	*												6	-	-	T
5-ACTIVITY	F42.99	40	1	*												1	-	E	-
6-ACTIVITY	C33.20	177	5	*												5	-	E	-
A.2. A taxonomic but environmentally unsustainable activity																			
3-ACTIVITY	-	609	19	*												19	-	-	T
7-ACTIVITY	L68.10, L68.20	0	0	*												-	-	E	-
B. NON-TAXONOMIC ACTIVITIES																			
1-ACTIVITY	D35.30	2223	68																
Total (A+B)	**-**	**3283**	**100**																

Notes: * - according to the delegated regulation, non-financial companies may not voluntarily comply.



INDICATORS

List of Nasdaq ASV Indicators

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E9	Evaluating climate change action in management	pp. 15, 22
E10	Investments related to climate change risk management	pp. 20, 22
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G6	Business ethics and anti-corruption	p. 46
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List of GRI indicators

Use of GRI standards		The company's report is prepared according to GRI standards and is presented for the period from 01 January 2022 until 31 December 2022.
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GRI 2-5	External inspection	p. 4
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Address	Sedos g. 35 LT-87101, Telšiai Lithuania
Phone	8-444-22201
Fax	8-444-74897
Email	info@zpienas.lt
Company code	180240752
VAT payer's code	LT802407515

AB ŽEMAITIJOS PIENAS
REMUNERATION REPORT FOR 2022

GENERAL INFORMATION ON THE REMUNERATION REPORT

The Remuneration Report of ŽEMAITIJOS PIENAS, AB, has been prepared for reporting financial year 2022, which coincides with the calendar year. The Remuneration Report (hereinafter – Report) has been prepared in accordance with the Law on Financial Statements of Entities of the Republic of Lithuania, the Remuneration Policy of the Chairman and other members of the Board and the Supervisory Council of the Company ŽEMATIJOS PIENAS, AB (hereinafter – Remuneration Policy) and other legal acts.

On 9 April 2020 the General Meeting of Shareholders approved the Remuneration Policy of the Chairman and other members of the Board and also members of the Supervisory Council of ŽEMAITIJOS PIENAS, AB. This Remuneration Policy applies to the General manager and members of the management bodies of the Company insofar as it relates to the payment of monetary remuneration for activities in the management and / or supervisory bodies of the Company. The Remuneration Report shall include information on remuneration of each member of the management and supervisory bodies, information on other (un)received benefits, other data.

INFORMATION ON THE REMUNERATION RECEIVED BY MEMBERS OF THE MANAGEMENT AND SUPERVISORY BODIES

The remuneration accrued to the General manager (or CEO) of the Company during 2022, which was determined by the Board, ant the additional salary exceeded the amount provided/confirmed for in the Remuneration Policy (Paragraph 4.1 and 4.2. of the Remuneration Policy). General manager did not receive any remuneration from the companies referred to the group of companies, as defined in the Law on Consolidated Financial Statements of Companies of the Republic of Lithuania. Incentive benefits were paid to the General manager of the company, as it is provided for in paragraph 4.6 of the Remuneration Policy. The salary for the General manager was paid in accordance with the procedure, scope and terms provided for in the Employment Contract. The General manager did not receive any other property benefits during 2022, including the award of shares or other transactions in his favor of and in his interests.

According to the Remuneration Policy approved by the General Meeting of Shareholders of the Company, the permanent and additional remuneration is paid only to independent members of the management bodies and the Supervisory Council, bonuses approved by the General Meeting of Shareholders, - to all members of the management bodies. According to the Remuneration Policy, the members of the management bodies who do not have an employment or other relationship with the Company and / or its subsidiaries are considered independent members of the management bodies.

The Company has 3 (three) independent members of the Supervisory Council. During the reporting period (2022), the Company (Issuer) accrued EUR 35 341 to independent members of the Supervisory Council under activity agreements, on average EUR 11 780 per year for one independent member of the Supervisory Council. Members of Supervisor Council did not receive any payments from subsidiary or other companies that are related to ŽEMAITIJOS PIENAS, AB.

All members of the Board of the Company are employees of the Company and during 2022 they were not paid any fixed or additional remunerations for their work in the Board of the Company. Their remuneration was received only that was based on the employment. The average monthly salaries by employee groups are presented on page Annual Report.

Remuneration paid to the members of the management bodies and Supervisory Board would be recovered (refunded) in accordance with the procedure established by legal acts, upon certain grounds and conditions. If the General manager of the Company or any member of the Board or Supervisory Council resigns, expires his membership or is removed from office, no benefits are paid, but remuneration is paid in proportion to the time spent in the office (time of his membership).

No bonuses were paid to the member of the Board and / or Supervisory Council of the Company.

During the reporting period (2022), no guarantees or sureties were given to the members of the Board, Supervisory Board and the General manager of the Company. No assets or other property rights were transferred, no other benefits were received from the Company.

Members of the Board and Supervisory Council, General manager and members of the Audit Committee have no significant material obligations to the Company (Issuer), except that one Member of the Board has obligations to the Company according to the loan agreement of 100 thousand euros, the Company (Issuer) has no obligations to these persons.

Guarantees and sureties and / or other measures to secure the fulfilment of the obligations of the General manager, members of the Board and Supervisory Council were not granted on behalf of the Issuer during 2022. The Issuer did not grant loans and Company shares to any of these persons.

The remuneration paid to the General manager of the Company, members of the Board and the Supervisory Council in 2022 complied with the principles, grounds and conditions approved in the Remuneration Policy.

FINAL PROVISIONS OF THE REMUNERATION REPORT

The Report approved by the Board of the Company is submitted to the ordinary General Meeting of Shareholders, which decides whether to approve the Remuneration Report or not. Such (non) approval does not release the Board from the responsibility for the decision taken.

The consolidated remuneration report together with the set of financial statements for 2021 was approved at general meeting of shareholders held on 15 April 2022.

The Remuneration Report for 2022 is an integral part of the Consolidated Annual Report and is published on the website of the Company www.zpienas.lt/en and www.nasdaqomxbaltic.com in accordance with the procedure established by legal acts.