



## ŽEMAITIJOS PIENAS, AB STATEMENT BY THE RESPONSIBLE PERSONS

28 August, 2012  
Telšiai

### ON APPROVAL OF INTERIM INFORMATION FOR THE FIRST HALF OF 2012

In accordance with Clause 1 of Article 21 of the Law on Securities of the Republic of Lithuania we, Robertas Pažemeckas, Deputy General Director of Žemaitijos Pienas, AB and Natalija Vainikevičiūtė, Chief Financial Officer, hereby confirm that to the best of our knowledge the attached interim Financial Statements for the first half of 2012 have been prepared in accordance with the applicable standards and give a true and fair view of the assets, liabilities, financial position, profit or loss, and cash flows of the issuer. We also confirm that to the best of our knowledge the Interim Report for the first half of 2012 includes a fair review of the development and performance of the business.

Deputy General Director

Robertas Pažemeckas

Chief Financial Officer

Natalija Vainikevičiūtė

**ŽEMAITIJOS PIENAS, AB**

Interim consolidated unaudited  
financial statement for the period of 6 months, 2012

**Interim consolidated unaudited financial statement for the period of 6 months, 2012**  
(All amounts are indicated in thousands of litas unless provided otherwise)

**Balance sheet**

ASSETS	The Group	
	30-06-2012	31-12-2011
<b>Fixed assets</b>		
Intangible assets	501	413
Tangible assets	64 071	67 481
Investments for sale	3 998	4 132
Investments into subsidiaries	4	4
Loans granted	6 840	5 059
Own shares	-	10
Deferred profit tax assets	2 287	2 287
<b>Total amount of fixed assets</b>	<b>77 701</b>	<b>79 386</b>
<b>Current assets</b>		
Stock	89 812	90 486
Advance payments	654	588
Receivables from the buyers	40 384	36 430
Other receivables	5 010	5 942
Deposits	-	-
Cash and cash equivalents	4 145	9 556
<b>Total amount of current assets</b>	<b>140 005</b>	<b>143 002</b>
<b>ASSETS IN TOTAL</b>	<b>217 706</b>	<b>222 388</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Capital and reserves</b>		
Share capital	48 375	48 375
Required reserve	4 838	4 838
Other reserves	14 997	17 997
Undistributed profit	60 980	56 190
<b>Equity of the shareholders of the parent company</b>	<b>129 190</b>	<b>127 400</b>
Minority interest	1 947	1 947
<b>Equity in total</b>	<b>131 137</b>	<b>129 347</b>
<b>Long-term liabilities</b>		
Support received	3 328	2 247
Loans	2 885	2 885
Liabilities arising from the financial lease	3 258	3 264
Liabilities arising from the deferred profit tax	977	977
Other long-term liabilities	1 658	1 658
<b>Total amount of long-term liabilities</b>	<b>12 106</b>	<b>11 031</b>
<b>Short-term liabilities</b>		
Loans	30 330	32 502
Liabilities arising from the financial lease	2 122	4 027
Trade debts	27 618	30 578
Payable profit tax	2	2
Other payable amounts	14 391	14 903
<b>Total amount of short-term liabilities</b>	<b>74 463</b>	<b>82 011</b>
<b>Liabilities in total</b>	<b>86 569</b>	<b>93 041</b>
<b>EQUITY AND LIABILITIES IN TOTAL</b>	<b>217 706</b>	<b>222 388</b>

**Interim consolidated unaudited financial statement for the period of 6 months, 2012**  
(All amounts are indicated in thousands of litas unless provided otherwise)

