



**ŽEIMAITIJOS PIENAS AB INTERIM REPORT
FOR THE PERIOD OF SIX MONTHS OF 2014 AND
INTERIM CONSOLIDATED UNAUDITED
FINANCIAL STATEMENT FOR THE PERIOD OF
SIX MONTHS OF 2014**

**2014
Telšiai**

AB „ŽEMAITIJOS PIENAS“
Įmonės kodas 180240752



**ŽEMAITIJOS PIENAS AB CONSOLIDATED INTERIM REPORT
FOR THE PERIOD OF SIX MONTHS OF 2014**



AB „ŽEMAITIJOS PIENAS“
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1. Accounting period, for which interim report is prepared

The report covers the first half of 2014 in compliance with conditions, requirements and procedures laid out in the legislation.

2. Main data on the Issuer

Company Name	„Žemaitijos pienas“ JS
Legal organizational form	Joint-stock Company
Date of registration	Joint-stock Company was registered on 23 June 1993
Company code	180240752
VAT code	LT802407515
Authorized capital	48 375 000 LTL, divided into 48 375 000 ordinary registered shares with the nominal value of 1 LTL each.
Office Address	Sedos str. 35, LT-87101 Telšiai
Phone	8-444-22201
Fax	8-444-74897
E-mail	info@zpienas.lt
Website	www.zpienas.lt

3. Information about Company's subsidiary (affiliated) companies and its branches

Subsidiaries controlled by the Company:

Public Limited Company *Šilutės Rambynas ABF*, company code 277141670.

Registration date and place: 09-12-1992 Šilutė district municipality, Šilutė, Klaipėdos str. 3.

Authorized capital – 8.596.650 LTL. *Žemaitijos pienas AB* owns 87,82% of shares.

Address - Klaipėdos str. 3, Šilutė.

Nature of business – production of ferment cheese.

Affiliated Company *Muižas piens SIA*, Company code 40003786632.

Company holds 32 proc.

Office address – Rīga, Tēraudlietuves iela 22, LV-1026

Nature of business – retail and wholesale trade



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Žemaitijos pienas AB branches :

- Vilnius branch, address: Algirdo str. 40/13, Vilnius
- Kaunas branch, address: Kėdainių str.. 8A, Kaunas
- Klaipėda branch, address: Šilutės str. 33, Klaipėda
- Panevėžys branch, address: J. Janonio str. 9, Panevėžys

4. Main business activity

Main business activity of *Žemaitijos pienas AB* is the development and production (EVRK 155000) of dairy products (fermented cheese and cheese products, prepacked cheese and cheese products, melted cheese and cheese products, cream, curd cream, butter dairy spreads, mixed spreads, milk fat, scalded cream, buttermilk, whey and dry milk products, fresh dairy products (milk, sour cream, curd, curd products, yoghurts, desserts, glazed curd cheese, sour milk products)), their disposal of in Lithuanian and international markets.

Main business activity of *Šilutės Rambynas ABF* is the development, production and sale of fermented cheese and cheese products, the production and sale of scalded milk, scalded whey and concentrated scalded whey.

II. INFORMATION ABOUT ISSUER'S AUTHORISED CAPITAL, SECURITIES, SHAREHOLDERS AND MANAGEMENT BODIES

5. Information about agreements with brokers on public trading in securities

On 16 July 2004 the Company concluded an agreement with *Šiaulių bankas AB* (which address is Tilžės str. 149, Šiauliai) regarding the transfer of Company's issued securities accounts management to *Šiaulių bankas AB* from 23 July 2004.

6. Details of the Company's shares and its' trading on regulated markets

ISIN code	LT0000121865
Ticker	ZMP1L
List/segment	BALTIC ECONDRARY LIST
Nominal value	1,00 LTL
Type of securities of the issuer	Ordinary registered shares
Total number of securities	48 375 000
Number of listed securities	48 375 000

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Listing date	13.10.1997
Total number of the shares with voting right	46 304 379 unit
Number of shares controlled by Company	2 070 621 unit

