

Confirmation of Responsible Persons

28 November 2014

Telšiai

Following the Article No. 22 of the Law on Securities of the Republic of Lithuania and Rules on Preparation and Submission of Periodical and Additional Information of the Board of the Bank of Lithuania, we, Robertas Pažemeckas, Acting Managing Director and Dalia Gecienė, Chief Financier of stock company *Žemaitijos pienas*, hereby confirm that, to the best of our knowledge, interim consolidated Financial Statements for the period of nine months of 2014 of *Žemaitijos pienas*, AB company group, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of consolidated company group assets, liabilities, financial position, profit (loss) and cash flows. The interim Financial Statements were not audited.

Acting Managing Director



Robertas Pažemeckas

Chief Financier



Dalia Gecienė



AB „ŽEMAITIJOS PIENAS”

**UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS FOR THE PERIOD ENDED**

30 SEPTEMBER 2014

1. Balance sheets

	Group	
	As of 30 September 2014	As of 31 December 2013
ASSETS		
Non-current assets		
Intangible assets	689	376
Property, plant and equipment	73 198	62 979
Investment property	835	919
Available – for – sale investments	4	4
Investments into subsidiaries	-	-
Non-current receivables	8 030	5 535
Own shares	-	-
Deferred income tax asset	3 505	3 505
Total non-current assets	86 261	73 318
Current assets		
Inventories	90 362	112 720
Prepayments	1 952	1 513
Trade receivables	28 498	27 743
Receivables from subsidiaries	-	-
Receivables from other related parties	6 051	1 156
Other receivables	2 449	5 290
Deposits	-	-
Cash and cash equivalents	27 707	6 958
Total current assets	157 019	155 380
Total assets	243 280	228 698

Balance sheets (cont'd)

	Group	
	As of 30 September 2014	As of 31 December 2013
LIABILITIES AND SHAREHOLDERS' EQUITY		
Equity attributable to equity holders of the parent		
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	104 717	102 713
	169 125	167 121
Minority interest	2 740	2 371
Total shareholders' equity	171 865	169 492
Non-current liabilities		
Grants received	9 049	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
Total non-current liabilities	10 659	7 539
Current liabilities		
Current portion of non-current loans	-	1 568
Current portion of non-current financial lease obligations	77	426
Trade payables and other current liabilities	58 568	45 591
Payables to subsidiaries	-	-
Payables to other related parties	1 360	1 212
Income tax payable	751	2 870
Total current liabilities	60 756	51 667
Total liabilities and shareholders' equity	243 280	228 698

2. Income statements

	Group			
	01 January 2014 – 30 September 2014	01 January 2013 – 30 September 2013	01 July 2014 - 30 September 2014	01 July 2013 – 30 September 2013
Sales	418 969	403 915	138 435	147 065
Cost of sales	(361 473)	(340 213)	(124 750)	(122 480)
Gross profit	57 496	63 702	13 685	24 585
Operating expenses	(53 036)	(47 526)	(18 563)	(17 506)
Other operating income, net	820	665	314	338
Profit from operations	5 280	16 841	(4 564)	7 417
Financial and investment activities, net	666	200	63	132
Profit before income tax	5 946	17 041	(4 501)	7 549
Income tax	(3 573)	(2 223)	(1 228)	(274)
Net profit	2 373	14 818	(5 729)	7 275