*Profit (loss) statement*

	<u>The Group</u>			
	<u>January - June, 2012</u>	<u>January - June, 2011</u>	<u>April - June, 2012</u>	<u>April - June, 2011</u>
Sales	242 922	247 556	126 594	131 367
Sales cost price	(207 419)	(200 283)	(105 701)	(103 929)
<b>GROSS PROFIT (LOSS)</b>	<b>35 503</b>	<b>47 273</b>	<b>20 893</b>	<b>27 438</b>
<i>Operating expenses</i>	<i>(30 928)</i>	<i>(43 516)</i>	<i>(16 536)</i>	<i>(25 302)</i>
Incl. sales expenses	(20 919)	(27 568)	(11 266)	(14 616)
Incl. general and administrative expenses	(10 009)	(15 948)	(5 270)	(10 686)
Other operating income	1 340	3 094	638	1 695
Other operating expenses	(2 140)	(2 796)	(1 145)	(1 504)
<b>OPERATING (LOSS) PROFIT</b>	<b>3 775</b>	<b>4 055</b>	<b>3 850</b>	<b>2 327</b>
Difference between the fair value of the net assets, which belong to the Group, and the acquisition price of the business affiliation				
Income from financial operations	295	339	143	93
Expenses of financial operations	(556)	(318)	(249)	(106)
<b>PROFIT (LOSS) BEFORE TAX</b>	<b>3 514</b>	<b>4 076</b>	<b>3 744</b>	<b>2 314</b>
Profit tax benefits (expenses)	(1 724)	(1 583)	(862)	(956)
<b>NET PROFIT (LOSS)</b>	<b>1 790</b>	<b>2 493</b>	<b>2 882</b>	<b>1 359</b>

**Interim consolidated unaudited financial statement for the period of 6 months, 2012**  
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*Statement of changes in equity*

**Group**

	Share capital	Required and other reserves	Undistributed profit	Equity of the shareholders of the parent company	Minority interest	In total
<b>31 December 2010</b>	<b>48 375</b>	<b>14 838</b>	<b>56 842</b>	<b>120 055</b>	<b>1 840</b>	<b>121 895</b>
Modification of the previous year	-	-	-	-	-	-
Liquidation of subsidiaries						
Dividends, tantiemes , premiums paid			(5 500)	(5 500)	-	(5 500)
Reserves		5 000	(5 000)	-	-	-
Net profit of the 1st half of a year			2 493	2 493	-	2 493
<b>30 June 2011</b>	<b>48 375</b>	<b>19 838</b>	<b>48 835</b>	<b>117 048</b>	<b>1 840</b>	<b>118 888</b>
<b>31 December 2011</b>	<b>48 375</b>	<b>22 835</b>	<b>56 190</b>	<b>127 400</b>	<b>1 947</b>	<b>129 347</b>
Reserves		(3 000)	3 000	-	-	-
Dividends, tantiemes paid			-	-	-	-
Net profit of the 1st half of a year			1 790	1 790	-	1 790
<b>30 June 2012</b>	<b>48 375</b>	<b>19 835</b>	<b>60 980</b>	<b>129 190</b>	<b>1 947</b>	<b>131 137</b>

**Interim consolidated unaudited financial statement for the period of 6 months, 2012**  
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**Cash flow statement**

	The Group	
	January - June, 2012	January - June, 2011
<b>Net operating cash flows</b>		
Net (loss) profit	1 790	2 493
Modification of the result of the previous year	-	-
<b>Modifications of the net (loss) profit</b>		
Depreciation and amortization	8 470	9 046
Amortization of the support received	(403)	(570)
Loss (profit) from the sale and write-off of fixed assets	(3)	(254)
Profit tax expenses	-	-
Impairment of receivables	-	-
Impairment of fixed assets	-	-
Write-off of the stock to the net realizable value	-	4 996
Other financial (income) expenses	254	(50)
Expenses arising from the liquidation of subsidiaries	-	-
	<b>10 108</b>	<b>15 661</b>
<b>Changes in the working capital:</b>		
Increase (in stock)	674	(7 263)
Decrease (increase) in receivables from the buyers	(3 954)	(1 700)
Decrease (increase) in advance payments	(112)	(23)
(Increase in) other receivables	(1 224)	1 506
Changes in deposits	-	5 000
Increase (decrease) in trade debts	(1 399)	4 669
Increase (decrease) in other payable amounts	(955)	(2 475)
Profit tax paid		
<b>Net operating cash flows</b>	<b>3 138</b>	<b>15 375</b>
<b>Cash flows from investment operations</b>		
Tangible and intangible assets (acquisition)	(5 105)	(8 596)
Revenues from the sale of tangible assets	94	328
Acquisition of subsidiaries	-	(10)
Sale of investments for sale	10	-
Repaid granted loans	2 511	1 402
Loans granted	(2 090)	(3 077)
Interest received	234	251
<b>Net cash flows from investment operations</b>	<b>(4 346)</b>	<b>(9 702)</b>
<b>Cash flows from financial operations</b>		
Payment of dividends, tantiemes	-	(2 731)
Support received	1 484	-
Loans received	13 570	5 179
Repaid loans	(16 859)	(7 585)
Payment of the liabilities arising from the financial lease	(1 910)	(2 337)
Interest paid	(488)	(201)
<b>Net cash flows from financial operations</b>	<b>(4 203)</b>	<b>(7 675)</b>
<b>Net increase (decrease) in cash flows</b>	<b>(5 411)</b>	<b>(2 002)</b>
<b>Cash and cash equivalents in the beginning of the period</b>	<b>9 556</b>	<b>8 766</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>4 145</b>	<b>6 764</b>