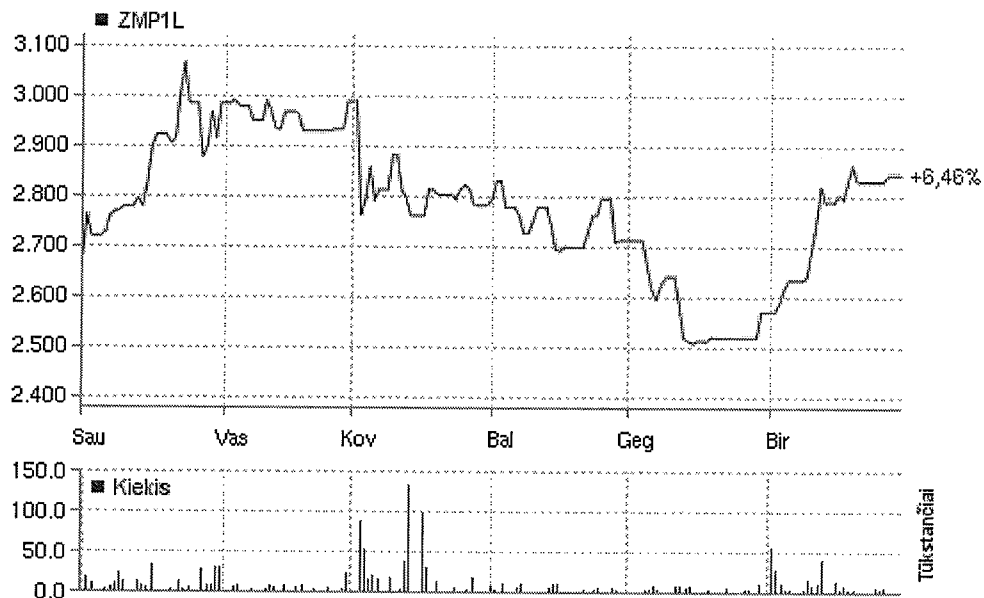
Only the Company's issued shares (ticker ZMP1L) are quoted in the secondary list of stock exchange of "NASDAQ OMX Vilnius". Securities ISIN code is LT0000121865.

Below are presented transactions in respect of *Žemaitijos Pienas AB* shares at Vilnius Stock Exchange during the period of the six month of 2014 and price dynamics. The graphics are taken from website of NASDAQ OMX Vilnius:

[http://www.nasdaqomxbaltic.com/market/?instrument=LT0000121865&list=3¤cy=LTL&date=2014-01-](http://www.nasdaqomxbaltic.com/market/?instrument=LT0000121865&list=3¤cy=LTL&date=2014-01-01&pg=details&tab=historical&lang=lt&downloadcsv=0&start_d=1&start_m=1&start_y=2014&end_d=30&end_m=6&end_y=2014)

[01&pg=details&tab=historical&lang=lt&downloadcsv=0&start_d=1&start_m=1&start_y=2014&end_d=30&end_m=6&end_y=2014](http://www.nasdaqomxbaltic.com/market/?instrument=LT0000121865&list=3¤cy=LTL&date=2014-01-01&pg=details&tab=historical&lang=lt&downloadcsv=0&start_d=1&start_m=1&start_y=2014&end_d=30&end_m=6&end_y=2014)

Securities trading period from January to June in 2014.



History of securities trading

Indicators	2010	2011	2012	2013	2014
Opening price	1,040	2,414	2,344	2,072	2,817
High price	2,572	2,659	2,538	2,876	3,066
Low price	1,020	1,916	1,851	2,058	2,500
Last price	2,414	2,344	2,072	2,672	2,593
Turnover (units)	7 623 027	4 945 124	1 514 200	2 864 080	1 384 644
Turnover (millions)	11,74 LTL	11,10 LTL	3,32 LTL	7,20 LTL	3,87 LTL
Capitalization (millions)	116,75 LTL	113,41 LTL	100,22 LTL	129,28 LTL	125,44 LTL



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It is noted that the sale in other Stock Exchange Markets and other organized markets have not been carried out.

7. Authorized capital

The Authorized Capital of the Company is 48,375,000 LTL. It consists of 48,375,000 ordinary registered shares. A par value of such a share is 1 LTL.

8. Acquisitions of the own shares

During the financial year 2011, *Žemaitijos pienas AB* via the Stock Exchange Market NASDAQ OMX Vilnius, as the official tender submarket, bought 10 units of *Žemaitijos pienas AB* milk ordinary registered shares of 1 (one) Litas par value for 18.00 LTL

The Company acquired 1 360 units of shares for the sum of 2 992 LTL by an order at NASDAQ OMX Vilnius Stock Market in December 2012. All shares a fully paid by the Company.

The Company acquired 710 611 units of own shares for 1567 LTL in 2013.

During the first half of 2014 the Company has neither acquired, nor sold its own shares.

9. Shareholders and their rights

Number of shareholders under the informatikon of 21st April of 2014 is 3 245 shareholders. The list of the shareholders owning or holding more than 5 % of *Žemaitijos Pienas AB* authorized capital and votes are as follows:

No.	Shareholder	The number of shares under ownership	The share of the authorized capital and votes under ownership, %	The share of votes in possession together with associated parties ¹ , %
1	Pažemeckas Algirdas Personal code:	21 589 380	44,63	50,88
2	SEB SA OMNIBUS ² (funds/inst clients), Luxembourg	3 413 962	7,06	7,06
3.	Pažemeckienė Danutė Personal code	3 025 820	6,25	50,88
4	Klaipėdos pienas AB, Company code 240026930, Šilutės road. 33, 91107	2 901 844	6	6

¹ Data on managed share of capital with associated parties may not be accurate, since it is hard to determine relations among separate parties;

² There are no data on legal entity's code and office registration;

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	Klaipėda			
5	Other shareholders	17 443 994	36,06	36,06

All issued shares provide shareholders with equal rights as provided in Lithuanian Law on Companies, other legislation and the Statute of the Company.

