

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

29 May 2014

Telšiai

Regarding drafting of financial statement for the three months ended 31 March 2014 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 Lithuania we, Robertas Pažemeckas, Acting General Director of Žemaitijos Pienas, AB, and Dalia Gecienė, Chief Accountant,, hereby confirm that, to the our knowledge, the attached JSC "Žemaitijos Pienas" Consolidated Interim Financial Statements for the three months ended 31 March 2014 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

Chief Accountant

Dalia Gecienė

**AB „ŽEMAITIJOS PIENAS”**

**UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL  
STATEMENTS FOR THE PERIOD ENDED  
31 MARCH 2014**

## 1. Balance sheets

	<b>Group</b>	
	<b>As of 31 March 2014</b>	<b>As of 31 December 2013</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Intangible assets	580	376
Property, plant and equipment	64 015	62 979
Investment property	891	919
Available – for – sale investments	4	4
Investments into subsidiaries	-	-
Non-current receivables	5 847	5 535
Own shares	-	-
Deferred income tax asset	3 505	3 505
<b>Total non-current assets</b>	<b>74 842</b>	<b>73 318</b>
<b>Current assets</b>		
Inventories	91 550	112 720
Prepayments	1 601	1 513
Trade receivables	42 919	27 743
Receivables from subsidiaries	-	-
Receivables from other related parties	3 139	1 156
Other receivables	6 478	5 290
Deposits	-	-
Cash and cash equivalents	17 725	6 958
<b>Total current assets</b>	<b>163 412</b>	<b>155 380</b>
<b>Total assets</b>	<b>238 254</b>	<b>228 698</b>

**Balance sheets (cont'd)**

	<b>Group</b>	
	<b>As of 31 March 2014</b>	<b>As of 31 December 2013</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)	(4 569)
Legal reserve	4 838	4 838
Other reserves	15 764	15 764
Retained earnings	104 905	102 713
	<b>169 313</b>	<b>167 121</b>
Minority interest	2 414	2 371
<b>Total shareholders' equity</b>	<b>171 727</b>	<b>169 492</b>
<b>Non-current liabilities</b>		
Grants received	8 284	5 929
Long-term loans from related parties	-	-
Financial lease obligations	369	369
Deferred income tax liability	1 203	1 203
Other current liabilities	38	38
<b>Total non-current liabilities</b>	<b>9 894</b>	<b>7 539</b>
<b>Current liabilities</b>		
Current portion of non-current loans	-	1 568
Current portion of non-current financial lease obligations	220	426
Trade payables	35 535	30 350
Payables to subsidiaries	-	-
Payables to other related parties	1 481	1 212
Income tax payable	2 870	2 870
Other current liabilities	16 527	15 241
<b>Total current liabilities</b>	<b>56 633</b>	<b>51 667</b>
<b>Total liabilities and shareholders' equity</b>	<b>238 254</b>	<b>228 698</b>

## 2. Income statements

	<b>Group</b>	
	<b>01 January 2014 - 31 March 2014</b>	<b>01 January 2013 - 31 March 2013</b>
Sales	149 181	122 818
Cost of sales	(131 638)	(106 373)
<b>Gross profit</b>	<b>17 543</b>	<b>16 445</b>
Operating expenses	(14 822)	(14 592)
Other operating income, net	186	21
<b>Profit from operations</b>	<b>2 907</b>	<b>1 874</b>
Financial and investment activities, net	56	17
<b>Profit before income tax</b>	<b>2 963</b>	<b>1 891</b>
Income tax	(728)	(274)
<b>Net profit</b>	<b>2 235</b>	<b>1 617</b>

### 3. Cash flow statements

	<b>Group</b>	
	<b>As of 31 March 2014</b>	<b>As of 31 March 2013</b>
<b>Cash flows from (to) operating activities</b>		
Net profit	2 235	1 617
<b>Adjustments for non-cash items:</b>		
Depreciation and amortization	2 929	4 199
Amortization of grants received	(161)	(214)
(Profit) loss from disposal and write-offs of property, plant and equipment and intangible assets	(9)	(25)
Result from financial and investment activities	(92)	(46)
Decrease ( increase ) values of inventories	-	-
Decrease ( increase ) values of receivables	-	-
Income tax expenses	-	-
Other non-cash (income) expenses	-	-
	<b>4 902</b>	<b>5 531</b>
<b>Changes in working capital:</b>		
Decrease ( increase) in inventories	21 170	5 243
(Increase ) in trade receivables	(17 159)	(3 566)
Decrease in prepayments and other current assets	(88)	(572)
Decrease in other receivables	(1 749)	1 600
Increase in other long-term payables	-	-
Increase ( decrease ) terminable deposits	-	-
Increase( decrease) in trade payables, payables to related parties	5 455	1 047
Income tax (paid)	-	-
Increase (decrease) in other current liabilities	1 285	2 032
<b>Net cash flows from operating activities</b>	<b>13 816</b>	<b>11 315</b>
<b>Cash flows from (to) investing activities</b>		
(Acquisition) of property, plant and equipment and intangible assets	(4 403)	(2 087)
Disposal of property, plant and equipment	270	284
Daughter enterprise liquidation	-	-
Repayment of loans granted	2 542	1 107
Loans (granted)	(455)	(1 632)
Interest received	109	100
<b>Net cash flows (to) investing activities</b>	<b>(1 937)</b>	<b>(2 228)</b>