**Interim consolidated unaudited financial statement for the period of 6 months, 2012**  
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**1. GENERAL INFORMATION**

Žemaitijos pienas, AB (hereinafter referred to as the Company) is a public limited liability company registered in the Republic of Lithuania. Its registered office is situated at the address Sedos st. 35, Telšiai, Lithuania.

The Company produces dairy products and sells them on the Lithuanian and foreign markets. The Company has a number of wholesale units with warehouses and vehicles in the biggest cities of Lithuania. The Company commenced its operations in the year 1984. The Company's shares are traded on the current list of Vilnius Stock Exchange.

On 30 June 2012, the Company's share capital was 48,375 thousands of litas composed of 48,375,000 ordinary registered shares with a nominal value of 1 litas per share.

All of the shares are issued, subscribed and paid up.

On 31 December 2011 and on 30 June 2012, the Company had acquired its own shares by 3 thousands of litas.

On 30 June 2012, the Group was composed of Žemaitijos pienas, AB and its subsidiaries (hereinafter - the Group):

Subsidiary	Registered office of the Company	Interest of the Group's shares	Consolidated interest	Investments (cost price) in 2012	Net assets 30 June 2012	Main activities
Šilutės Rambynas, ABF	Klaipėdos st. 3, Šilutė, Lithuania	87.82 %	87.82 %	10 878	11 655	Production and sale of cheese
Tarpučių pienas, ŽŪB	Klaipėdos st. 3, Šilutė, Lithuania	12 %	100 %	60	405	Milk collection
Muižas pienas, SIA	Skaitekaines st. 1, Rīga, Latvia	32 %	-	4	-	Wholesale and retail
				10 942		

According to IFRS, a subsidiary is a company controlled by another (parent) company, whereas the control means the right to manage the company's financial and operating policy in order to obtain benefits from its activities. Consequently, Tarpučių pienas, ŽŪB is considered to be a subsidiary because its sales to the Company constitute nearly 100 percent and the Company has the key control although it manages less than 50 percent of the shares.

On 30 June 2012, the Group had 1490 employees (on 30 June 2011 – 1582 employees).

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## **2. ACCOUNTING PRINCIPLES**

### **The basis for eligibility of the financial statement**

This consolidated financial statement has been prepared in accordance with the International Financial Reporting Standards adopted by the European Union (EU).

### **The basis for preparation of the financial statement**

The submitted financial statement has been prepared on the acquisition cost price basis, except for the revaluation of certain financial instruments at their fair value.

The financial year of the Group's companies coincides with the calendar year.

The financial statement is submitted in the national currency of Lithuania - the litas (LTL).

Here are the most significant accounting policies:

### **The principles of consolidation and business affiliation**

The consolidated financial statement covers the financial statements of the Company and its controlled subsidiaries at a certain date. The control is deemed to be present when the Company has the power to control the financial and operating policy of another company, wherein it has invested its capital, in order to obtain some benefits thereof.

The acquisition of subsidiaries is accounted for using the purchase method. The acquisition cost price is composed of the fair value of transferred assets, issued equity instruments or assumed liabilities on the day of acquisition as well as expenses related with this acquisition directly. The assets and liabilities of the acquired company, which meet three recognition criteria under IFRS, are assessed at their fair value on the day of acquisition. The primary assessment of the subsidiary's assets and liabilities is modified within twelve months as of acquisition, having received additional data, which helps to assess more accurately the fair value of the assets and liabilities of this subsidiary.

Any positive difference between the acquisition cost price and the fair value of the acquired company's net assets is recognized as goodwill. Any negative difference between the acquisition cost price and the fair value of the acquired company's net assets is recognized as income of that period and is accounted for in the profit (loss) statement.

The interest of the minority shareholders is composed of their portion of the fair values of the assets and liabilities.

