

STOCK  
COMPANY



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## Statement by Responsible Persons

28/02/2014

Telšiai

In accordance with Article 22 of the Law on Securities of the Republic of Lithuania and the Rules on Preparation and Submission of Periodical and Additional Information adopted by the Securities Commission of the Republic of Lithuania, we, Robertas Pažemeckas, Acting General Director of Žemaitijos Pienas, AB, and Natalija Vainikevičiūtė, Finance Director, hereby confirm that to the best of our knowledge the attached unaudited consolidated interim financial information for the year 2013 has been prepared in accordance with the International Financial Accounting Reporting Standards as applicable in the European Union, and gives a true and fair view of assets, liabilities, financial position and profit or loss of the group of consolidated companies.

ATTACHED:

Set of unaudited interim consolidated financial statements of Žemaitijos Pienas, AB for 12 months of 2013.

Acting General Director



Robertas Pažemeckas

Finance Director

Natalija Vainikevičiūtė

**AB „ŽEMAITIJOS PIENAS”**

**UNAUDITED INTERIM CONSOLIDATED  
FINANCIAL STATEMENTS FOR THE PERIOD ENDED  
31 DECEMBER 2013**

## 1. Balance sheets

	<b>Group</b>	
	<b>As of 31 December 2013</b>	<b>As of 31 December 2012</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Intangible assets	376	408
Property, plant and equipment	60 061	60 462
Investment property	3 837	4 255
Available – for – sale investments	4	4
Investments into subsidiaries	-	-
Non-current receivables	5 535	4 901
Own shares	-	-
Deferred income tax asset	3 505	2 149
<b>Total non-current assets</b>	<b>73 318</b>	<b>72 178</b>
<b>Current assets</b>		
Inventories	112 719	97 674
Prepayments	1 513	1 740
Trade receivables	27 743	29 504
Receivables from subsidiaries	-	-
Receivables from other related parties	1 156	3 474
Other receivables	5 291	6 842
Deposits	-	-
Cash and cash equivalents	6 958	5 789
<b>Total current assets</b>	<b>155 380</b>	<b>145 023</b>
<b>Total assets</b>	<b>228 698</b>	<b>217 201</b>

**Balance sheets (cont'd)**

	<b>Group</b>	
	<b>As of 31 December 2013</b>	<b>As of 31 December 2012</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Equity attributable to equity holders of the parent</b>		
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	102 713	82 985
	<u>167 121</u>	<u>148 196</u>
Minority interest	2 371	1 947
<b>Total shareholders' equity</b>	<b><u>169 492</u></b>	<b><u>150 143</u></b>
<b>Non-current liabilities</b>		
Grants received	5 929	4 389
Long-term loans from related parties	-	-
Financial lease obligations	369	796
Deferred income tax liability	1 203	1 083
Other current liabilities	1 734	1 910
<b>Total non-current liabilities</b>	<b><u>9 235</u></b>	<b><u>8 178</u></b>
<b>Current liabilities</b>		
Current portion of non-current loans	1 568	13 934
Current portion of non-current financial lease obligations and other financial payables	426	2 457
Trade payables	30 350	27 283
Payables to subsidiaries	-	-
Payables to other related parties	1 212	-
Income tax payable	2 870	53
Other current liabilities	13 545	15 153
<b>Total current liabilities</b>	<b><u>49 971</u></b>	<b><u>58 880</u></b>
<b>Total liabilities and shareholders' equity</b>	<b><u>228 698</u></b>	<b><u>217 201</u></b>

