



**AB "ŽEMAITIJOS PIENAS" SIX-MONTH  
INTERIM REPORT FOR 2015  
AND  
SIX-MONTH INTERIM CONSOLIDATED  
UNAUDITED FINANCIAL STATEMENT FOR 2015**

**2015  
Telšiai**

AB "ŽEMAITIJOS PIENAS"  
Company code: 180240752



**AB "ŽEMAITIJOS PIENAS" SIX-MONTH CONSOLIDATED  
INTERIM REPORT FOR 2015**



AB "ŽEMAITIJOS PIENAS"  
Company code: 180240752

## TABLE OF CONTENTS

Six-month interim report for 2015	2-20
<b>I. GENERAL PROVISIONS</b>	<b>2-3</b>
1. Reporting period covered by the interim report	3
2. Basic information about the issuer	3
3. Information about the Group's enterprises and branches	3
4. Nature of the main activities	3
<b>II. INFORMATION ABOUT THE ISSUER'S SHARE CAPITAL, SECURITIES, SHAREHOLDERS AND MANAGEMENT BODIES</b>	
5. Information about the agreements entered into with the intermediaries of public trading in securities	4
6. Data on share trading in regulated markets by the Group members	4
7. Share capital	5
8. Acquisition of own shares	5
9. Shareholders	5
10. Risk management	7
11. Information about the overall performance	7
12. Business plans and forecasts	8
13. Environmental protection	8
14. Major events of the reporting period	9
15. Issuer's management bodies	10
16. Members of the company's collegial bodies	11
17. Related party transactions	13
18. Employees	13
19. Data on public information	14
20. The Statute amendment procedure	19
21. Information about the compliance with the Corporate Governance Code	19
22. Six-month interim consolidated unaudited financial statements for 2015	20



AB "ŽEMAITIJOS PIENAS"  
Company code: 180240752

## 1. Reporting period covered by the interim report

The Report covers the first half of 2015, according to the conditions, requirements and order set forth by the legislations.

## 2. Basic information about the issuer

Company name	AB "Žemaitijos pienas"
Legal-organisational form On record	Joint stock company The joint stock company was registered on 23 June, 1993
Company code	180240752
VAT payer's code	LT802407515
Share capital	14 028 750 EUR, divided into 48 375 000 ordinary registered shares of EUR 0.29 nominal value
Legal address	Sedos str. 35, LT-87101 Telšiai
Phone	+ 370-444-22201
Fax	+ 370-444-74897
E-mail	<a href="mailto:info@zpienas.lt">info@zpienas.lt</a>
Website	<a href="http://www.zpienas.lt">www.zpienas.lt</a>

## 3. Information about the Group's subsidiaries and branches

### List of subsidiaries controlled by the Company:

ABF "Šilutės Rambynas", company code: 277141670.

Date and place of registration: 1992-12-09 Šilutė district, Šilutė, Klaipėdos str. 3.

Share capital – 2 493 028,50 EUR, AB "Žemaitijos pienas", owns 87,82% of the share capital.

Legal address - Klaipėdos str. 3, Šilutė.

Nature of the main activities – production of fermented cheese

Related company SIA "Muižas piens", company code: 40003786632.

The company owns 32%

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

Nature of the main activities – retail and wholesale trade.



AB "ŽEMAITIJOS PIENAS"  
Company code: 180240752

Branches of AB "Žemaitijos pienas":

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

#### 4. Nature of the main activities

The main activity of AB "Žemaitijos pienas" is production (EVRK 155000), creation and sale of dairy products (fermented cheese and cheese products, pre-packed cheese and cheese products, processed cheese and cheese products, cream, cream cheese, butter dairy spreads, mixed spreads, dairy fat, pasteurized cream, butter milk, whey, dry dairy products, fresh dairy products (milk, cream, cottage cheese, cottage cheese products, yoghurts, deserts, glazed curd cheese, fermented dairy products) in Lithuanian and foreign markets.

The main activity of AB-F "Šilutės Rambynas" is production and sale of fermented cheese and cheese products, pasteurized cream, pasteurized whey and concentrated whey.

## II. INFORMATION ABOUT THE ISSUER'S SHARE CAPITAL, SECURITIES, SHAREHOLDERS AND MANAGEMENT BODIES

### 5. Information about the agreements entered into with the intermediaries of public trading in securities

On 16 July, 2004, the company entered into agreement with AB, Šiaulių bankas, address: Tilžės str. 149, Šiauliai, whereby starting from 23 July, 2004, account management of the company's securities is transferred to AB, Šiaulių Bankas.

### 6. Data on share trading in regulated markets by the Group members

ISIN code	LT0000121865
Abbreviation	ZMPIL
List / segment	BALTIC SECONDARY LIST
Nominal value	0,29 EUR
Title of issuer's securities	Ordinary registered shares
Issuance size (units)	48 375 000