The financial results of the subsidiary, which has been acquired (sold) within a year, are included in the consolidated profit (loss) statement from the day of its acquisition until its sale (if any).

The financial statements of the subsidiaries are modified in order to conform to the accounting principles of the Group, should they be different.

All the significant transactions between the Group's companies, balance, income, expenses and undistributed profit (loss) from mutual transactions are eliminated from the consolidated financial statement.



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(All amounts are indicated in thousands of litas unless provided otherwise)

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**Investments in the subsidiaries**

Investments in the subsidiaries are accounted for in the Company's balance sheet at their acquisition cost price. The dividends of the subsidiaries are recognized as income only to the extent they are paid from the post-acquisition profit of the subsidiary. The portion of the

dividends that exceeds such profit is deemed to be the coverage of investment and is recognized as a reduction in the investment cost price.

**Intangible assets**

Intangible assets are initially recognized at their acquisition value. Intangible assets are recognized if it is probable that the Group and the Company will receive in the future some economical benefits related with these assets and if the value of these assets can be measured reliably. The Group and the Company does not have intangible assets of an indefinite useful life; therefore after their primary recognition, intangible assets are accounted for at their acquisition value, less accumulated amortization and impairment loss, if any. Intangible assets are amortized using the straight-line method over the estimated useful life. The amortization expenses of intangible assets are included into the operating expenses.

Software

The acquisition costs of new software are capitalized and recognized as intangible fixed assets if these costs are not a component of hardware. Software and licenses are amortized within a period of 3 years.

The costs, which are incurred in restoring or maintaining of the planned economic benefits from the operation of the existing software systems, are recognized as costs in the period when maintenance and support works are performed.

**Tangible assets**

Tangible assets are accounted for at their acquisition cost price, less accumulated depreciation and impairment.

The intangible fixed assets, which are being constructed, are accounted for in item 'Incomplete Constructions'. Such assets are accounted for at their acquisition cost price, less estimated impairment loss. The acquisition cost price covers the expenses on design, construction, installation of mechanisms and equipment and other direct expenses.

The depreciation of tangible fixed assets other than the constructions in progress is calculated over the estimated useful lives using the straight-lien method. At the end of each year, the Group and the Company review the useful lives of tangible fixed assets, balance value and depreciation method and recognize the impact of the changes in assessment, if any, prospectively. The estimated useful lives of tangible fixed assets are as follows:

Buildings: 20 - 40 years

Machinery and equipment: 5 years

Vehicles and other equipment: 4 - 10 years

The assets, whose useful lives are longer than one year and the acquisition value is not less than 3000 litas, are classified as fixed assets.

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The tangible fixed assets, which have been acquired under financial lease contracts, are depreciated over the useful life using the same method for calculating of depreciation as that of the private property.

Profit or loss arising from the sales of fixed assets is calculated as the difference between the sales income and the balance value of these assets and is recognized in the profit (loss) statement of that year.

Repair costs are added to the book value of tangible fixed assets if it is probable that the Group's companies will receive economic benefits from these costs in the future, and if they can be measured reliably. All other repair and service costs are recognized as expenses in the profit (loss) statement at the time they occur.

**Investment assets**

The Group company's investment assets are composed of land and buildings, which are leased and earn income thereof, and are not used for the main operations of the Group's companies. Investment assets are accounted for at their acquisition value, less accumulated depreciation and estimated impairment loss.

Depreciation is calculated using the straight-line method over 20 - 40 years of useful life.

Any transfers to/from investment assets are performed only when the purpose of these assets changes.

**Impairment of tangible and intangible assets**

On each financial reporting date the Group's companies review the balance value of tangible and intangible fixed assets in order to determine whether there are any signs that the value of these assets has reduced. If any such signs exist, the Group's companies measure the recoverable value of these assets in order to evaluate the impairment (if any). When it is impossible to measure the recoverable value of the assets, the Group's companies calculate the recoverable value of the income-generating asset group, which includes these assets. Should it be possible to determine a reliable and consistent allocation basis, the assets of the Group's companies are allocated to separate income-generating asset units or the assets of the Group's companies are allocated to smaller income-generating asset groups, with respect to which it is possible to determine a reliable and consistent allocation basis.

On each financial reporting date and when there are signs of impairment, the Group's companies carry out impairment tests of intangible fixed assets, whose useful life is indefinite, and of intangible fixed assets, which are not yet ready for use.