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

	<b>Group</b>	
	<b>As of 31 March 2014</b>	<b>As of 31 March 2013</b>
<b>Cash flows from (to) financing activities</b>		
Dividends (paid)	-	-
Cash, (transferred) during reorganization		
Loans received	9 160	32 959
(Repayment) of loans	(10 997)	(43 805)
Financial lease (payments)	(206)	(705)
Sponsorship received	2 516	-
Other revenue from financial activities	(1 567)	(148)
Interest (paid)	(18)	(54)
<b>Net cash flows (to) financial activities</b>	<b>(1 112)</b>	<b>(11 753)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>10 767</b>	<b>(2 666)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>6 958</b>	<b>5 789</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>17 725</b>	<b>3 123</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 2012</b>	<b>48 375</b>	<b>(3 002)</b>	<b>4 838</b>	<b>15 000</b>	<b>82 985</b>	<b>148 196</b>	<b>1 947</b>	<b>150 143</b>
Net profit for the three months	-	-	-	-	1 645	1 645	(28)	1 617
<b>Balance as of 31 March 2013</b>	<b>48 375</b>	<b>(3002)</b>	<b>4 838</b>	<b>15 000</b>	<b>84 630</b>	<b>149 841</b>	<b>1 919</b>	<b>151 760</b>
<b>Balance as of 31 December 2013</b>	<b>48 375</b>	<b>(4 569)</b>	<b>4 838</b>	<b>15 764</b>	<b>102 713</b>	<b>167 121</b>	<b>2 371</b>	<b>169 492</b>
Net profit for the three months	-	-	-	-	2 192	2 192	43	2 235
<b>Balance as of 31 March 2014</b>	<b>48 375</b>	<b>(4 569)</b>	<b>4 838</b>	<b>15 764</b>	<b>104 905</b>	<b>169 313</b>	<b>2 414</b>	<b>171 727</b>



## 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 Additional List of the Vilnius Baltic Stock Exchange. As of 31 March 2014 and as of 31 December 2013 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 March 2014 and as of 31 December 2013.

As of 31 December 2012, and 31 March 2013 The Company had acquired its own shares 1.360 thousand ones for 3.002 thousand LTL. As of 31 December 2013 and 31 March 2014 The Company had acquired its own shares 2.071 thousand ones for 4.569 thousand LTL yet.

As of 31 March 2014 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 2014 03 31	Main activities
ABF „Šilutės Rambynas“	Klaipėdos g. 3, Šilutė, Lietuva	87,82%	87,82%	10 878	19 466	19 817	Cheese production
SIA „Muižas piens“	Skaistkalnes g. 1, Rīga, Latvija	32%	-	4			Retail, wholesale trade

On 31 January 2013, ŽUK ”Tarpučių Pienas”, which was considered as Company's subsidiary company, was liquidated and removed from Registry of Legal Entities.

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 March 2014, the number of employees of the Group was 1.369 ( according of 31 March 2013 – 1.426).

### 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 March 2014	As of 31 March 2013
<b>Sales, thousand LTL</b>	149 181	122 818
<b>Gross profit, thousand LTL</b>	17 543	16 445
<b>EBITDA, thousand LTL</b>	5 909	6 144
<b>Current ratio ( at the end of period)</b>	2,89	2,76
<b>Book value per share ( at the end of period )</b>	3,55	3,14

**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 March 2014	As of 31 March 2013
<b><u>Sales</u></b>		
Lithuania	65 128	63 570
Other Baltic States and CIS countries	54 436	35 214
Other European countries	27 568	22 905
Other	2 049	1 129
	<b>149 181</b>	<b>122 818</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 March 2014</u>	<u>As of 31 March 2013</u>
Raw materials	11 339	11 749
Finished goods and work in process	93 059	85 334
Goods for resale	870	973
Decrease values of raw materials and goods	(13 718)	(5 625)
<b>Total inventories</b>	<b>91 550</b>	<b>92 431</b>

*Financial liabilities*

As of 31 March 2014 The Group financial liabilities amounted to only lease obligations.  
Loans in arrears for the Group no longer had.

*Finance lease liabilities:*

*As of 31 March 2014*

<i>The repayment term :</i>	2014 - 220
	2015 - 260
	<u>2016 - 109</u>
<b>Total</b>	<b>589</b>

*Subsequent events*

Subsequent events was not after was make consolidated financial statements.