Restrictions on the transfer of securities or other constraints do not exist. Shareholders exercise property and non-property rights and have responsibilities under the Lithuanian Law on Companies and the Statute of the Company.

Restrictions on voting rights. All the Company's shares, which give the right to vote, are of the equal nominal value. Each share gives one vote during the General Meeting of Shareholders.

The rights of shareholders:

to receive the portion of the Company's profit (dividend); to receive a portion of the Company's assets in a case of its liquidation; to receive free shares, if authorized capital is being increased by the Company's own funds, except in the cases provided for in the laws; where the shareholder is a natural person, he has a right to bequeath all or part of his shares to one or more individuals; to sell or to transfer all or part of the shares to other individuals in accordance with procedures and terms defined in the law or by other means;

Non-property rights of the shareholders of the Company:

Participate in the Meetings; to vote in the Meetings, according to the rights determined by the shares; to get non-confidential information on economic activity of the Company; to elect or be elected to management and supervisory bodies, to occupy any position in the Company, unless otherwise established by the Lithuanian Law on Companies and the Company's Article of Association; to give specific suggestions in order to improve Company's financial, economical, organizational and other activities, appeal against decisions or actions made in the Shareholders Meetings, made by the Supervisory Council, Management Board and CEO, where it violates the Laws of the Republic of Lithuania, Company's Article of Association, property and non-property rights of the shareholders. One or more shareholders are entitled without specific authorizations to claim for the damages made to shareholders.

The individual acquires all rights and responsibilities, granted by the share of acquired Company's authorized capital and (or) voting rights: in the case of increasing the authorized capital – from the day the amendments to Article of Association related to the increase of authorized capital and (or) voting rights have been registered. In other cases, from the moment the proprietary to Company's authorized capital and (or) to voting rights has emerged.

10. Risk management

The company applies risk management methodologies to qualify main risk factors, to determine risk management priorities, to prepare risk management plans and to manage properly and timely risk inherent in the company's operations.

The company is engaged in the activity milk processing, so the main risk factors affecting or capable to affect and create company's business risk are possible changes in raw materials and products markets, possible political, legal, social and technological changes, which are directly or

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indirectly related to *Žemaitijos pienas AB* business and which may negatively influence Company's cash flows and activity results.

Company's main raw material is milk, the amount of which to be sold for processing for Europe Union's producers is limited by national milk quotas. Restrictions of raw material supply may cause the lack of raw material and increase raw material prices. These changes may negatively affect Company's cash flows and activity results.

The Company's activity (in particular the collection of milk and transportation) requires a labour-intensive activity. Changing fuel prices and increasing employees' wages may negatively affect Company's growth potential and activity results.

Monitoring the uncontrolled raw milk price increase in the market and being unable to compensate it by increasing the efficiency, sales prices, and savings and by other actions, there is a real threat to fail to sustain positive results. As the main product being produced by Company is hard cheese, which accounts for the largest share of the Company's turnover, and the price of this cheese in the European markets is falling, the total result is to be compensated by other products categories. The production capacity in those product categories where the global markets had a positive change in the selling price is very limited; besides, the sudden change of focus is not always possible due to long-term cooperation agreements with customers as well as the desire to maintain the relationships.

The Company focuses on production of fresh dairy products and cheeses; the main part of income consists of the sales of those products. Consequently the negative demand and price changes in fresh dairy products and cheeses may have impact on the Company's income, net profit and overall financial position.

Company's employees are entitled to express their opinion about or to draw inferences from any issues related to the Company's activities and/or to indicate risk factors, which may in any way influence the Company's activities. Advanced "Lean" methods, which should help to increase Company's competitiveness and efficiency, enable employees to activities mentioned above – this is a continuous process, so positive results are expected in the coming reporting year. Mastering and installation of advanced methods, staff training is in the primary stages.

The risk associated with sales in foreign markets and in order to prevent of occurrence of loss because of insolvency of buyers, avoidance of pay and/or other factors, such a risk is prohibited; this tool enables to protect Company from the occurrence of loss.

11. Substantial information on activity results

Key indicators reflecting the activity of the Group in the first half of 2014 (in thousands of LTL) in comparison to the same period last year:

Financial indicators	Groups	
	First half of 2014	First half of 2013
Turnover	280.534	256.850
Gross profit	43.811	39.118
Profit before taxes, interest and amortization	16.271	18.000
Profit before taxes	10.447	9.492
Amount of investments to long-term assets	11.761	7.656

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Comparison of tonnage and prices of purchased raw milk in the first half of 2104 and in the first half of 2013.

Raw milk purchases (recalculated based on standard fat)	First half of 2014	First half of 2013
Amount of purchased milk, in thousands of tons	132	127
Price of purchased milk, LTL/t	968	879

During the first half of 2014 and first half of 2013, the sold production in Lithuania and export distribution by product type was the as follows (in thousands LTL):

Product groups	Turnover, thousands of LTL	
	First half of 2014	First half of 2013
Fermented cheese	131.722	123.313
Fresh dairy products	76.317	75.405
Butter and fat mix	16.943	18.701
Dry milk products	20.369	15.637
Ice cream	26	44
Other	35.157	23.750
Viso	280.534	256.850

12. Activities plans, development and forecasts

The long-terms goals of *Žemaitijos Pienas AB* are to become strong, technically modern, reliable company attractive to investors; to create a profitable market for its production in the Europe Union and the Baltic States; to retain the highest quality of its products; to use fully existing production capacities; to systematically accumulate intellectual capital.