The recoverable amount is the higher value between the fair value, less sales expenses, and the using value. In assessing of the using value, the expected future cash flows are discounted to the current value using the pre-tax discount rate under current market conditions, existing cash time value and the risks associated with the assets, which has not been taken into account in assessing of the future cash flows.

If the estimated recoverable value of the assets (or income-generating asset group) is lower than the book value of these assets, the book value of these assets is reduced to the recoverable value of these assets (or income-generating asset group). The impairment loss is

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recognized immediately in the profit (loss) statement unless these assets have previously been revalued. In that case, the impairment loss is accounted for as the reduction in the revaluation reserve.

Should the value of assets increase after the recognition of the impairment loss, the book value of assets (income-generating asset group) is increased to the newly calculated recoverable value of assets but in the way that the increase would not exceed the book value of these assets (income-generating asset group), if the impairment loss in the previous year had not been recognized. The recovery of the asset impairment is recognized in the profit (loss)

statement immediately unless these assets had been revalued previously. In that case, the recovery of impairment is accounted for as the increase in the revaluation reserve.

**Stock**

On the primary recognition, the stock is accounted for at its acquisition/production cost price. In subsequent periods, the stock is accounted for at a lower net probable selling price or acquisition/production cost price. The cost price is established using FIFO method. The cost price of incomplete constructions and production covers the expenses on raw materials, work and other direct expenses as well as the value added expenses related with production. The net probable selling price means the estimated selling price in the ordinary course of business, less estimated production completion and probable selling expenses.

**Financial assets**

The Group and the Company recognize financial assets in the balance sheet when the Group and the Company become a party to the contract for some financial instrument.

Loans and receivables

Trade amounts, loans and other receivables with fixed or determinable payments, which are not traded on the active market, are classified as 'Loans and receivables'. Loans and receivables are initially recognized at their fair value in the balance sheet. In subsequent periods, those financial assets are accounted for at their amortized cost price using the effective interest rate method, less any recognized impairment loss, which reflects unrecoverable amounts.

The effective interest rate method

The effective interest rate method refers to the method for calculating of the amortized cost price of financial assets and allocation of the interest income during a certain period of time. The effective interest rate means the interest rate that discounts accurately the estimated future cash flows over a certain period of time or over a shorter period of time.

Impairment of financial assets

On each financial reporting date the Group assesses financial assets in order to determine whether there are any signs that the value of these assets has reduced. The value of financial assets reduces in presence of objective factors resulting from one or more events that occurred after the primary recognition of these financial assets, which have affected the calculated future cash flows of these financial assets. The impairment loss resulting of financial assets, which is accounted for at its amortized cost price, is the difference between the book value of

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financial assets and the current value of the assessed future cash flows calculated using the effective interest rate estimated at the primary recognition.

The book value of all the financial assets is reduced directly by the estimated impairment loss amount, other than receivables from trade, whose book value is reduced via the deferral account. Should it become impossible to recover a trade debt, this amount is written off via the deferral account. The deferral account is reduced by the recovered amounts, which have been written off previously after the balance date. Any changes in the book value of deferrals are recognized in the profit (loss) statement.

Should the amount of the assessed impairment loss decrease after the balance date and this decrease can be objectively related to the events that occurred after the recognition of the

assessed impairment loss, then this recognized impairment loss is recovered via the profit (loss) statement in such a way that the investment book value would not exceed the amortized cost price on the day of the assessed impairment loss recovery, if the impairment loss had not been recognized in the previous periods.

Cash and cash equivalents

Cash and cash equivalents are composed of cash on hand and money in bank accounts, deposits upon demand and other short-term liquid investments (up to three months), which can be easily exchanged for precise cash amounts and which are subject to the risk of negligible changes in their value.

**Financial liabilities**

Financial liabilities are any contractual liabilities to deliver cash or other financial assets to another entity or to exchange financial instruments with another enterprise under the conditions that are potentially unfavourable or derivative or the contract of a non-derivative instrument, which can be purchased in exchange of some equity instruments of the enterprise itself.

Financial liabilities

Financial liabilities are ascribed to the financial liabilities estimated at their fair value in the profit (loss) statement or other financial liabilities.

Other financial liabilities

Other financial liabilities, including loans, are recognized at their fair value, less transaction costs. In subsequent periods, other financial liabilities are accounted for at their amortized cost price, calculated using the effective interest rate method. Interest expenses are recognized using the effective interest rate method.