## 2. Income statements

### Group

	01 January 2013 – 31 December 2013	01 January 2012 – 31 December 2012	01 October 2013 - 31 December 2013	01 October 2012 – 31 December 2012
Sales	541 942	500 515	127 924	129 065
Cost of sales	(441 311)	(404 244)	(90 995)	(99 913)
<b>Gross profit</b>	<b>100 631</b>	<b>96 271</b>	<b>36 929</b>	<b>29 152</b>
Operating expenses	(74 195)	(67 050)	(26 669)	(18 667)
Other operating income, net	437	(1 711)	(228)	(192)
<b>Profit from operations</b>	<b>26 873</b>	<b>27 510</b>	<b>10 032</b>	<b>10 293</b>
Financial and investment activities, net	257	(314)	57	(25)
<b>Profit before income tax</b>	<b>27 130</b>	<b>27 195</b>	<b>10 089</b>	<b>10 268</b>
Income tax	(3 899)	(3 181)	(1 676)	(651)
<b>Net profit</b>	<b>23 231</b>	<b>24 014</b>	<b>8 413</b>	<b>9 617</b>

### 3. Cash flow statements

	Group	
	As of 31 December 2013	As of 31 December 2012
<b>Cash flows from (to) operating activities</b>		
Net profit	23 231	24 014
<b>Adjustments for non-cash items:</b>		
Depreciation and amortization	14 999	17 282
Amortization of grants received	(864)	(903)
(Profit) loss from disposal and write-offs of property, plant and equipment and intangible assets	(200)	80
Result from financial and investment activities	(274)	179
Decrease ( increase ) values of inventories	(8 709)	5 624
Decrease ( increase ) values of receivables	324	786
Income tax expenses	(1 236)	268
Other financial expenses ( income )	-	(252)
Net ( loss) from liquidation of subsidiaries	-	(20)
Other non-cash ( income) expenses	-	(568)
	27 271	46 490
<b>Changes in working capital:</b>		
Decrease ( increase) in inventories	(6 336)	(12 261)
(Increase ) in trade receivables	3 754	6 593
Decrease in prepayments and other current assets	227	(1 199)
Decrease in other receivables	1 639	526
Increase in other long-term payables	-	-
Increase ( decrease ) terminable deposits	-	-
Increase( decrease) in trade payables, payables to related parties	4 279	(8 025)
Income tax (paid)	2 816	53
Increase (decrease) in other current liabilities	(2 950)	510
<b>Net cash flows from operating activities</b>	<b>30 700</b>	<b>32 687</b>
<b>Cash flows from (to) investing activities</b>		
(Acquisition) of property, plant and equipment and intangible assets	(15 011)	(11 285)
Disposal of property, plant and equipment	987	851
Daughter enterprise liquidation	-	10
Repayment of loans granted	5 887	6 569
Loans (granted)	(5 980)	(7 213)
Interest received	481	448
<b>Net cash flows (to) investing activities</b>	<b>(13 636)</b>	<b>(10 620)</b>

**Cash flow statements (cont'd)**

	<b>Group</b>	
	<b>As of 31 December 2013</b>	<b>As of 31 December 2012</b>
<b>Cash flows from (to) financing activities</b>		
Dividends, tantiems (paid)	(1 147)	-
Cash, (transferred) during reorganization		
Own shares acquisition	(1 567)	(3 000)
Loans received	68 510	48 264
(Repayment) of loans	(81 496)	(69 716)
Financial lease (payments)	(2 457)	(4 038)
Sponsorship received	2 403	3 044
Other revenue from financial activities	(10)	238
Interest (paid)	(131)	(627)
<b>Net cash flows (to) financial activities</b>	<b>(15 895)</b>	<b>(25 835)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>1 169</b>	<b>(3 767)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>5 789</b>	<b>9 556</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>6 958</b>	<b>5 789</b>