The main current goals of the Company:

- to purchase milk under market conditions, but no more expensive than raw milk is purchased by other market participants in Lithuania;
- to increase sales at prices favorable to the Company. To focus attention on the main collection of the strongest products and to maintain at least 20% share of the domestic market. In the foreign markets to focus on sales of higher-value added products;
- to strengthen marketing functions and name of the Company;
- to reduce production expenses and products cost;
- as soon as possible to abandon economically inefficient production;
- to reduce distribution expenses;
- encourage employees only for the final results and fulfillment of plans.

The company understands the importance of human resources to Company's results, so in the near future it is intended to focus on team building, development of competence and

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qualification, specific skill formation, review and improvement of motivational systems. Situation in the labour market is seen as insufficient, so the main conditions to attract and maintain the best people in strategic areas, markets and other substantial positions are being prepared.

As it is hard to predict economic situation in Europe Union and the State, the Group of Žemaitijos pienas refrains from publishing turnover and profit forecasts for the second half of 2014.

13. Environmental issues

Žemaitijos pienas AB, dairy products producing and selling Company, is classified according the criteria set out in the IPPC permit environmental rules in Annex 1 to the indicated Equipment group. On 29 December 2006, the Company was granted with Integrated Pollution Prevention and Control permit, which is valid indefinitely, but due to changes, may be adjusted. The Company does not have a negative impact on environment, which reducing would demand emergency measures. The Company plans and implements investments, which would allow reducing the expense of production, activities and energy consumption and in every possible way, would improve environmental conditions of the Company. At the same time we are always ready to solve environmental problems together with community.

In 2008, the Company has implemented the Integrated Management Quality and Food Safety Management System, which generally corresponds to the requirements of standards ISO 9001:2008 and ISO 22000:2005 and plans to implement ISO 14000 Environment Management System.

Natural resources are used economically. In order to reduce pollution, the Company uses the best available production techniques. Impact on the environment is controlled by coordinated monitoring programs.

The Company does not have a significant negative impact on the environment. *Žemaitijos Pienas AB* contaminated wastewater is released for cleaning in the wastewater treatment plants of the tow. Wastewater treatment plants were completely reconstructed by executing Venta – Lielupė River's Basin investment program project worth 44, 43 million LTL. After reconstruction additionally nitrogen and phosphorus in wastewater are being removed. *Telšių vandenys UAB* in order to comply with EU Wastewater Treatment Directive, begins implementation of the project *Sludge treatment plant construction in Telšiai*, which is worth over 24,4 millions LTL. For sewage pollution monitoring the Company acquired wastewater sampling equipment.

In the first half of 2014, the Company has completed the implementation of boiler plant modernization project *10 MW garo katilus naudojančios medienos kuro statyba Telšių mieste* (installation of 10 MW steam boilers using fuel wood in Telšiai) by changing the gas, type of fuel used, to renewable energy sources. After the reconstruction of the boiler house, was put into operation a new biofuel boiler and natural gas will be used as a backup fuel.

The Company is not included in ETS system under the National allocation plan for 2013 – 2020 years.

The Company has developed scenariuos and plans for elimination of possible accidents and their causes, has ammonia refrigeration compressor and gas station store as a dangerous object, hazard identification, risk analysis and assessment of safety.

Waste and packaging are managed in accordance with the environmental requirements. *Žemaitijos Pienas AB* separates secondary raw materials from general waste flow and systematically transmits these waste to collectors and recyclers. In the territory the hazardous and non-hazardous waste is separated, stored and managed in a way that does not negatively impact

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the environment; storage places are respectively marked. Timely the waste is transported to waste disposal companies.

The Company regularly carries out investment projects in order to introduce new modern technologies, which allow a more efficient use of energy resources and reduce pollution. The Company constantly renews its parking lot in order to reduce air pollution in the environment.

In the first half of 2014, the Company under the Lithuanian Environmental Investment Fund (LEIF) program implemented the first part of the project *Žemaitijos pienas AB installation of processing equipment for acid whey to reduce the amount of waste*.

14. Impartial review of the condition, processing activities and development of the Company

Žemaitijos Pienas AB is the old dairy products producing Lithuanian company that cherishes the classic milk production recipes and techniques and seeks to promote and reflect the heritage and old culture of dairy products.

Žemaitijos pienas AB was founded in 1924. Since that time started working Telšiai dairy, the potential of which was considered as rather great. At the end of 1984, Telšiai dairy began to work in new premises, which operated until the biggest in the Baltic States Telšiai cheese manufacturing plant was opened and privatized in 1993. *Žemaitijos pienas AB* was registered on 23rd of June 1993 at the department of Telšiai region, on the 16th of October 1998 it was anew registered at the Ministry of Agriculture of the Republic of Lithuania.

