

STOCK
COMPANY



Sedos Str. 35, 87101, Telšiai
REPUBLIC OF LITHUANIA
Company code: 180240752
Phone: (+370-444) 22 201, 22 202, 22 206
Fax: (+370-444) 74 897
Email: info@zpienas.lt
www.zpienas.lt
a/c LT764010042800060281
AB DNB Bank, bank code: 40100

Approval of responsible persons

28 November 2013

Telšiai

Following the Article No.22 of Law on Securities of the Republic of Lithuania and Rules on Preparation and Submission of Periodic and Additional approved by Securities Commission of the Republic of Lithuanian, we, Robertas Pažemeckas, Acting General Director and Natalija Vainikevičiūtė, Finance Director, hereby confirm that, to the our knowledge, the attached JSC “Žemaitijos Pienas” Consolidated Interim Financial Statements for the nine months of 2013 prepared in accordance with International Financial Reporting Standards are true and fairly present assets, liabilities, financial position, profit or loss of JSC “Žemaitijos Pienas” group consolidated companies.

Acting General Director

Robertas Pažemeckas

Finance Director



Natalija Vainikevičiūtė

AB „ŽEMAITIJOS PIENAS”

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED
30 SEPTEMBER 2013**

1. Balance sheets

	Group	
	As of 30 September 2013	As of 31 December 2012
ASSETS		
Non-current assets		
Intangible assets	364	408
Property, plant and equipment	56 101	60 462
Investment property	4 078	4 255
Available – for – sale investments	4	4
Investments into subsidiaries	-	-
Non-current receivables	7 580	4 901
Own shares	-	-
Deferred income tax asset	2 149	2 149
Total non-current assets	70 276	72 178
Current assets		
Inventories	99 697	97 674
Prepayments	2 806	1 740
Trade receivables	32 440	29 504
Receivables from subsidiaries	-	-
Receivables from other related parties	3 003	3 474
Other receivables	5 996	6 842
Deposits	-	-
Cash and cash equivalents	13 902	5 789
Total current assets	157 844	145 023
Total assets	228 120	217 201

Balance sheets (cont'd)

	Group	
	As of 30 September 2013	As of 31 December 2012
LIABILITIES AND SHAREHOLDERS' EQUITY		
Equity attributable to equity holders of the parent		
Share capital	48 375	48 375
Own shares (-)	(4 569)	(3 002)
Legal reserve	4 838	4 838
Other reserves	15 764	15 000
Retained earnings	94 223	82 985
	158 631	148 196
Minority interest	2 448	1 947
Total shareholders' equity	161 079	150 143
Non-current liabilities		
Grants received	3 796	4 389
Long-term loans from related parties	-	-
Financial lease obligations	796	796
Deferred income tax liability	1 083	1 083
Other current liabilities	1 447	1 910
Total non-current liabilities	7 122	8 178
Current liabilities		
Current portion of non-current loans	1 558	13 934
Current portion of non-current financial lease obligations	290	2 457
Trade payables and other current liabilities	54 521	42 436
Payables to subsidiaries	-	-
Payables to other related parties	2 097	-
Income tax payable	1 453	53
Total current liabilities	59 919	58 880
Total liabilities and shareholders' equity	228 120	217 201

2. Income statements

	Group			
	01 January 2013 – 30 September 2013	01 January 2012 – 30 September 2012	01 July 2013 - 30 September 2013	01 July 2012 – 30 September 2012
Sales	414 017	371 450	152 985	128 529
Cost of sales	(350 315)	(304 331)	(128 400)	(96 912)
Gross profit	63 702	67 119	24 585	31 617
Operating expenses	(47 526)	(48 383)	(17 506)	(17 455)
Other operating income, net	665	(1 519)	338	(720)
Profit from operations	16 841	17 217	7 417	13 442
Financial and investment activities, net	200	(290)	132	(29)
Profit before income tax	17 041	16 927	7 549	13 413
Income tax	(2 223)	(2 530)	(274)	(806)
Net profit	14 818	14 397	7 275	12 607

3. Cash flow statements

	Group	
	As of 30 September 2013	As of 30 September 2012
Cash flows from (to) operating activities		
Net profit	14 818	14 397
Adjustments for non-cash items:		
Depreciation and amortization	11 814	12 748
Amortization of grants received	(593)	(671)
(Profit) loss from disposal and write-offs of property, plant and equipment and intangible assets	(78)	(153)
Result from financial and investment activities	(259)	280
Decrease (increase) values of inventories	-	-
Decrease (increase) values of receivables	3 578	(137)
Income tax expenses	-	(56)
Other non-cash (income) expenses	-	-
	29 280	26 408
Changes in working capital:		
Decrease (increase) in inventories	(2 023)	(4 413)
(Increase) in trade receivables	(6 043)	(2 029)
Decrease in prepayments and other current assets	(1 090)	(2 021)
Decrease in other receivables	(1 174)	(621)
Increase in other long-term payables	-	-
Increase (decrease) terminable deposits	-	-
Increase(decrease) in trade payables, payables to related parties	5 862	(487)
Increase (decrease) in other current liabilities	7 907	(1 050)
Net cash flows from operating activities	32 719	15 787
Cash flows from (to) investing activities		
(Acquisition) of property, plant and equipment and intangible assets	(8 006)	(7 668)
Disposal of property, plant and equipment	851	260
Daughter enterprise alienation (acquisition), own shares	(1 567)	10
Repayment of loans granted	3 806	3 488
Loans (granted)	(3 969)	(2 671)
Interest received	364	350
Net cash flows (to) investing activities	(8 521)	(6 231)