The effective interest rate method

The effective interest rate method refers to the method for calculating of the amortized cost price of financial liabilities and allocation of the interest income during a certain period of time. The effective interest rate means the interest rate that discounts the estimated future cash flows accurately over a certain period of time or over a shorter period of time.

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**The fair value of financial instruments**

The fair value reflects the value of financial instruments, at which assets can be sold or liabilities can be covered. In cases where the management believes that the amortized cost price of financial assets and financial liabilities is considerably different from their fair value,

the fair value of such financial assets and liabilities is disclosed separately in the comments of the financial statements.

**Grants**

Grants are accounted for on an accrual basis, i.e. received grants or parts thereof are recognized as having been used over the periods, in which the expenses related with these grants are incurred.

Asset-related grants

Asset-related grants include the grants received in the form of fixed assets or grants for buying of fixed assets. Grants are accounted for at the fair value of the received assets and subsequently recognized as income over the useful life of certain fixed assets.

Income-related grants

Income-related grants include the grants for compensating of the costs and loss of income as well as all other grants, which have not been ascribed to the asset-related grants.

The grant is recognized when it is actually received or when there is reasonable assurance that it will be received.

**Lease**

Lease is classified as the financial lease when basically all the risks and benefits related with the title are transferred under the contract of lease. The lease of activities does not fall into the concept of the financial lease.

The Group and Company as a lessor

Any income under the contract of lease of activities are recognized on the straight-line method over the entire leasing period.

The Group and Company as a tenant

The assets under the financial lease contract are recognized as assets at the fair value of the leased assets in the beginning of the lease or the current value of the minimum lease payments, if it is lower. A corresponding liability towards the lessor is reflected in the balance sheet as the liability under the financial lease contract. Financial expenses (interest expenses), i.e. the difference between the total payable amounts and the fair value of the assets acquired, are recognized as expenses in the profit (loss) statement over the leasing period using the constant interest rate.

Payments under the contract of lease of activities are recognized as expenses in the profit (loss) statement on the straight-line method over the entire leasing period.

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**Recognition of income**

Income is evaluated at the fair value of the received or receivable assets for the goods or services, excluding the value added tax, less rebates and concessions. Income is recognized on an accrual basis. Income is accounted for and reflected in the financial statements, regardless of revenues, i.e. when they are earned.

Income from the sale of goods

Income from the sale of goods is recognized when the following conditions are met:

- the Group has transferred to the buyer a significant portion of risk and the benefits of the title to the goods;
- the Group has no managerial rights associated with the title and has no longer control over the goods sold;
- the income amount can be measured reliably;
- it is likely that the Group will receive economic benefits associated with the transaction, and the transaction-related expenses, which have been incurred or shall be incurred in the future, can be measured reliably.

Income from services

Income from services is recognized when the service is provided.

Income from interest is recognized on an accrual basis, taking into account the balance of the debt and the applicable effective interest rate. Income from the interest received is presented in the cash flow statement as cash flows from investment activities.

Income from dividends is recognized when the shareholders become entitled to receive dividends. Income from the dividends received is presented in the cash flow statement as cash flows from investment activities.

**Recognition of expenses**

Expenses are recognized in the profit (loss) statement on an accrual basis when incurred.

**Foreign currency**

Transactions in foreign currencies are converted into the litas according to the official exchange rate established by the Bank of Lithuania on that day, which approximately equals to the market currency exchange rate. Monetary assets and liabilities are converted into the litas at the exchange rate of the reporting day.

The following currency exchange rates were used in preparing of the balance sheet:

<u>30 June 2012</u>	<u>31 December 2011</u>
1 EUR = LTL 3,4528	1 EUR = LTL 3,4528
1 LVL = LTL 4,9567	1 LVL = LTL 4,9421
1 USD = LTL 2,7624	1 USD = LTL 2,6694

The differences in the exchange rates resulting from the transactions in foreign currency are included in the profit (loss) statement at the moment they occur. The profit or loss resulting

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from the changes in the currency exchange rates on converting of monetary assets and liabilities into the litas are covered in the profit (loss) statement.

### **Deferrals**

Deferrals are recognized when the Group and the Company has a legal obligation or an irrevocable commitment arising from the past committing event and it is likely that the funds will be spent to cover these liabilities, and it is possible to determine the amount of such liabilities.