Consulting with the best European and USA companies, focusing on introducing new technologies, as well as using the most advanced membrane technology of milk purification *Bactocatch* has allowed the Company to increase the variety of products and improve their quality. In 2006, the State Food and Veterinary Service of the Republic of Lithuania has declared that the Order No. 4-104 “On Granting the Veterinary Supervision Number” of 1995 07 20 is no longer in effect and has approved that *Žemaitijos pienas AB* is in compliance with the requirements of the new veterinary regulations for production of milk products by giving the approval number 78-01 P.

Impeccable work is the face of the company, which testifies the reliability and solidity of ŽEMAITIJOS PIENAS, in anchoring the market of the country by its products and proclaiming the Samogitia region and Lithuania in the world.

The experience of many years and unique formulas allow offering consumers a wide selection of products of excellent taste and high quality. Today, the company produces dairy products over 200 different names both new and already favored by the consumers, e.g. a new group of organic dairy products DOBILAS. The products of MAGIJA trademark earned trust of consumers from the moment they were introduced and became strikingly popular. The consumers also favoured fermented and melted cheeses as well as non-ripened peelable cheese sticks PIK-NIK, which are one-of-the-kind in Lithuania. On 8 March a cheerful celebration of the 10th anniversary of manufacturing this exceptional product was organized, where we remembered that PIK-NIK was winning awards in international and national exhibitions almost every year.

Consumers also enjoy other products, such as milk, kefir, yoghurt, sour cream, cream, curd and glazed curd cheese, natural and flavoured butter and many other products. The Company also promotes national culinary heritage. Homemade fresh curd cheese and *Žemaitiškas kastyrys* (Samogitian sour cream butter) of *Žemaitijos pienas AB* are only made from traditional raw materials and additives, in line with the traditional technology. Therefore, these products of exceptional taste were awarded certificates of Lithuanian Culinary Heritage Foundation and bear the special mark of the Foundation.

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The experience of many years and unique formulas allow offering consumers a wide selection of products of excellent taste and high quality. Consulting with the best European and USA companies, focusing on introducing new technologies, as well as using the most advanced membrane technology of milk purification *Bactocatch* has allowed the Company to increase the variety of products and improve their quality. The Company produces fresh dairy products, butter, fermented and melted cheese, dry milk products.

Company's products are favored by the consumers in Lithuania and foreign countries. *Žemaitijos pienas AB* products are exported to the European Union, the Baltic countries, Russia, Belarus, Ukraine, Israel, Croatia, and other countries.

Most of the *Žemaitijos pienas AB* products corresponds to European as well as global standards and are awarded with golden medals and diplomas in international exhibitions.

In 2006, the State Food and Veterinary Service of the Republic of Lithuania by the order of Director of the Service – Order No. B1-800 “On veterinary endorsement of the subject of animal food management” of 13 12 2006 – declared that the Order No. 4-104 “On Granting the Veterinary Supervision Number” of 1995 07 20 is no longer in effect and has approved that *Žemaitijos pienas AB* is in compliance with the requirements of the new EU veterinary regulations for production of milk products and granted the Company with the number 78-01 P.

Besides, in 2006 German certification body DAkkS inspected *Žemaitijos pienas AB* laboratory's conformity to DIN EN ISO/IEC 17025:2000 requirements and confirmed the conformity by the conformity certification DAkkS with registration number DAP-PL-3977.00.

In 2007, the Company started to produce organic products. *Ekoagros PI* confirmed that *Žemaitijos pienas AB* meets requirements of EU Council Regulation EC No. 889/2008 as well as the rules of organic agriculture. Certified organic products are as follows: organic cheese, organic milk, organic yogurt, and other products. Currently the Company has been expanding its range of organic products: in 2010 was certified organic hard cheese, in 2011 the Company started to produce organic curd and glazed curd cheese and 2012 – organic curd cheese and organic sour milk.

In May of 2008, *Žemaitijos pienas AB* on the basis of purchasing-selling transaction has acquired 87,82 % (754 938 units) of ordinary registered shares of *Šilutės Rambynas ABF*, which were managed by *Žemaitijos pieno investicija AB* under ownership for 10 878 000 LTL, that is 14,41 Litas were paid for one share.

Žemaitijos pienas AB and *Šilutės Rambynas AB-F* focus on safety and quality of products as well as on customers' needs. Therefore, in 2008, began to develop an integrated food safety and quality management system (under the requirements of ISO 22000:2005 and ISO 9001: 2008).

Žemaitijos pienas Group in 2009 has developed a single integrated food safety and quality management system (IMSKVS), according to requirements of international standards of ISO 9001 and ISO 22000, which was certified by accredited inspection and technical evaluation of the company Bureau Veritas Lit. in 30th April of 2009.