#### 4. Statements of changes in equity

<b>Group</b>	<b>Attributable to shareholders of the Company</b>							
	<b>Share capital</b>	<b>Own shares</b>	<b>Legal reserve</b>	<b>Other reserves</b>	<b>Retained earnings</b>	<b>Total</b>	<b>Minority interest</b>	<b>Total</b>
<b>Balance as of 31 December 2011</b>	48 375	-	4 838	17 997	56 193	127 403	1 944	129 347
Net profit for the year	-	-	-	-	23 784	23 784	230	24 014
Own shares acquisition	-	(3 002)	-	-	-	(3 002)	-	(3 002)
Result of liquidation of subsidiary	-	-	-	-	8	8	(227)	(219)
Dividends paid	-	-	-	-	-	-	-	-
Other reserves	-	-	-	(2 997)	3 000	3	-	3
<b>Balance as of 31 December 2012</b>	48 375	(3 002)	4 838	15 000	82 985	148 196	1 947	150 143
Net profit for the year	-	-	-	-	22 773	22 773	458	23 231
Own shares acquisition	-	(1 567)	-	-	-	(1 567)	-	(1 567)
Other reserves	-	-	-	764	(764)	-	-	-
Dividends paid	-	-	-	-	(2 315)	(2 315)	-	(2 315)
Liquidation of subsidiary	-	-	-	-	34	34	(34)	-
<b>Balance as of 31 December 2013</b>	48 375	(4 569)	4 838	15 764	102 713	167 121	2 371	169 492



## 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 Current List of the Vilnius Stock Exchange.

As of 31 December 2013 and as of 31 December 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. Subsidiaries did not hold any shares of the Company as of 31 December 2013 and as of 31 December 2012.

As of 31 December 2011 the Company had acquired its own shares 10 ones for 3 thousand LTL. As of 31 December 2012 the Company had acquired its own shares 1 360 010 ones for 3 002 thousand LTL.

In 2013 the Company acquired 710 611 ones its own shares for 1 567 thousand LTL.

As of 31 December 2013 the Company had acquired its own shares 2 071 thousand ones.

As of 31 December 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 2013 12 31	Total equity holding 2012 12 31	Main activities
ABF „Šilutės Rambynas“	Klaipėdos g. 3, Šilutė, Lietuva	87,82%	87,82%	10 878	19 466	15 706	Cheese production
SIA „Muižas piens“	Skaistkalnes g. 1, Rīga, Latvija	32%	-	4			Retail, wholesale trade

In 2012 ŽŪK Tarpučių pienas, the subsidiary of AB Žemaitijos pienas, has been liquidated and its economic activity has been interrupted.

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

As of 31 December 2013, the number of employees of the Group was 1.381 ( according of 31 December 2012 – 1.416).

### 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 31 December 2013	As of 31 December 2012
Sales, thousand LTL	541 942	500 515
Gross profit, thousand LTL	100 631	96 271
EBITDA, thousand LTL	42 260	45 064
Current ratio (at the end of period)	3,11	2,46
Book value per share (at the end of period)	3,50	3,1

**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 31 December 2013	As of 31 December 2012
<b><u>Sales</u></b>		
Lithuania	285 060	272 777
Other Baltic States ( Latvia, Estonia)	46 181	34 991
CIS countries	94 951	93 269
Other European countries	110 919	94 746
Other	4 831	4 732
	<b><u>541 942</u></b>	<b><u>500 515</u></b>

**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><i>Inventories</i></u>	<u>As of 31 December 2013</u>	<u>As of 31 December 2012</u>
Raw materials	12 134	13 152
Finished goods and work in process	114 267	89 425
Goods for resale	652	721
Decrease values of raw materials and goods	(14 335)	(5 624)
	<u>112 719</u>	<u>97 674</u>

*Loans for credit institutions and other loans repayment terms:*

	<u>31 December 2013</u>
2014 m .	-
2015 m .	1 568
<b>Total Loans on 31 December 2013</b>	<u><u>1 568</u></u>

31 December 2013, outstanding loans of the Group in national and foreign currencies (thous. LTL):

	<u>31 December 2013</u>
<b>Loan currency:</b>	
Euro	-
Litas	1 568
	<u><u>1 568</u></u>

*Subsequent events*

Subsequent events was not after was make consolidated financial statements.