**AB "ŽEMAITIJOS PIENAS"**

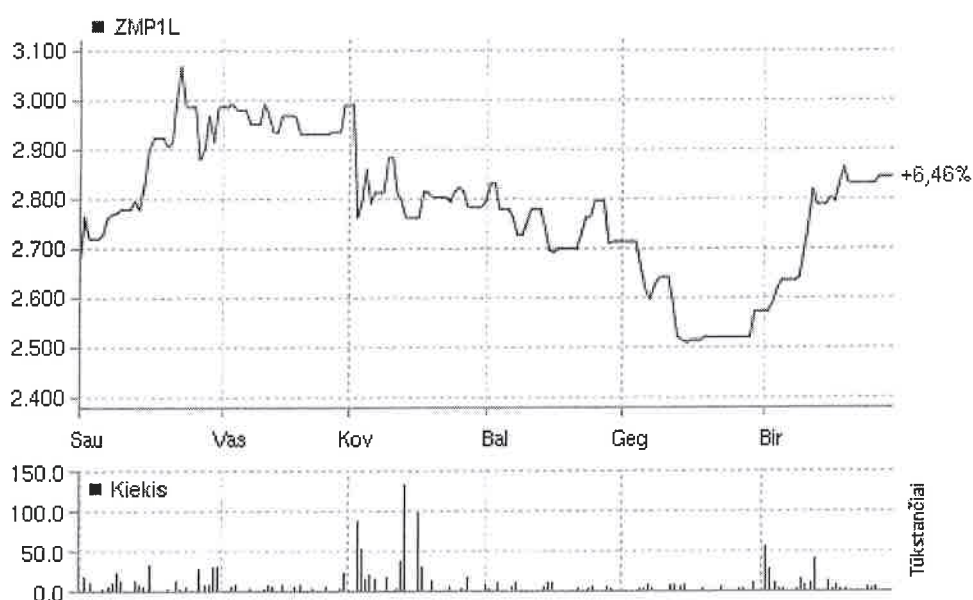
Company code: 180240752

Listed issuance size (units)	48 375 000
Listing start date	13.10.1997
Total voting rights granted by shares (units)	46 304 379
Number of shares owned by the Company	2 070 621

Only the shares issued by the Company (symbol – ZMP1L) are quoted in the Additional Share Listing of NASDAQ OMX Vilnius Stock Exchange. Securities' ISIN code: LT0000121865.

Transactions in shares of AB "Žemaitijos pienas" at Vilnius Stock Exchange during the six-month period in 2015 are presented hereunder, together with the presentation of price dynamics.

Securities' trading period in January – June of 2015<sup>1</sup>:



Securities' trading history<sup>2</sup>:

Indicator	2011	2012	2013	2014	2015
Opening price	0,699	0,679	0,600	0,816	0,703
Highest price	0,770	0,735	0,833	0,888	0,730
Lowest price	0,555	0,536	0,596	0,690	0,642

<sup>1</sup>

<http://www.nasdaqomxbaltic.com/market/?instrument=LT0000121865&list=3&pg=details&tab=historical&lang=lt&currency=0&downloadcsv=0&date=&start=2015.01.01&end=2015.06.30>

<sup>2</sup>

<http://www.nasdaqomxbaltic.com/market/?instrument=LT0000121865&list=3&pg=details&tab=historical&lang=lt&currency=0&downloadcsv=0&date=&start=2015.01.01&end=2015.06.30>



## AB "ŽEMAITIJOS PIENAS"

Company code: 180240752

Indicator	2011	2012	2013	2014	2015
Final price	0,679	0,600	0,774	0,703	0,670
Turnover in units	4 945 124	1 514 200	2 864 080	1 799 959	361 255
Turnover (mln)	3,22 EUR	0,96 EUR	2,09 EUR	1,43 EUR	0,24 EUR
Capitalization (mln)	32,85 EUR	29,03 EUR	37,44 EUR	34,01 EUR	32,41 EUR

It should be noted, that the Issuer's securities were not on sale in other stock exchanges or other organized regulated markets.

### 7. Share capital

The Company's share capital amounts to 14 028 750 EUR. It includes 48.375.000 ordinary registered shares. The nominal value of one ordinary registered share is 0,29 EUR.

### 8. Acquisition of own shares

During the financial year of 2011, AB "Žemaitijos pienas" acquired 10 units of AB "Žemaitijos pienas" ordinary registered shares, of LTL 1 (one) value for LTL 18, through the stock exchange NASDAQ OMX Vilnius.

In December 2012, the Company acquired 1,360 000 units of shares for LTL 2 992, by wire transfer at NASDAQ OMX Vilnius stock exchange, fully paying for the said shares. In 2013, the Company acquired 710 611 units of own shares for LTL 1,567 000. It constitutes a small percentage of AB "Žemaitijos pienas" total share capital, i.e. 2,81 per cent of all the issuer's shares.

During 2014 and the first half of 2015, the Company did not acquire or sell its own shares.

### 9. Shareholders and their rights

Based on the data of 20 April, 2015, the Company's shares are owned by 3 148 shareholders.

The following are the shareholders who own more than 5 per cent of AB "Žemaitijos pienas" share capital and votes (based on the data of 20 April, 2015):

No.	Shareholder	Number of shares owned	Part of the share capital and votes owned (%)	Share of votes <sup>3</sup> owned together with associated parties (%)
1	Pažemeckas Algirdas p.n. *****	21 589 380	44,63	50,88
2	SEB SA OMNIBUS <sup>4</sup> (funds/inst clients), Luxemburg	3 413 962	7,06	7,06

<sup>3</sup> Data on the share of capital, owned together with associated parties may not be accurate, as connections between different individuals are difficult to determine;

<sup>4</sup> There is no information about the legal entity code or legal address;



AB "ŽEMAITIJOS PIENAS"  
Company code: 180240752

3.	Pažemeckienė Danutė p.n. *****	3 025 820	6,25	50,88
4	AB "Klaipėdos pienas", comp. code: 240026930, Šilutės rd. 33, 91107 Klaipėda	2 901 844	6,00	6,00
5	Other shareholders	17 443 994	36,06	36,06

All the shares issued grant equal rights to their owners, as specified by the Law on Companies of the Republic of Lithuania, other legislations and the Company's Statute.

**There are no restrictions or constraints on the transfer of securities.** The shareholders are entitled to proprietary and non-proprietary rights and have certain obligations, as specified by the Law on Companies of the Republic of Lithuania and the Company's Statute.

**Restriction of voting rights.** All the Company's shares which grant the right to vote, are of equal nominal value and each share grants one vote to its holder during the General Shareholders Meeting.