Certification areas - development, production and sales of dairy products. ISO 9001 – the Certificate of Management System – shows that the Company has implemented a quality management system to ensure the efficient management of the company based on worldwide shared values and goals. ISO 22000 – Food Safety Management System Certificate – shows that the Company ensures food safety throughout the production and supply chain up to the time of consumption. Companies with ISO 22000 certification, pay special attention to the production and the environment, good hygiene and good manufacturing practices, implemented to ensure the safety and quality of the final product.

In 01 10 2013, European Commission in the register of traditional specialties included Samogitian sour cream butter. This is the fifth Lithuanian product, which has acquired the name of

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the product protected by the European Union. Recognition at EU level enables the product label with special EU logo with the indication "traditional specialty guaranteed". This shows that the name of the product is protected from any direct or indirect commercial use, imitation or evocation, or other activities that could mislead consumers.

The increased globalization of the supply chain process and the changes in sales markets, there are additional requirements for the level of food safety assurance. One of the requirements of such is an IFS certificate in order to export the Company's dairy products to Germany. In April 7-15 2014, an independent international Det Norske Veritas certification body auditors recognized *Žemaitijos pienas AB* IMSKVS IFS compliance with IFS requirements, and provides the highest level of certification evaluation. IFS - an international food safety standard, which is used worldwide as supplier evaluation system. In 2003, it was composed by the German retail federation Associate - Hauptverband des Deutschen Einzelhandel (HDE) and its counterpart in France.

The main criteria of the standard:

- Capable to control critical control points (CCP) identification number;
- Conducting SVT monitoring system (with clear records and regular inspections);
- Management ensuring that employees are aware of their responsibilities and the results of job performance is measured;
- Traceability of the product;
- Implementation of the corrective action.
- The standard applies to all suppliers of food processing levels, except the agricultural stage.

15. Significant events happened after the end of financial years

Awards in 2014

- 40 % fat cheese *Džiugas*, matured 24 months and produced by *Žemaitijos pienas AB*, in the National cheese exhibition "Prague 2014" in the hard cheese category was rated as "excellent" (22 01 2014, Prague).
- *Džiugas Gourmet* cheese in 180 g packaging, matured 36 months and produced by *Žemaitijos Pienas AB*, evaluated for its exceptional aroma and taste in the CENA 2014 Danubius Gastro exposition (30 01 2014-02 02 2014, Incheba Expo Bratislava, Slovakia).
- *Žemaitijos Pienas AB* Souvenir set of hard cheeses with *Džiugas Mild*, *Džiugas Delicate*, and *Džiugas Gourmet* awarded a gold medal at the International Food Exhibition ПРОДЭКСПО – 2014 for packaging innovation and convenience of use (10-14 02 2014, Moscow)
- Melted cheese with onions *Snack* (100 grams), produced by *Žemaitijos Pienas AB*, awarded a silver medal at the International Food Exhibition ПРОДЭКСПО – 2014 for packaging innovation and convenience of use (10-14 02 2014, Moscow).
- Hard cheese *Džiugas Mild*, matured 12 months and produced by *Žemaitijos Pienas AB*, the winner of the Most Popular Hard Cheese 2013 competition organized in 2014 by the Association of Lithuanian Trade Enterprises as "The Most Popular Product 2013" (03 04 2014 Vilnius).

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- Hard cheese *Džiugas*, matured 12 months and produced by *Žemaitijos Pienas AB* the winner of the Most Popular Hard Cheese 2013 competition organized in 2014 by the Association of Lithuanian Trade Enterprises as “The Most Popular Product 2013” (04 03 2014Vilnius).
- 9 % semi-fat curd, produced by *Žemaitijos Pienas AB*, the most popular curd at competition “The Most Popular Product 2013” organized by the Association of Lithuanian Trade Enterprises (04 03 2014Vilnius).
- Glazed curd cheese *Magija*, produced by *Žemaitijos Pienas AB*, the most popular Glazed curd cheese at competition “The Most Popular Product 2013” organized by the Association of Lithuanian Trade Enterprises (04 03 2014Vilnius).
- Hard cheese *Džiugas*, matured 24 months and produced by *Žemaitijos pienas AB* in the 18th international exhibition “EuroGastro 2014“ was recognized as the best product (27 03 2014 Warsaw)
- *Džiugas* cheese recognized as the Brand of the Year 2014 for popularising a Lithuanian brand name abroad (25-26 03 2014, Nielsen, Verslo Žinios).
- 10 % fat organic yoghurt-sour cream *Dobilas* produced by *Žemaitijos pienas AB* awarded the gold medal *AgroBalt2014* (20th international agriculture, food and packaging industry exhibition) (3-5 04 2014, Kaunas).
- 8 % fat glazed curd cheese *Pinas-Burboninė vanilė*, 100 g., produced by *Žemaitijos pienas AB* awarded gold medal *AgroBalt2014* (20th international agriculture, food and packaging industry exhibition) (3-5 04 2014, Kaunas).
- Hard cheese *DŽIUGAS Gourmet 36 months*, produced by *Žemaitijos pienas AB* got three stars in food and drink evaluation contest *Superior Taste Award 2014*, organized by *International Taste and Quality Institute (iTQi)* (6th of May, Brussels).
- 3,5-4,6 % fat natural organic yoghurt *Dobilas* produced by *Žemaitijos pienas AB* got two stars in food and drink evaluation contest *Superior Taste Award 2014*, organized by *International Taste and Quality Institute (iTQi)* (6th of May, Brussels).
- Glazed vanilla curd cheese *Magija* produced by *Žemaitijos pienas AB* got one star in food and drink evaluation contest *Superior Taste Award 2014*, organized by *International Taste and Quality Institute (iTQi)* (6th of May, Brussels).