3. Cash flow statements

	Group	
	As of 30 September 2014	As of 30 September 2013
Cash flows from (to) operating activities		
Net profit	2 373	14 818
Adjustments for non-cash items:		
Depreciation and amortization	9 030	11 814
Amortization of grants received	(742)	(593)
(Profit) loss from disposal and write-offs of property, plant and equipment and intangible assets	(266)	(78)
Result from financial and investment activities	(281)	(259)
Decrease (increase) values of inventories	(2 148)	-
Decrease (increase) values of receivables	1 020	3 578
Income tax expenses	-	-
Other non-cash (income) expenses	-	-
	8 986	29 280
Changes in working capital:		
Decrease (increase) in inventories	24 506	(2 023)
(Increase) in trade receivables	(6 671)	(6 043)
Decrease in prepayments and other current assets	(438)	(1 090)
Decrease in other receivables	(1 746)	(1 174)
Increase in other long-term payables	-	-
Increase (decrease) terminable deposits	-	-
Increase(decrease) in trade payables, payables to related parties	12 204	5 862
Increase (decrease) in other current liabilities	(1 198)	7 907
Net cash flows from operating activities	35 643	32 719
Cash flows from (to) investing activities		
(Acquisition) of property, plant and equipment and intangible assets	(20 228)	(8 006)
Disposal of property, plant and equipment	1 016	851
Daughter enterprise alienation (acquisition), own shares	-	(1 567)
Repayment of loans granted	3 962	3 806
Loans (granted)	(1 871)	(3 969)
Interest received	322	364
Net cash flows (to) investing activities	(16 799)	(8 521)

Cash flow statements (cont'd)

	Group	
	As of 30	As of 30
	September 2014	September 2013
Cash flows from (to) financing activities		
Dividends (paid)	-	(964)
Cash, (transferred) during reorganization		
Loans received	9 160	50 978
(Repayment) of loans	(10 997)	(63 807)
Financial lease (payments)	(349)	(2 167)
Sponsorship received	3 863	-
Other revenue from financial activities	269	(20)
Interest (paid)	(41)	(105)
Net cash flows (to) financial activities	1 905	(16 085)
Net increase (decrease) in cash and cash equivalents	20 749	8 113
Cash and cash equivalents at the beginning of the year	6 958	5 789
Cash and cash equivalents at the end of the year	27 707	13 902

4. Statements of changes in equity

<u>Group</u>	Attributable to shareholders of the Company							
	Share capital	Own shares(-)	Legal reserve	Other reserves	Retained earnings	Total	Minority interest	Total
Balance as of 31 December 2012	48 375	(3 002)	4 838	15 000	82 985	148 196	1 947	150 143
Dividends, payment from return					(2 315)	(2 315)		(2 315)
Reserves formation from return				764	(764)	-		-
Acquisition own shares		(1 567)				(1 567)		(1 567)
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
Balance as of 31 December 2013	48 375	(4 569)	4 838	15 764	102 713	167 121	2 371	169 492
Reserves formation from return				-	-	-	-	-
Own shares		-				-	-	-
Dividends, tantiems estimated from return					-	-	-	-
Net profit for the nine months	-	-	-	-	2 004	2 004	369	2 373
Balance as of 30 September 2014	48 375	(4 569)	4 838	15 764	104 717	169 125	2 740	171 865

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 2014 and as of 30 September 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. The Company had acquired its own shares 1.360 thousand units of shares for 3.002 thousand LTL as of 31 December 2012. And as of 30 September 2013, as of 30 September 2014 the Company had acquired its own shares 2.071 thousand units shares for 4.569 thousand LTL

As of 30 September 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 09 30	Main activities
ABF „Šilutės Rambynas“	Klaipėdos g. 3, Šilutė, Lietuva	87,82%	87,82%	10 878	19 466	23 742	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 2014, the number of employees of the Group was 1 350 (according of 30 September 2013 – 1 412).

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 September 2014	As of September 2013
Sales, thousand LTL	418 969	403 915
Gross profit, thousand LTL	57 496	63 702
EBITDA, thousand LTL	15 017	27 326
Current ratio (at the end of period)	2,58	2,63
Book ratio (at the end period)	3,55	3,33

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 2014	As of 30 September 2013
<u>Sales</u>		
Lithuania	210 959	227 475
Other Baltic States and CIS countries	98 656	114 152
Other European countries	104 214	55 908
Other	5 140	6 380
	418 969	403 915

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 2014</u>	<u>As of 30 September 2013</u>
Raw materials	12 005	11 921
Finished goods and work in process	89 203	92 207
Goods for resale	724	1 194
Decrease values of raw materials and goods	(11 570)	(5 624)
	<u>90 362</u>	<u>99 697</u>

Loans' repayment terms:

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

Subsequent events

Subsequent events was not after was make consolidated financial statements.