Cash flow statements (cont'd)

Group

	As of 30	As of 30
	September 2013	September 2012
Cash flows from (to) financing activities		
Dividends (paid)	(964)	-
Cash, (transferred) during reorganization		
Loans received	50 978	22 547
(Repayment) of loans	(63 807)	(34 794)
Financial lease (payments)	(2 167)	(2 896)
Sponsorship received	-	3 045
Other revenue from financial activities	(20)	(20)
Interest (paid)	(105)	(631)
Net cash flows (to) financial activities	(16 085)	(12 749)
Net increase (decrease) in cash and cash equivalents	8 113	(3 193)
Cash and cash equivalents at the beginning of the year	5 789	9 556
Cash and cash equivalents at the end of the year	13 902	6 363

4. Statements of changes in equity

<u>Group</u>	Attributable to shareholders of the Company							Total
	Share capital	Own shares(-)	Legal reserve	Other reserves	Retained earnings	Total	Minority interest	
Balance as of 31 December 2011	48 375	-	4 838	17 997	56 190	127 400	1 947	129 347
Dividends, payment from return					-	-		-
Transferring from reserves				(3 000)	3 000	-		-
Net profit for the nine months	-		-		14 250	14 250	147	14 397
Balance as of 30 September 2012	48 375	-	4 838	14 997	73 440	141 650	2 094	143 744
Balance as of 31 December 2012	48 375	(3 002)	4 838	15 000	82 985	148 196	1 947	150 143
Reserves formation from return				764	(764)	-	-	-
Own shares		(1 567)				(1 567)	-	(1 567)
Dividends, tantiems estimated from return					(2 315)	(2 315)	-	(2 315)
Net profit for the nine months	-	-	-	-	14 317	14 317	501	14 818
Balance as of 30 September 2013	48 375	(4 569)	4 838	15 764	94 223	158 631	2 448	161 079

5. Notes to the financial statements

General information

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's shares are traded on the Secondary List of the Baltic Stock Exchange.

As of 30 September 2013 and as of 30 September 2012 the share capital of the Company was LTL 48.375 thousand, which consisted of 48.375 thousand ordinary shares with a normal value of LTL 1 each. All the shares of the Company are issued, subscribed and fully paid. The Company had acquired its own shares accordingly : 11 units of shares for 3 thousand LTL as of 31 December 2011, and 1.360 thousand units of shares for 3.002 thousand LTL as of 31 December 2012. And as of 30 September 2013 the Company had acquired its own shares 2.071 thousand units shares for 4.569 thousand LTL

As of 30 September 2013 the Group consisted of AB Žemaitijos pienas and the following subsidiaries (hereinafter referred to as “the Group”)

Company	Registration address	Ownership of the Group	Percentage in consolidation	Cost of investment	Total equity holding 2012 12 31	Total equity holding 2013 09 30	Main activities
ABF „Šilutės Rambynas“	Klaipėdos g. 3, Šilutė, Lietuva	87,82%	87,82%	10 878	15 706	19 820	Cheese production
SIA „Muižas piens“	Skaistkalnes g. 1, Rīga, Latvija	32%	-	4			Retail, wholesale trade

ABF „Šilutės Rambynas“ is considered a subsidiary, because AB Žemaitijos Pienas controls its activities and controls more than 50% of its shares.

As of 30 September 2013, the number of employees of the Group was 1 412 (according of 30 September 2012 – 1 456).

Basis of preparation

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

Main indicators of the Company' s" performance :

	As of 30 September 2013	As of 30 September 2012
Sales, thousand LTL	414 017	371 450
Gross profit, thousand LTL	63 702	67 119
EBITDA, thousand LTL	27 326	30 306
Current ratio (at the end of period)	2,32	2,67
Book ratio (at the end period)	3,07	2,49

Segment information

For management purposes the activities of the Group and Company are organized as one major segment – production and selling of the dairy products (primary segment). Financial information on geographical segments (secondary segment) is presented below:

	As of 30 September 2013	As of 30 September 2012
<u>Sales</u>		
Lithuania	237 577	207 940
Other Baltic States and CIS countries	114 152	88 396
Other European countries	55 908	72 205
Other	6 380	2 909
	414 017	371 450

Inventories

Inventories are valued at the lower of cost or net realizable value, after impairment evolution for obsolete and slow moving items. Cost is determined by the first-in, first-out (FIFO) method. The cost of finished goods and work in progress includes the applicable allocation of fixed and variable overhead costs based on a normal operating capacity. Unrealizable inventory is fully written-off.

<u>Inventories</u>	<u>As of 30 September 2013</u>	<u>As of 30 September 2012</u>
Raw materials	11 921	13 016
Finished goods and work in process	92 207	88 027
Goods for resale	1 194	826
Decrease values of raw materials and goods	(5 625)	(6 970)
	<u>99 697</u>	<u>94 899</u>

Loans' repayment terms:

	<u>30 September 2013</u>
2013 m .	1 558
2014 m .	-
2015 m .	-
Total Loans on 30 September 2013	<u><u>1 558</u></u>

30 September 2013, outstanding loans of the Group in national and foreign **currencies**
 (thous. LTL):

	<u>30 September 2013</u>
Loan currency:	
Euro	-
Litas	1 558
	<u>1 558</u>

Subsequent events

Subsequent events was not after was make consolidated financial statements.