Acknowledgement in 2014

- Lithuanian Scouts to *Žemaitijos pienas AB* “For assistance in the organization of the 15th song contest “A lot of beautiful songs I have heard” in the memory of chief scout Feliksas Šakalys” (18 01 2014).

15. Bodies of the Issuer

Issuer's bodies are the General Meeting of Shareholders, the Supervisory Board, the Board and the Managing Director (Chief Executive Officer) as well as the Company's administration, subordinated to Managing Director. The Management Bodies are the Board of Directors and Managing Director.

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Supervisory Board is meant as a collegial Supervisory Body, which function is to supervise Company's business. The Board is governed by its chairman. The Company's Board consists of 3 members elected by the General Meeting of Shareholders for four years. According to The Articles of Association, the number of tenure of the Board member is unlimited.

The Company's Board is meant as a collegial Management Body that represents shareholders of the Company during the Meetings as well as making decisions on the key issues of the Company's business. The procedures of the Board are established by the regulations of procedures of the Board. The Board consists of 5 members. The Board members are elected for a period of four years, but not longer, by the Supervisory Board. The number of tenure of the Board is unlimited. The Board is governed by its chairman, elected by the Board from among its members.

The head of the Company is Chief Executive Officer, who acts under the Articles of Association of the Company, under decisions both of the General Meeting of Shareholders and the Board and other local acts of the Company.

Chief Executive Officer plans daily activities of the Company and carry out the actions necessary to carry out Company functions, to implement the decisions of the Company Bodies and to warrant the movement of activities of the Company.

Company's bodies act in accordance with the laws of the Republic of Lithuania as well as with other requirements, set out in legal acts and the Articles of Association of the Company. The Company's bodies are elected, appointed and recalled in accordance with regulations set out in the above mentioned documents.

16. Members of collegial Company Bodies

16.1. Supervisory Board

Full Name	Position at issuer	Number of owned shares in units and a part of authorized capital %	Beginning of tenure	End of tenure	Start working at Žemaitijos pienas
Romusas Jarulaitis	Chairman of Supervisory Board, (manager) ³	1 105 510 2,29	2011 04 08	2015 04 07	1988 01 26
Robertas Pažemeckas	Member of Supervisory Board (i.e.p. General Manager) ⁴	-	2011 04 08	2015 04 07	2002 08 26
Gražina Norkevičienė	Member of Supervisory Board	-	2014 04 25	2018 04 25	-

³ Pareigos einamos emitente darbo santykių pagrindu;

⁴ Pareigos einamos emitente darbo santykių pagrindu;

16.2. The Company Board

Full Name	Position at issuer	Number of owned shares in units and a part of authorized capital %	Beginning of tenure	End of tenure	Start working at Žemaitijos pienas
Algirdas Pažemeckas	Chairman of the Board, Adviser	21 589 380 44,63	2011 05 01	2015 04 30	1986 12 26
Marius Dromantas	Member of the Board, Director of Logistics ⁵	-	2011 05 01	2015 04 30	2003 12 01
Dalia Gecienė	Member of the Board, Chief Accountant	475 160	2014 02 07	2018 02 07	1986 07 29
Remigijus Bieliauskas	Member of the Board, Production Manager ⁶		2014 02 07	2018 02 07	2002 05 05

16.3. Administration

Full Name	Position	Number of owned shares in units	A part of authorized capital %
Robertas Pažemeckas	L.e.p. The General Manager	21 589 380	44,63
Dalia Gecienė	Chief Accountant	475 160	1,01

During the first half of 2014 neither the Management Bodies, nor Supervisory members were granted warranties and vouchers related to assurance of fulfilling its obligations.

17. Transactions with related parties

⁵ Position is the issuer up the employment relationship;

⁶ Position is the issuer up the employment relationship;

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There are no agreements to which the Issuer is a party and which take effect, alter or terminate upon the change in the issuer's control.

The Issuer has not entered into an agreement with its employees or members of bodies which provided compensation if they resign or are fired without valid reason or if their employment is terminated due to change of control of the issuer.

18. Employees

Based on the data of 30th of December 2014, *Žemaitijos pienas AB* employs 1225 people. This number during the year slightly decreased, as compared to the respective period of the last year, when 1424 people were working.

