

AKCINĖ  
BENDROVĖ

STOCK  
COMPANY



ŽEMAITIJOS PIENAS

Sedos g. 35, 87101, Telšiai  
LIETUVOS RESPUBLIKA  
Tel.: (+370-444) 22 201, 22 202, 22 203, 22 205  
Faksas (+370-444) 74 897  
El.paštas info@zpienas.lt  
a/s LT764010042800060281  
AB DNB bankas, banko kodas 40100  
įmonės kodas 180240752

## Approval of responsible persons

28 May 2012

Telšiai

Regarding drafting of financial statement for the three months ended 31 March 2012 following the Article No.22 of Law on Securities of the Republic of Lithuania and Rules on Preparation and Submission of Periodic and Additional approved by Securities Commission of the Republic of Lithuania we, Algirdas Pažemeckas, General Director and Dalia Geciene, Chief Accountant, hereby confirm that, to the our knowledge, the attached JSC "Žemaitijos Pienas" Consolidated Interim Financial Statements for the three months ended 31 March 2012 prepared in accordance with International Financial Reporting Standards are true and fairly present assets, liabilities, financial position, profit or loss of JSC "Žemaitijos Pienas" Group consolidated companies.

General Director

Algirdas Pažemeckas

Chief Accountant

Dalia Geciene



**AB „ŽEMAITIJOS PIENAS“**

**CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED  
31 MARCH 2012**

**1. Balance sheets**

	<b>Group</b>	
	<b>As of 31 March 2012</b>	<b>As of 31 December 2011</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Intangible assets	452	413
Property, plant and equipment	66 008	67 481
Investment property	4 065	4 132
Available – for – sale investments	4	4
Investments into subsidiaries	-	-
Non-current receivables	5 756	5 059
Own shares	-	10
Deferred income tax asset	2 287	2 287
<b>Total non-current assets</b>	<b>78 572</b>	<b>79 386</b>
<b>Current assets</b>		
Inventories	85 585	90 486
Prepayments	547	588
Trade receivables	30 976	29 073
Receivables from subsidiaries	-	-
Receivables from other related parties	8 527	7 357
Other receivables	4 497	5 942
Deposits	-	-
Cash and cash equivalents	7 381	9 556
<b>Total current assets</b>	<b>137 513</b>	<b>143 002</b>
<b>Total assets</b>	<b>216 085</b>	<b>222 388</b>

Balance sheets (cont'd)

	Group	
	As of 31 March 2012	As of 31 December 2011
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Equity attributable to equity holders of the parent</b>		
Share capital	48 375	48 375
Legal reserve	4 838	4 838
Other reserves	17 997	17 997
Retained earnings	55 098	56 190
	126 308	127 400
Minority interest	1 947	1 947
<b>Total shareholders' equity</b>	<b>128 255</b>	<b>129 347</b>
<b>Non-current liabilities</b>		
Grants received	3 518	2 247
Long-term loans from related parties	2 885	2 885
Financial lease obligations	3 264	3 264
Deferred income tax liability	977	977
Other current liabilities	1 658	1 658
<b>Total non-current liabilities</b>	<b>12 302</b>	<b>11 031</b>
<b>Current liabilities</b>		
Current portion of non-current loans	31 695	32 502
Current portion of non-current financial lease obligations	2 939	4 027
Trade payables	26 573	29 490
Payables to subsidiaries	-	-
Payables to other related parties	804	1 088
Income tax payable	2	2
Other current liabilities	13 515	14 903
<b>Total current liabilities</b>	<b>75 528</b>	<b>82 011</b>
<b>Total liabilities and shareholders' equity</b>	<b>216 085</b>	<b>222 388</b>