**The shareholders of the Company are entitled to the following proprietary rights:**

to receive a part of Company's profit (dividend); to receive a part of Company's assets in the event of liquidation; to receive free shares if the share capital is increased out of Company's funds, except for cases defined by the law; when a shareholder is a natural person, such person undertakes to leave all or part of the shares by his/her Last Will and Testament to one or a few individuals; to sell or transfer by any other means, all or part of the shares to other individuals, following the legal procedures;

**The Company's shareholders are entitled to the following non-proprietary rights:**

to participate in the meetings; to vote in the meetings, according to the voting rights, granted by the shares; to receive non-confidential information about the economic activities of the Company; to elect and be elected as one of the management bodies of the Company and take any position in the Company, if it is not otherwise provided by the Law on Companies of the Republic of Lithuania or Company's Statute; to provide specific suggestions in order to improve the Company's financial, economic, organizational or other state, appeal against the decisions made, or actions taken during the Shareholder's Meetings, by the members of the Supervisory Council, Management Board or the head of the Company if such decisions or actions are against the laws of the Republic of Lithuania, Company's Statute or proprietary and non-proprietary rights of the shareholders. Shareholders, individually or collectively, are entitled to claim for the damages made to them, without any special commission; other non-proprietary rights granted by the laws.

An individual is entitled to all the rights and obligations which are granted by ownership of part of the share capital and (or) voting rights, owned by such an individual; in the event of the share capital being increased such rights come into effect after the amendment of Company's Statute, with regards to the increase of share capital and (or) voting rights, in other cases – after granting the right to own part of the Company's share capital and (or) voting rights.



## 10. Risk management

The Company employs risk assessment methodologies in order to qualify the main risk factors, determine the risk management priorities, prepare the risk management plans and timely and adequately manage the risks inherent to the Company's activities.

The Company specializes in milk processing, so the main factors creating business risks are possible changes in raw material and product sale markets, as well as potential political, legal, social and technological changes, related to AB "Žemaitijos pienas" directly or indirectly, which could negatively affect the Company's cash flows and overall performance.

The main raw material of the Company is milk, the amount of which to be sold for processing in the European Union is restricted by national milk quotas. Restrictions in supply of the raw material can affect the lack of raw material and increase its price. These changes could negatively affect the Company's cash flows and overall performance.

The Company's business (especially milk collection and transportation) is an activity, requiring a lot of labour-power. Changes in fuel prices and increase in wages could negatively affect the Company's growth potential and overall performance.

There is a real risk of being unable to maintain positive results while observing the uncontrolled increase of raw milk prices and being unable to compensate this increase with increase in efficiency, saving, increase in sales prices or other actions. As the main product is hard cheese, which constitutes a big part of the Company's turnover and the prices of this type of cheese in the European markets have fallen, the Company tries to compensate the overall performance through other product categories. The production capacity of the Company in the product categories, which demonstrated a positive change in prices on global markets, is very limited. Also, a sudden change of focus is not always possible due to long-term cooperation agreements with the clients and the desire to maintain this relationship.

The Company specializes in production of fresh dairy products and cheese and a major part of its income comes from the sale of these products. Due to the aforementioned reason, negative changes in fresh dairy product and cheese demands as well as their prices in the market, could affect the Company's income, profit and overall performance. The product price can be negatively affected by competition in local and global markets of dairy products.

Each employee of the Company has the right to express his / her opinion or present the findings on any matter related to the activities of the Company or / and to indicate various risk factors, which could, in one way or another, affect the Company's performance. This is due to advanced "Lean" methods, introduced into the Company, which should help to increase the company's competitiveness and operational efficiency. It is a continuous process and positive results are expected in the future reporting periods. Adoption and implementation of advanced methods as well as staff training are in primary stages.

The Company insures the risks of insolvency, non-payments or / and other factors which could cause losses and determines various contractual agreements, which would guarantee payments for the products sold; it also uses a variety of collateral obligations.

## 11. Information about the overall performance

The main indicators of the Group's performance during the first half of 2015 (thousand EUR), comparing with the respective period last year:

AB "ŽEMAITIJOS PIENAS"  
Company code: 180240752

Financial indicators	Groups	
	First half of 2015	First half of 2014
Turnover	72.539	81.248
Gross profit	14.106	12.689
Profit before taxes, interests and depreciation	4.562	4.712
Profit before taxes	2.437	3.026
Amount of investments into long-term assets	6.207	3.406

Comparison of the prices of collected raw milk (EUR) and its quantity in tonnages during the first half of 2014 and 2015:

Raw milk collected (recalculated into base richness)	First half of 2015	First half of 2014
Raw milk collected in thousands of tonnages	138	132
Raw milk collection price (EUR per tonnage)	204	280

The distribution of AB "Žemaitijos pienas" products, by type, sold in Lithuania and exported, during the first half of 2014 and 2015 (in thousands of EUR):

Product type	Turnover (thousands of EUR)	
	First half of 2015	First half of 2014
Fermented cheese	30.597	38.149
Fresh dairy products	22.995	22.103
Butter and fat spreads	3.793	4.907
Dry dairy products	5.177	5.899
Ice cream	36	8
Other	9.941	10.182
<b>In total</b>	<b>72.539</b>	<b>81.248</b>

## 12. Business plans, development and forecasts

The long-term plans of AB "Žemaitijos pienas" are to become a strong, technically modern and reliable company, attractive to investors; to build a profitable market for its products in the European Union and the Baltic States; to maintain the highest possible quality of its products; to fully exploit its production capacity; to systematically collect intellectual capital.

