



Confirmation of Responsible Persons

27 February 2015

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 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
31 DECEMBER 2014**

1. Balance sheets

	Group	
	As of 31 December 2014	As of 31 December 2013
ASSETS		
Non-current assets		
Intangible assets	661	376
Property, plant and equipment	62 953	62 979
Investment property	807	919
Available – for – sale investments	4	4
Investments into subsidiaries	-	-
Non-current receivables	16 247	5 535
Other financial asset	54	-
Deferred income tax asset	5 012	3 505
Total non-current assets	85 738	73 318
Current assets		
Inventories	86 127	112 720
Prepayments	2 494	1 513
Trade receivables	31 268	27 743
Receivables from subsidiaries	-	-
Receivables from other related parties	4 446	1 156
Other receivables	4 196	5 290
Deposits	-	-
Cash and cash equivalents	24 233	6 958
Total current assets	152 764	155 380
Total assets	238 502	228 698

Balance sheets (cont'd)

	Group	
	As of 31 December 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	111 929	102 713
	<u>176 337</u>	<u>167 121</u>
Minority interest	2 260	2 371
Total shareholders' equity	<u>178 597</u>	<u>169 492</u>
Non-current liabilities		
Grants received	7 366	5 929
Long-term loans from related parties	-	-
Financial lease obligations	109	369
Deferred income tax liability	-	1 203
Other current liabilities	18	38
Total non-current liabilities	<u>7 493</u>	<u>7 539</u>
Current liabilities		
Current portion of non-current loans	-	1 568
Current portion of non-current financial lease obligations	260	426
Trade payables and other current liabilities	49 524	45 591
Payables to subsidiaries	-	-
Payables to other related parties	1 737	1 212
Income tax payable	891	2 870
Total current liabilities	<u>52 412</u>	<u>51 667</u>
Total liabilities and shareholders' equity	<u>238 502</u>	<u>228 698</u>

2. Income statements

	Group			
	01 January 2014 – 31 December 2014	01 January 2013 – 31 December 2013	01 October 2014 - 31 December 2014	01 October 2013 – 31 December 2013
Sales	556 466	529 185	137 497	125 271
Cost of sales	(465 526)	(428 554)	(104 053)	(88 342)
Gross profit	90 940	100 631	33 444	36 929
Operating expenses	(81 181)	(74 811)	(28 144)	(27 285)
Other operating income, net	1 188	1 053	368	388
Profit from operations	10 947	26 873	5 668	10 032
Financial and investment activities, net	757	257	90	57
Profit before income tax	11 704	27 130	5 758	10 089
Income tax	(2 599)	(3 898)	974	(1 676)
Net profit	9 105	23 232	6 732	8 413

3. Cash flow statements

	Group	
	As of 31 December 2014	As of 31 December 2013
Cash flows from (to) operating activities		
Net profit	9 105	23 232
Adjustments for non-cash items:		
Depreciation and amortization	12 818	14 999
Amortization of grants received	(2 425)	(864)
(Profit) loss from disposal and write-offs of property, plant and equipment and intangible assets	(303)	(174)
Result from financial and investment activities	(376)	(257)
Decrease (increase) values of inventories	(3 782)	8 710
Decrease (increase) values of receivables	285	324
Income tax expenses	(1 507)	(1 236)
Other non-cash (income) expenses	9 860	(3 073)
	<u>23 675</u>	<u>41 661</u>
Changes in working capital:		
Decrease (increase) in inventories	30 375	(23 755)
(Increase) in trade receivables	(7 100)	3 755
Decrease in prepayments and other current assets	(980)	227
Decrease in other receivables	(1 893)	1 658
Increase in other long-term payables	-	-
Increase (decrease) in deferred income tax liability	(1 203)	-
Increase(decrease) in trade payables, payables to related parties	8 318	4 279
Increase (decrease) in other current liabilities	(5 860)	2 937
Net cash flows from operating activities	<u>45 332</u>	<u>30 762</u>
Cash flows from (to) investing activities		
(Acquisition) of property, plant and equipment and intangible assets	(23 672)	(14 979)
Disposal of property, plant and equipment	1 149	986
Daughter enterprise alienation (acquisition), own shares	-	-
Repayment of loans granted	7 869	5 257
Loans (granted)	(13 757)	(5 980)
Interest received	422	438
Net cash flows (to) investing activities	<u>(27 989)</u>	<u>(14 278)</u>

Cash flow statements (cont'd)

Group

	As of 31	As of 31
	December 2014	December 2013
Cash flows from (to) financing activities		
Dividends, tantiems (paid)	-	(1 147)
Acquisition of own shares	-	(1 567)
Loans received	9 160	68 510
(Repayment) of loans	(10 997)	(80 866)
Financial lease (payments)	(426)	(2 457)
Sponsorship received	3 863	2 403
Other revenue from financial activities	(1 622)	(103)
Interest (paid)	(46)	(88)
Net cash flows (to) financial activities	(68)	(15 315)
Net increase (decrease) in cash and cash equivalents	17 275	1 169
Cash and cash equivalents at the beginning of the year	6 958	5 789
Cash and cash equivalents at the end of the year	24 233	6 958

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 of own shares		(1 567)				(1 567)		(1 567)
Daughter enterprises liquidation (acquisition)					33	33	(34)	(1)
Net profit for the twelve months	-		-		22 774	22 774	458	23 232
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 twelve months	-	-	-	-	9 216	9 216	(111)	9 105
Balance as of 31 December 2014	48 375	(4 569)	4 838	15 764	111 929	176 337	2 260	178 597

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 31 December 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. 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 31 December 2013, as of 31 December 2014 the Company had acquired its own shares 2.071 thousand units shares for 4.569 thousand LTL

As of 31 December 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 12 31	Main activities
ABF „Šilutės Rambynas“	Klaipėdos g. 3, Šilutė, Lietuva	87,82%	87,82%	10 878	19 466	18 556	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 31 December 2014, the number of employees of the Group was 1 371 (according of 31 December 2013 – 1 381).

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 December 2014	As of December 2013
Sales, thousand LTL	556 466	529 185
Gross profit, thousand LTL	90 940	100 631
EBITDA, thousand LTL	24 568	42 260
Current ratio (at the end of period)	2,91	3 ,01
Book ratio (at the end period)	3,69	3,50

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 2014	As of 31 December 2013
<u>Sales</u>		
Lithuania	281 499	272 303
Other Baltic States (Latvia, Estonia)	52 227	46 181
CIS countries (Rusia and others)	61 119	94 951
Other European countries	137 572	110 919
Other	24 049	4 831
	556 466	529 185

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.

<i><u>Inventories</u></i>	As of 31 December 2014	As of 31 December 2013
Raw materials	11 976	11 770
Finished goods and work in process	84 043	114 632
Goods for resale	660	652
Decrease values of raw materials and goods	(10 552)	(14 334)
	<u>86 127</u>	<u>112 720</u>

Loans' repayment terms:

	<u>31 December 2014</u>
2014 m .	-
2015 m .	-
Total Loans on 31 December 2014	<u>-</u>

Subsequent events

Subsequent events was not after was make consolidated financial statements.