## 2. Income statements

	<b>Group</b>	
	<b>01 January 2012 - 31 March 2012</b>	<b>01 January 2011 - 31 March 2011</b>
Sales	116 328	116 189
Cost of sales	(101 718)	(96 354)
<b>Gross profit</b>	<b>14 610</b>	<b>19 835</b>
Operating expenses	(14 391)	(18 214)
Other operating income, net	(293)	107
<b>Profit from operations</b>	<b>(74)</b>	<b>1 728</b>
Financial and investment activities, net	(156)	34
<b>Profit before income tax</b>	<b>(230)</b>	<b>1 762</b>
Income tax	(862)	(627)
<b>Net profit</b>	<b>(1 092)</b>	<b>1 135</b>

### 3. Cash flow statements

	<b>Group</b>	
	<b>As of 31 March 2012</b>	<b>As of 31 March 2011</b>
<b>Cash flows from (to) operating activities</b>		
Net profit	(1 092)	1 135
<b>Adjustments for non-cash items:</b>		
Depreciation and amortization	4 174	4 656
Amortization of grants received	(213)	(285)
(Profit) loss from disposal and write-offs of property, plant and equipment and intangible assets	(-)	(7)
Result from financial and investment activities	160	(52)
Decrease ( increase ) values of inventories	-	-
Decrease ( increase ) values of receivables	-	-
Income tax expenses	-	-
Other non-cash (income) expenses	-	-
	<u>3 029</u>	<u>5 447</u>
<b>Changes in working capital:</b>		
Decrease ( increase) in inventories	4 901	2 319
(Increase ) in trade receivables	(3 073)	(1 364)
Decrease in prepayments and other current assets	41	203
Decrease in other receivables	530	3 061
Increase in other long-term payables	-	-
Increase ( decrease ) terminable deposits	-	5 000
Increase( decrease) in trade payables, payables to related parties	(2 673)	417
Income tax (paid)	-	-
Increase (decrease) in other current liabilities	(1 914)	(2 219)
<b>Net cash flows from operating activities</b>	<u><b>841</b></u>	<u><b>12 864</b></u>
<b>Cash flows from (to) investing activities</b>		
(Acquisition) of property, plant and equipment and intangible assets	(2 709)	(3 179)
Disposal of property, plant and equipment	36	11
Daughter enterprise liquidation	10	-
Repayment of loans granted	897	662
Loans (granted)	(680)	(1 877)
Interest received	120	172
<b>Net cash flows (to) investing activities</b>	<u><b>(2 326)</b></u>	<u><b>(4 211)</b></u>

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

	<b>Group</b>	
	<b>As of 31 March 2012</b>	<b>As of 31 March 2011</b>
<b>Cash flows from (to) financing activities</b>		
Dividends (paid)	-	-
Cash, (transferred) during reorganization		
Loans received	13 580	-
(Repayment) of loans	(14 386)	(418)
Financial lease (payments)	(1 088)	(1 167)
Sponsorship received	1 484	-
Other revenue from financial activities	-	-
Interest (paid)	(280)	(120)
<b>Net cash flows (to) financial activities</b>	<b>(690)</b>	<b>(1 705)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(2 175)</b>	<b>6 948</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>9 556</b>	<b>8 766</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>7 381</b>	<b>15 714</b>

**4. Statements of changes in equity**

<u>Group</u>	<u>Attributable to shareholders of the Company</u>						
	<u>Share capital</u>	<u>Legal reserve</u>	<u>Other reserves</u>	<u>Retained earnings</u>	<u>Total</u>	<u>Minority interest</u>	<u>Total</u>
<b>Balance as of 31 December 2010</b>	<b>48 375</b>	<b>4 838</b>	<b>10 000</b>	<b>56 842</b>	<b>120 055</b>	<b>1 840</b>	<b>121 895</b>
Net profit for the three months	-	-		1 135	1 135	-	1 135
<b>Balance as of 31 March 2011</b>	<b>48 375</b>	<b>4 838</b>	<b>10 000</b>	<b>57 977</b>	<b>121 190</b>	<b>1 840</b>	<b>123 030</b>
<b>Balance as of 31 December 2011</b>	<b>48 375</b>	<b>4 838</b>	<b>17 997</b>	<b>56 190</b>	<b>127 400</b>	<b>1 947</b>	<b>129 347</b>
Net profit for the three months	-	-	-	(1 092)	(1 092)	-	(1 092)
<b>Balance as of 31 March 2012</b>	<b>48 375</b>	<b>4 838</b>	<b>17 997</b>	<b>55 098</b>	<b>126 308</b>	<b>1 947</b>	<b>128 255</b>