The main current goals of the Company:



AB "ŽEMAITIJOS PIENAS"

Company code: 180240752

- to purchase milk under the market conditions, but for no higher price than it is purchased by the other market players;
- to increase sales at favourable prices. To focus on the main, strongest product portfolio and to retain at least 20 per cent share of the internal market. To focus on sales of the higher value-added products;
- to strengthen the functions of marketing and make the Company name better known;
- to reduce the production costs and the prime cost of products;
- to stop economically inefficient production as soon as possible;
- to reduce distribution costs;
- to give incentives for the employees only for the final results and implementation of the set plans.

The Company is fully aware of the importance of human resources to the overall results, so in the near future it plans to focus on team work, development of competencies and qualifications, formation of special skills as well as review and improvement of motivational systems. The situation in labour market is considered to be unfavourable so the basic conditions to attract and maintain the best employees in the strategic business areas, markets and critical positions are prepared.

Due to a difficult situation in the dairy sector, the "Žemaitijos pienas" group refrains from publishing its turnover and profit predictions for the future.

### 13. Environmental protection

AB "Žemaitijos pienas", producing and selling dairy products, is classified, according to the set criteria, as one of the members of the Equipment group, listed in the Annex 1 of IPPC environmental protection rules. On 29 December, 2006, the company was granted permission for an unlimited period of time from the Integrated Pollution Prevention and Control, which can be adjusted as a result to certain changes. The Company does not have significant negative impact on the environment, which would require immediate reduction measures, however, the indicators of its performance are constantly being monitored and investments are planned and implemented, in order to reduce the production and operation costs, as well as the energy costs and to fully improve the environmental condition. We are always ready to solve any environmental issue, together with the public.

The Company is constantly improving the integrated Quality Management and Food Safety Management System, which is in compliance with the requirements of the international standards BRC, ISO 9001, ISO 22000, FSSC (ISO 22000, ISO/TS 22002-1) and IFS, also, the Company is working on a plan to implement the Environmental Management System ISO 14000.

The Company does not have significant negative impact on the environment. Contaminated waste water is released for cleaning in the local water treatment plants, which in 2010 were fully reconstructed, as part of the Venta – Lielupė river basin investment programme for 44, 43 million LTL. After the reconstruction of Telšiai water treatment plant, nitrogen and phosphorus are additionally removed from the wastewater. In order to comply with the requirements of the EU directives for the wastewater treatment, UAB "Telšių vandenys" has started a project "Telšiai sludge – dewatering plant construction", the value of which exceeds 24, 4 million LTL.

The Company is not included into the ETS trading system under the National Allocation Plan for 2013-2020.

The Company guarantees resource-efficient activities. The environmental impact is controlled by employing the coordinated monitoring programs. In order to reduce the air



AB "ŽEMAITIJOS PIENAS"

Company code: 180240752

contamination, the Company's car park is periodically renovated. The Company practices the best possible production techniques in order to ensure the reduction of pollution and stationary sources of pollution.

The Company has developed a program of accident prevention, plans to identify and liquidate their causes, also, it owns cold ammoniac compressor and gas station storage for identification of hazardous objects, risk analysis and safety assessment.

All the waste and packages are managed according to the environmental requirements. AB "Žemaitijos pienas" has implemented a program of extraction of secondary raw materials from the waste stream and has been successfully transferring such materials to the waste collectors and processors. For the package management, the Company has signed an agreement with a public company "Pakuočių tvarkymo organizacija". Hazardous and non-hazardous waste, are stored and sorted in the Company's territory and managed in a way, so that there would be no negative impact on the environment; the storage facilities are marked accordingly. The waste is timely transported to waste disposing companies.

The Company is continuously working on new investment projects and implementing new, modern technologies, which allow for a more efficient use of energy resources, reduction of air pollution and employment of other environmental measures:

- on 12 June, 2012, AB "Žemaitijos pienas" has submitted the Project Information Form to the Lithuanian Environmental Investment Fund (LEIF) for an investment project "AB "Žemaitijos pienas" Acid Whey Processing Line Installation, Reducing the Amount of Waste". In 2014, the first stage of this project was completed and the first subsidies received and in 2015 the Company completed the second stage and received the second subsidies from the LEIF fund;

- in 2014, the Company finished the boiler room modernization project: "Construction of 10 MW Steam Boilers Using Fuel Wood in Telšiai", by changing the type of the fuel from gas to the renewable energy sources. After the reconstruction of the boiler room, a new biofuel boiler was put into use and natural gas was used as reserve fuel.

- In March, 2015, Šiauliai regional EPD approved the screening conclusion on the environmental impact assessment to build a new milk powder dryer. During the powder drying process the best available production techniques are employed, allowing to achieve the threshold of air pollution 5-20 mg/Nm<sup>3</sup> of dry dust. The deadline for the investment implementation is 2015-2016.

#### **14. Objective review of the Company's state, performance and development**

AB "Žemaitijos pienas" is a Lithuanian company with old dairy processing traditions, cherishing the classical recipes and technologies of dairy production, promoting the recovery and usage of centuries-old heritage and cultural products.

AB "Žemaitijos pienas" was founded in 1924. Telšiai Dairy, which was of very high capacity, was opened the same year. In the end of 1984, Telšiai Dairy moved to new premises and continued on its activities until the opening of the biggest cheese factory in the Baltic States and its privatization in 1993. AB "Žemaitijos pienas" was registered on 23 June, 1993 in Telšiai district board and re-registered on 16 October, 1998 in the Ministry of Economy of the Republic of Lithuania.