	2014 06 30	2013 06 30	2012 06 30
Average number of employees	1225	1242	1280

Employees' groups with respect to their background:

Number of employees with respect to their background	2014 06 30	2013 06 30	2012 06 30
Master Degree	40	35	22
Higher education	136	202	184
College education	270	290	343
Vocational education	263	224	199
Secondary education	378	427	440
Incomplete secondary education	138	64	92
Total number:	1225	1242	1280

Žemaitijos Pienas AB, the number of employees in accordance with their respective groups, and their average salary according to respective groups of employees:

The number of employees by groups	2014 06 30		2013 06 30		2012 06 30	
	Number of employees	Average salary	Number of employees	Average salary	Number of employees	Average salary
Managers	15	7681	24	7197,4	61	6236
Experts	248	3443	279	3156,6	244	2692
Workers	962	2429	939	1958,5	975	2042
Total number:	1225		1242		1280	

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Šilutės Rambynas AB employees average salary according to respective groups of employees:

The number of employees by groups	2012 16 30		2013 06 30		2014 06 30	
	Number of employees	Average salary	Number of employees	Average salary	Number of employees	Average salary
Managers	4	5080,44	4	6165,66	6	6629,48
Experts	53	2402,70	48	2651,50	78	3062,85
Workers	151	1827,17	137	1946,32	104	2071,14
Total number:	208	2037,39	189	2214,71	188	2628,07










Žemaitijos pienas AB and Šilutės Rambynas AB employees' rights and duties are specified in their job profiles and other local acts. Employment agreements do not specify any special rights or duties.

As part of human resources policy, the Company aims to create and develop long-term relationships with its employees. Employees have the opportunity to improve their knowledge and skills. The Company has prepared training programs for workers in production, production technicians, productions operators, production operators-metalworkers, production experts.



19. Data on publically disclosed information

About all essential events Žemaitijos Pienas AB in accordance with procedures, set out its Article of Association and regulations of the Republic of Lithuania, informed the Supervisory Authority of the Bank of Lithuania and the Vilnius Stock Exchange (*NASDAQ OMX AB*, Vilnius). Announcements were published in the central database of regulatory information and Company's website www.zpienas.lt. Notices of shareholders' meetings in addition were published in the daily newspaper *Valstiečių laikraštis*. Information on the transactions of Managers was announced during the Vilnius Stock Exchange (NASDAQ OMX, Vilnius) system (website).

During accountig period have been announced events as follows:

18.08.2014 09:47:10	VLN	Žemaitijos pienas	For sales of dairy products in the Russian market
30.05.2014 14:41:03	VLN	Žemaitijos pienas	Žemaitijos pienas AB three-month preliminary result in 2014 Attachments: 
12.05.2014 10:35:41	VLN	Žemaitijos pienas	For possible threat to Telšiai town and Žemaitijos pienas AB
30.04.2014 13:48:50	VLN	Žemaitijos pienas	Financial statements for 2013 Attachments:    
25.04.2014 17:21:21	VLN	Žemaitijos pienas	Decisions of the ordinary general Meeting of the shareholders held on 25 th April 2014. Attachments:    
04.04.2014	VLN	Žemaitijos	Projects of the ordinary Meeting of the shareholders

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14:36:07		pienas	Attachments: 
28.03.2014 16:01:24	VLN	Žemaitijos pienas	<u>The calling of the ordinary General Meeting of Shareholders</u>
28.03.2014 15:38:27	VLN	Žemaitijos pienas	<u>The calling of the ordinary General Meeting of Shareholders</u>
28.02.2014 15:55:59	VLN	Žemaitijos pienas	Unaudited preliminary <i>Žemaitijos Pienas AB</i> Group 2013 operating results, Attachments: 
10.02.2014 13:23:01	VLN	Žemaitijos pienas	Due to the Company's Board Members
07.02.2014 16:27:34	VLN	Žemaitijos pienas	For the decisions of the extraordinary General Meeting of Shareholders
24.01.2014 11:19:26	VLN	Žemaitijos pienas	For the projects of decisions of the extraordinary General Meeting of Shareholders <u>(ADDITED/CORRECTED)</u>
17.01.2014 13:34:17	VLN	Žemaitijos pienas	the projects of decisions of the extraordinary General Meeting of Shareholders
09.01.2014 10:44:33	VLN	Žemaitijos pienas	<u>The calling of the extraordinary General Meeting of Shareholders (edited)</u>
08.01.2014 10:31:18	VLN	Žemaitijos pienas	For <u>the</u> calling of the General Meeting of Shareholders

Company's published material events is placed in the archive by address - http://www.nasdaqomxbaltic.com/market/?pg=news&issuer=ZMP&start_d=1&start_m=1&start_y=1996.

20. The procedure of emendation of the Articles of Association

Žemaitijos Pienas AB activities are governed by the laws of the Republic of Lithuania and other articles, regulating the activities of legal persons.

Žemaitijos Pienas AB Articles of Association may be changed in accordance with the Laws the Republic of Lithuania.

21. Information regarding compliance with the Corporate Governance Code

The Company seeks to comply with the standards of the Corporate Governance Code. Information about how the company complies with the specific articles of the Corporate Governance Code is provided with the 2013 annual report. All information is also available on the company's website www.zpienas.lt.