## 5. Notes to the financial statements

### General information

The Company produces dairy products and sells them in the Lithuanian and foreign markets. The Company has a number of wholesale departments with storage facilities and transport means in major Lithuanian towns. The Company's shares are traded on the Current List of the Vilnius Stock Exchange.

As of 31 March 2012 and as of 31 December 2011 the share capital of the Company was LTL 48.375 thousand, which consisted of 48.375 thousand ordinary shares with a normal value of LTL 1 each. All the shares of the Company are issued, subscribed and fully paid. Subsidiaries did not hold any shares of the Company as of 31 March 2012 and as of 31 December 2011.

The Company had acquired its own shares 11 ones for 3 thousands LTL as of 31 December 2011.

As of 31 March 2012 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 2011 12 31	Total equity holding 2012 03 31	Main activities
ŽŪK Tarpučių pienas	Klaipėdos Str. 3, Šilutė, Lithuania	12,08%	100%	60	407	409	Milk collection services
ABF „Šilutės Rambynas“	Klaipėdos g. 3, Šilutė, Lietuva	87,82%	87,82%	10 878	13 814	12 185	Cheese production
SIA „Muižas piens“	Skaistkalnes g. 1, Rīga, Latvija	32%	-	4			Retail, wholesale trade

According to the Law of Agricultural Cooperatives the ownership of cooperatives should be determined according to the percentages of sales to a certain company, therefore since ŽŪK Tarpučių pienas is performing nearly 100% of their sales to the Company they are considered subsidiaries. ABF „Šilutės Rambynas is considered a subsidiary because AB Žemaitijos Pienas controls its activities and controls more than 50% of its shares.

As of 31 March 2012, the number of employees of the Group was 1.475 ( according of 31 March 2011 – 1.505).

### Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

**Main indicators of the Company's performance :**

	As of 31 March 2012	As of 31 March 2011
Sales, thousand LTL	116 328	116 189
Gross profit, thousand LTL	14 610	19 835
EBITDA, thousand LTL	4 224	6 538
Current ratio ( at the end of period)	1,821	2,67
Book value per share ( at the end of period )	2,65	2,54

**Segment information**

For management purposes the activities of the Group and Company are organized as one major segment – production and selling of the dairy products (primary segment). Financial information on geographical segments (secondary segment) is presented below:

	As of 31 March 2012	As of 31 March 2011
<b><u>Sales</u></b>		
Lithuania	70 732	66 661
Other Baltic States and CIS countries	26 182	30 353
Other European countries	18 597	16 945
USA	89	39
Other	728	2 191
	<b>116 328</b>	<b>116 189</b>

**Inventories**

Inventories are valued at the lower of cost or net realizable value, after impairment evaluation 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.

	As of 31 March 2012	As of 31 March 2011
<b><u>Inventories</u></b>		
Raw materials	12 396	12 163

Finished goods and work in process	79 375	49 274
Goods for resale	784	1 028
Decrease values of raw materials and goods	(6 970)	(2 703)
	<u>85 585</u>	<u>59 762</u>

**Loans' repayment terms:**

	<b><u>31 March 2012</u></b>
2012 m .	31 695
2013 m .	1 047
2014 m .	1 838
2015 m .	-
<b>Total Loans on 31 March 2012</b>	<b><u>34 580</u></b>

31 March 2012, outstanding **loans of the Group in** national and foreign currencies (thous. LTL):

	<b><u>31 March 2012</u></b>
<b>Loan currency:</b>	
Euro	32 982
Litas	1 598
	<b><u>34 580</u></b>

**Subsequent events**

Subsequent events was not after was make consolidated financial statements.