Due to the consultations with the best European and American companies, focusing on the implementation of new technologies and usage of the world's most advanced membrane milk purification technology "Bactocatch", the variety of the Company's production became even wider and the quality improved. In 2006, the State Food and Veterinary Service of the Republic of



**AB "ŽEMAITIJOS PIENAS"**

Company code: 180240752

Lithuania announced the order No. 4-104 "On Granting the Veterinary Supervision Numbers" of 20 July, 1995, to be invalid on the basis of the order of the Director of the Service No. B1-800 "On Veterinary Approval of a Food Business Operator" of 13 December, 2006, confirmed, that AB "Žemaitijos pienas" complies with the requirements to the new hygiene regulations and granted a confirmation number 78-01 P.

Impeccable work is the face of the Company, in anchoring the market of the country by its products and proclaiming the region of Samogitia and the country of Lithuania in the world. Currently, the Company employs more than 1300 professionals and creative employees. Their significant contribution, optimism and intelligence help the company to achieve ambitious goals and meet new challenges in local and international markets.

The experience of many years and unique formulas allow the Company to offer a wide selection of products of excellent taste and high quality. At present times, the company produces dairy products of over 200 different names: both new and already favoured by the consumers, e.g. a new group of organic dairy products DOBILAS. The products by the brand MAGIJA have earned the trust of the consumers from the moment they were introduced and have soon become strikingly popular. The consumers have also favoured hard and processed cheese as well as non-ripened peelable cheese sticks PIK-NIK, which are one-of-a-kind in Lithuania. On 8 March 2012, a cheerful celebration of the 10th anniversary of manufacturing this exceptional product was organized, where we remembered that PIK-NIK has been winning awards in international and national exhibitions almost each year.

The consumers like milk, kefir, yoghurt, sour cream, cream, curd cheese, glazed curd cheese, natural butter and butter with various additives as well as many other products produced by the Company. The company also promotes the national culinary heritage. Homemade fresh curd cheese and "Žemaitiškas kastinys" (Samogitian sour cream butter) of ŽEMAITIJOS PIENAS are made solely of traditional raw materials and additives by traditional technologies. Therefore, these products of exceptional taste were awarded certificates of Lithuanian Culinary Heritage Foundation and are marked with a special symbol of the Foundation.

The experience of many years and unique formulas today allow the Company to offer to the consumers a wide selection of products of excellent taste and high quality.

Due to the consultations with the best European and American companies, focusing on the implementation of new technologies and usage of the world's most advanced membrane milk purification technology "Bactocatch", the variety of the Company's production became even wider and the quality improved. The Company produces fresh dairy products, butter, fermented and processed cheese, dry dairy products.

The Company's production is appreciated by many consumers in Lithuania and abroad. AB "Žemaitijos pienas" exports its production to the countries of the European Union, Baltic State, Russia, Belarus, Ukraine, Israel, Croatia, etc.

Most of the products of AB "Žemaitijos pienas" meet not only the European but also global standards and are awarded with the gold medals and diplomas at the international exhibitions.

Moreover, in 2006, the State Food and Veterinary Service of the Republic of Lithuania announced the order No. 4-104 "On Granting the Veterinary Supervision Numbers" of 20 July, 1995, to be invalid on the basis of the order of the Director of the Service No. B1-800 "On Veterinary Approval of a Food Business Operator" of 13 December, 2006, and confirmed, that AB "Žemaitijos pienas" meets the requirements of the new EU hygiene regulations and granted a confirmation number 78-01 P.



## AB "ŽEMAITIJOS PIENAS"

Company code: 180240752

Also, in 2006, the German Accreditation Body DAR, audited the compliance of AB "Žemaitijos pienas" laboratory to the requirements DIN EN ISO/IEC 17025:2000 and confirmed the compliance with the accreditation certificate, registration number DAP-PL-3977.00.

In 2007 the Company started production of ecologic products. Public company "EKOAGROS" confirmed that AB "Žemaitijos pienas" complies with the requirements of the regulation of EU Council No 889/2008 and regulations for organic agriculture. Certified organic products: ecologic cheese, ecologic milk, ecologic yoghurts and other products. Recently, the variety of ecologic products was increased: in 2010 ecologic hard cheese was certified, in 2011 the Company started producing ecologic curd cheese and glazed curd cheese, in 2012 it started producing ecologic matured curd cheese and curdled milk.

In 2008, AB "Žemaitijos pienas" acquired 87,82 per cent of ABF "Šilutės Rambynas" (754 938 units) ordinary registered shares, on the basis of purchase – sale transaction, which were controlled by AB "Žemaitijos pieno investicija" LTL 10 878 000, i.e. LTL 14,41 per share.

AB "Žemaitijos pienas" and AB-F "Šilutės Rambynas" both focus on product safety and quality, as well as meeting the needs of the clients. Therefore, in 2008 the Company started working on a common integrated food safety and quality management system (under the requirements of ISO 22000:2005 and ISO 9001:2008).

In 2009, "Žemaitijos pienas" group prepared a common integrated food safety and quality management system (IFSQMS), complying with the requirements of international standards ISO 9001 and ISO 22000, which was certified by the certification and technical assessment institution "Bureau Veritas Lit", on 30 April, 2009.

The scope of certification is creation, production and sale of dairy products. The certificate of management system ISO 9001 shows that the company has a working quality management system, ensuring the efficient management of the company, based on the global values and aims. The certificate of food safety management systems ISO 22000 shows that the Company guarantees the food safety in the entire production and supply chain, right until the intake. The companies, which have the certificate ISO 22000, must focus on production and implementation of environmental, as well as good hygiene and production practices, in order to ensure safe final product of impeccable quality.

AB "Žemaitijos pienas" has decided to pursue a higher evaluation under the requirements of BRC (Global Food Standard Issue 5 (British Retail Consortium)).

IFSQMS was supplemented by high requirements of BRC standard. In the beginning of 2010, auditors of the international certification institution "Bureau Veritas" assessed the compliance of the production of cheese - butter and processed - pre-packed cheese with the requirements of BRC standard and confirmed it with the certificate.

BRC (British Retail Consortium) Global Standard for Food Safety is used worldwide as a business (retailers and processors) evaluation system, enabling the production of safe food and the selection of reliable suppliers. It is one of the most effective measures commonly used in assessing the reliability of suppliers. Following the example of AB "Žemaitijos pienas", AB "Klaipėdos pienas" soon received their assessment and in the end of the year, AB-F "Šilutės Rambynas" did the same.

In 2010, AB "Žemaitijos pienas" laboratory was registered as the "Independent Research Laboratory", which was audited by the German Accreditation Body "Dakks", under the requirements DIN EN ISO/IEC 17025:2005 and confirmed the compliance with the accreditation certificate.

In the beginning of 2012, our company, chose the so-called "unreported" audit, according to the BRC Global Standard for Food Safety Issue 6 (Global Standard for Food Safety (BRC-British Retail Consortium) 6th version, in order to demonstrate its confidence in the quality



AB "ŽEMAITIJOS PIENAS"

Company code: 180240752

and food safety systems. This enables the Certification Body to carry out an unannounced independent assessment of company's production conditions and procedures. No other food manufacturing company in Lithuania, certified in accordance with the requirements of BRC, has this so-called certificate with a "plus".

In April of 2012, "Bureau Veritas" audited AB "Žemaitijos pienas" and awarded the certificate FSSC 22000 to the first manufacturer of food products in Lithuania.

FSSC scheme includes the international ISO 22000 food safety standard, the necessary programs and additional FSSC requirements set forth in ISO / TS 22002-1 standard. FSSC scheme is fully recognized by the Global Food Safety Initiative (GFSI).

In 2013 AB "Žemaitijos pienas" was the first food production company in the Baltic States, to receive the BRC A + Certificate. This very high globally acknowledged award shows that unannounced audits of food safety and quality are carried out in one of the biggest and most modern dairy companies in Lithuania. Currently, 29 companies of the food industry have valid BRC certificates, but all of those certificates were awarded by a standard procedure: audit by prior arrangement. AB "Žemaitijos Pienas" is the first company in Lithuania as well as the Baltic States to be awarded a higher level BRC certificate with a "+" sign. This March, the global BRC database showed only 48 food industry companies out of 15718, to have certificates with a "+" sign.

On 10 January, 2013, **Samogitian sour cream butter** was included into the **Register of Traditional Specialties Guaranteed** by the European Commission. It is the fifth Lithuanian product to acquire a status of a protected product in the European Union. The acknowledgement on the European level gives the right to mark this product with a special EU mark with a reference "Traditional Specialty Guaranteed". This shows that the name of the product is protected from any direct or indirect commercial use, imitation or any other activity that could mislead the consumer.

The increased globalization of supply process and changes in the sales markets, cause new requirements for food safety to arise. One of such requirements is IFS certificate allowing to export the dairy products of AB "Žemaitijos pienas" to the sale networks of Germany.

On 7-15 April, the auditors of an independent, international certification body "Det Norske Veritas" audited AB "Žemaitijos pienas" and assessed the compliance of IFSQMS with the requirements of IFS, awarding the certificate of the highest level to the Company. IFS is an international food safety standard, employing a unified assessment system of chosen suppliers. It was created in 2003, by the members of the German Retail Federation - Hauptverband des Deutschen Einzelhandels (HDE) and its counterpart in France.

The main criteria of the standard are the following:

- identification of the number of Critical Control Points (CCP);
- conducting CCP monitoring system (with explicit records and regular examinations);
- guaranteeing that the employees fully comprehend their responsibilities and that the work effectiveness is being measured;
- product traceability;
- implementation of corrections.

The standard is applied to suppliers at all levels of the food processing, except the agricultural stage.

During the first months of the current year, the auditors of "Bureau Veritas Certification" audited IFSQMS system, under the requirements of international standards ISO 22000, FSSC 22000, BRC and IFS.

On 28-29 January, 2015, the auditor of "Bureau Veritas" branch in Latvia assessed the compliance with the 6<sup>th</sup> version of **BRC** (British Retail Consortium) standard. The compliance was assessed A+, i.e. the highest possible evaluation.

AB "ŽEMAITIJOS PIENAS"

Company code: 180240752

On 24-27 March, 2015, the auditors of "Bureau Veritas" branch in Lithuania assessed the compliance with the requirements of international standards **ISO 22000** and **FSSC 22000**. During the audit no inconsistencies were found.

On 13-17 April of current year, the auditor of "Bureau Veritas" branch in Poland, cz assessed the compliance of IFSQMS with the requirements of IFS. The compliance was 95, 58 % which equals to the highest, A level evaluation.

### 15. Major events of the reporting period

AB "Žemaitijos pienas" is constantly participating in global and national exhibitions and other events, winning various awards. The first half of 2015 was no exception as the Company received the highest awards:

#### Awards of 2015:

- "Best newcomer brand or business award" (10 February, 2015) received at the 20<sup>th</sup> Gulfood Exhibition;
- The award for the Most Popular Hard Cheese received at the Lithuanian trade association competition: "The Most Popular Product 2014", for hard cheese "Džiugas Mild" produced by AB "Žemaitijos pienas" (Vilnius, 10 March, 2015);
- The award for the Most Popular Product received at the Lithuanian trade association competition: "The Most Popular Product 2014", for the glazed vanilla flavoured curd cheese "Magija", produced by AB "Žemaitijos pienas" (Vilnius, 10 March, 2015);
- The award for the Most Popular Product received at the Lithuanian trade association competition: "The Most Popular Product 2014", for the half-fat "Žemaitijos curd cheese", produced by AB "Žemaitijos pienas" (Vilnius, 10 March, 2015);
- The award for the Most Popular Product received at the Lithuanian trade association competition: "The Most Popular Product 2014", for the peelable cheese sticks "Pik-Nik", produced by AB "Žemaitijos pienas" (Vilnius, 10 March, 2015);
- Diploma of the International Food Exhibition "Sial Innovation 2015" for 24 month ecologic cheese DŽIUGAS, produced by AB "Žemaitijos pienas" (China, Shanghai, 7 May, 2015);
- Diploma of the International Food Exhibition "Sial Innovation 2015" for smoked cheese sticks with onions "Mildė Snack", produced by AB "Žemaitijos pienas" (China, Shanghai, 7 May, 2015);
- AB "Žemaitijos pienas" hard cheese "DŽIUGAS Gourmet 36 months" awarded (three stars) at the food and beverage evaluation contest "Superior Taste Award 2015", organized by the "International Taste and Quality Institute" (iTQi) (Brussels, 4 June, 2015)







AB "ŽEMAITIJOS PIENAS"  
Company code: 180240752

- AB "Žemaitijos pienas" glazed curd cheese with chocolate chips, "Magija", awarded (three stars) at the food and beverage evaluation contest "Superior Taste Award 2015", organized by the "International Taste and Quality Institute" (iTQi) (Brussels, 4 June, 2015);  
☆☆☆
- AB "Žemaitijos pienas" natural, ecologic yoghurt "Dobilas" with apples and grains awarded (two stars) at the food and beverage evaluation contest "Superior Taste Award 2015", organized by the "International Taste and Quality Institute" (iTQi) (Brussels, 4 June, 2015); ☆☆
- AB "Žemaitijos pienas" smoked cheese sticks with onions "Mildė Snack" awarded (one star) at the food and beverage evaluation contest "Superior Taste Award 2015", organized by the "International Taste and Quality Institute" (iTQi) (Brussels, 4 June, 2015) ☆
- AB "Žemaitijos pienas" semi-hard cheese "Germanto Gouda" awarded (one star) at the food and beverage evaluation contest "Superior Taste Award 2015", organized by the "International Taste and Quality Institute" (iTQi) (Brussels, 4 June, 2015) ☆

## 15. Issuer's management bodies

The Issuer's management bodies are the following: General Shareholder's Meeting, Supervisory Board, Board of Directors and Chief Executive Officer (general Director), as well, as his subordinates – Administration of the Company. The management bodies include the Board of Directors and the CEO.

The Supervisory Board is a collegial management body, performing supervisory functions. The Supervisory Board is headed by its Chairman and consists of 3 members, elected for four years by the General Shareholder's Meeting. The Company's Statute provides an unlimited number of cadencies.

The Board of Directors is a collegial management body, representing the shareholders for the period of time in between the meetings and making decisions on the most important economic questions. The work procedure of the Board of Directors is established by the Work Regulation. The Board of Directors is constituted of 5 members, elected for no more than 4 years, by the Supervisory Board. The number of cadencies is unlimited. The Board of Directors is headed by the Chairman which is elected out of the members of the Board of Directors.

The Company's Chief Executive Officer is General Director, who follows the Company's Statute, decisions of the General Shareholder's Meeting, decisions made by the Board of Directors as well as the other local acts of the Company.

CEO organizes the day-to-day activities of the Company and all the actions required for exercising his functions, implementing the decisions made by the management bodies and managing the activities of the Company. CEO is directly accountable to and regularly reports to the Board of Directors.

In their activities, the management bodies of the Company follow the laws of the Republic of Lithuania, other legislations and the requirements set forth in the Company's Statute. The

AB "ŽEMAITIJOS PIENAS"  
Company code: 180240752

provisions of the aforementioned documents regulate the election, appointment and dismissal of the management bodies.

## 16. Members of the company's collegial bodies

### 16.1. Supervisory Board

Name, Surname	Position	Number of shares owned (units) and percentage of the share capital	Beginning of cadency	End of cadency	Start of employment at "Žemaitijos pienas"
Romusas Jarulaitis	Chairman of the Supervisory Board (Market Manager) <sup>5</sup>	1 105 510 2,29	2014 04 25	2019 04 25	1988 01 26
Robertas Pažemeckas	Member of the Supervisory Board (acting General Director) <sup>6</sup>	-	2014 04 25	2019 04 25	2002 08 26
Gražina Norkevičienė	Member of the Supervisory Board	-	2014 04 25	2019 04 25	-

### 16.2. Board of Directors

Name, Surname	Position	Number of shares owned (units) and percentage of the share capital	Beginning of cadency	Beginning of cadency	Start of employment at "Žemaitijos pienas"
Algirdas Pažemeckas	Chairman of the Board, Consultant	21 589 380 44,63	2014 02 07	2019 02 07	1986 12 26

<sup>5</sup> Position by employment;

<sup>6</sup> Position by employment;

AB "ŽEMAITIJOS PIENAS"  
Company code: 180240752

Marius Dromantas	Member of the Board, Director of Logistics <sup>7</sup>	-	2014 02 07	2019 02 07	2003 12 01
Dalia Gecienė	Member of the Board, senior accountant	475 160	2014 02 07	2019 02 07	1986 07 29

### 16.3. Administration of the Company

Name, Surname	Position	Number of shares owned (in units)	Percentage of the share capital owned %
Robertas Pažemeckas	Acting General Director	-	-
Dalia Gecienė	Senior Accountant	475 160	0,98

No guarantees or warranties were given for the obligations of the management bodies, Supervisory Board members, during the first half of 2015.

### 17. Related party transactions

There are no agreements to which the Issuer is a party and which would come into effect, change or cease upon a change in Issuer's control.

The Issuer did not come into agreements with the members of the management bodies or employees which would provide compensations in the event of them resigning or being dismissed without a valid reason or of their employment being terminated upon the changes in Issuer's control.

### 18. Employees

According to the data of 30 June, 2015, AB "Žemaitijos pienas" has 1247 employees. As compared to the first half of 2014, the number of employees has insignificantly increased, i.e. the Company had 1225 employees during the corresponding time period last year.

	2015 06 30	2014 06 30	2013 06 30	2012 06 30
Average number of employees	1247	1225	1242	1280

Grouping of the employees according to their educational background;

<sup>7</sup> Position by employment;

AB "ŽEMAITIJOS PIENAS"  
Company code: 180240752

<b>Number of employees according to their educational background</b>	<b>2015 06 30</b>	<b>2014 06 30</b>	<b>2013 06 30</b>	<b>2012 06 30</b>
Master's degree	48	40	35	22
Higher education	209	136	202	184
Post-secondary education	294	270	290	343
Vocational education	229	263	224	199
Secondary education	379	378	427	440
Uncompleted secondary education	88	138	64	92
<b>In total:</b>	<b>1247</b>	<b>1225</b>	<b>1242</b>	<b>1280</b>

Number of AB "Žemaitijos pienas" employees, according to the respective groups and average monthly salaries in those groups:

<b>Number of employees by groups</b>	<b>2015 06 30</b>		<b>2014 06 30</b>		<b>2013 06 30</b>	
	<b>Number of employees</b>	<b>Average salary, EUR</b>	<b>Number of employees</b>	<b>Average salary, EUR</b>	<b>Number of employees</b>	<b>Average salary, EUR</b>
Managers	27	2343	15	2225	24	2085
Specialists	252	1149	248	997	279	914
Workers	968	740	962	703	939	567
<b>In total:</b>	<b>1247</b>		<b>1225</b>		<b>1242</b>	

AB "Šilutės Rambynas" average monthly salary according to respective groups:

<b>Number of employees by groups</b>	<b>2013 06 30</b>		<b>2014 06 30</b>		<b>2015 06 30</b>	
	<b>Number of employees</b>	<b>Average salary, EUR</b>	<b>Number of employees</b>	<b>Average salary, EUR</b>	<b>Number of employees</b>	<b>Average salary, EUR</b>
Managers	4	1786	6	1920	7	2036
Specialists	48	768	78	887	86	1074
Workers	137	564	104	600	103	773
<b>In total:</b>	<b>189</b>	<b>641</b>	<b>188</b>	<b>761</b>	<b>196</b>	<b>924</b>

The rights of AB "Žemaitijos pienas" and ABF "Šilutės Rambynas" employees are provided in their job descriptions and other local acts. The Employment Agreement does not provide any special rights and obligations.

**As part of the Human Resources Policy**, the Company aims at creating and developing long-term relationships with the employees. The Employees are given all the opportunities to improve their knowledge and skills. There are training programs prepared for the following employees:








AB "ŽEMAITIJOS PIENAS"  
Company code: 180240752

production workers, production machinery operators, production machinist-operators, production supervisors.

### 19. Data on public information

The information (essential) related to the Company through the internet system of Vilnius Stock Exchange (AB NASDAQ OMX Vilnius). The information about all the key events is kept in the Central Regulated Information Base as well as published on the webpage [www.zpienas.lt](http://www.zpienas.lt).

During the reporting period, the following announcements were made:

Date	Market	News	Language
2015.05.31 15:00	VLN	<u>AB "Žemaitijos pienas" 2015 m. trijų mėnesių preliminarus veiklos rezultatas</u> Attachments: 	<u>en/lt</u>
2015.04.27 09:38	VLN	<u>CORRECTION: AB "ŽEMAITIJOS PIENAS" visuotinio akcininkų susirinkimo 2015-04-24 sprendimai (papildyta pelno/nuostoliu ataskata)</u> Attachments: 	<u>en/lt</u>
2015.04.24 20:00	VLN	<u>AB "ŽEMAITIJOS PIENAS" eilinio visuotinio akcininkų susirinkimo įvykusio 2015 m. balandžio 24 d. sprendimai</u> Attachments: 	<u>en/lt</u>
2015.04.24 17:10	VLN	<u>AB "Žemaitijos pienas" metinė informacija</u> Attachments: 	<u>en/lt</u>
2015.04.24 17:00	VLN	<u>asmens pranešimas apie asmens balsavimo teisių įgijimą</u> Attachments: 	<u>en/lt</u>
2012 015.04.03 17:00	VLN	<u>Dėl eilinio visuotinio akcininkų susirinkimo sušaukimo, jo darbotvarkės bei sprendimų projektu</u> Attachments: 	<u>en</u>
2015.02.28 17:15	VLN	<u>Neaudituoti preliminarūs AB "Žemaitijos pienas" grupės 2014 metų veiklos rezultatai</u> Attachments: 	<u>en/lt</u>

In its activities AB "Žemaitijos pienas" follows the laws of the Republic of Lithuania, other legislations, regulating the activities of legal entities and the Company's Statute. The Statute of AB "Žemaitijos pienas" is amended in compliance with the procedure defined by the legal acts of the Republic of Lithuania.

### 21. Information about the compliance with the Corporate Governance Code

The Company tries to follow most of the rules of the Corporate Governance Code. Information on how the Company follows the specific articles of the Corporate Governance Code is provided together with the Annual Report of 2014. All the information is also provided on the webpage: <http://www.nasdaqomxbaltic.com/market/?pg=details&instrument=LT0000121865&list=3;www.zpienas.lt>.

28-08-2015

Acting General Direktor



Robertas Pažemeckas

Chief Accountant



Dalia Gecienė