### **Taxes**

Profit tax expenses consist of the profit tax expenses and the deferred profit tax of the current year.

#### Profit tax

The taxable profit differs from the profit presented in the gross income statement due the elements of expenses and income that do not reduce or increase the taxable profit. From 1 January 2010, the profit tax rate in Lithuania is valid 15 per cent.

#### Deferred profit tax

The deferred profit tax is accounted for in the balance sheet. Deferred tax assets and liabilities are recognized for future tax purposes, noting the differences between the book value of assets and liabilities in the financial statement and their respective tax bases. Deferred tax liabilities are recognized with respect to all temporary differences, which will increase the taxable profit, and the deferred tax assets are recognized only to the extent that is likely to reduce the future taxable profit. Such assets and liabilities are not recognized if temporary differences are related to goodwill (or negative goodwill), or if the assets or liabilities recognized at the time of a transaction, which is not related with business affiliation, do not affect the taxable or financial profit.

The deferred profit tax assets are reviewed on the financial reporting date and are reduced if it is not probable that the Group will have sufficient taxable profit to realize these assets in the future to the amount, which is expected to reduce the taxable profit in the future.

Deferred tax assets and liabilities are assessed using the tax rate applicable in the year, in which it is expected to cover or pay these temporary differences, for the purpose of the corporate profit tax calculation. Deferred tax assets and liabilities are offset when they relate to the taxes established by the same institutions and when the Group intends to cover the payable taxes at their net value.

#### Profit tax and deferred profit tax in the reporting period

Expenses or income from the profit tax and deferred profit tax are accounted for in the profit (loss) statement, except when they are related to the items accounted for in the shareholders' equity. Then, deferred taxes are also accounted for in the shareholders' equity.

### **Segments**

**Interim consolidated unaudited financial statement for the period of 6 months, 2012**  
(All amounts are indicated in thousands of litas unless provided otherwise)

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A business segment in this financial statement is an integral segment of the Group and the Company engaged in the production of a product or providing of a service or a group of related products or services, whose risk and profit differ from other business segments.

**Contingencies**

Contingent liabilities are not recognized in the financial statements, except for the contingent liabilities in business affiliates. They are described in the financial statements, except when the probability that the sources, which provide economic benefits, will be lost is very small.

Contingent assets are not recognized in the financial statements but they are described in the financial statements when it is likely that income or economic benefits will be obtained.

**Post-balance events**

Post-balance events, which provide additional information about the Group's situation on the reporting date (adjusting events), are reflected in the financial statements. Post-balance events, which are not adjusting events, are described in the comments when their impact is significant.

**Related parties**

The parties related to the Group and Company refer to the shareholders, employees, Board members, their close relatives and companies that control the Company directly or indirectly via an intermediary or are controlled individually or jointly with any another party, which is also recognized as a related party, provided that this relationship allows one party to control the other party or to exercise significant influence over the other party in making financial and management decisions.

**3. MAIN ASSESSMENTS USING THE ACCOUNTING POLICY OF THE GROUP AND THE COMPANY AND ASSESSMENT CONTINGENCIES**

In preparing of the Group's financial statement, the management has to make certain decisions, assessments and assumptions, which affect the disclosed amounts of income, expenses, assets and liabilities and contingencies on the reporting day. However, the contingency of these assumptions and assessments can affect the results, whereas this may require significant modification of the balance amounts of assets and liabilities in the future.

Solutions

For the purposes of the Group and the Company's accounting policy, the management has adopted the following decisions, except for those assessments, which have the most significant impact on the amounts recognized in the financial statement.



**Interim consolidated unaudited financial statement for the period of 6 months, 2012**

(All amounts are indicated in thousands of litas unless provided otherwise)

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*Liabilities under the contract of lease of activities – the Group and the Company as a lessor*

The Group and the Company has included the lease of commercial assets into their investment portfolio. In accordance with the contract terms and conditions, the Group and the Company have determined that they shall have all the significant risks and benefits arising from the title to these assets, and therefore account for these contracts as the lease of activities.

Assessments and assumptions

The main future assumptions and other significant sources of assessment contingency, which cause significant risk and can require a significant modification of the balance values of assets or liabilities in another financial year, are discussed hereunder:

*Impairment of non-financial assets*

The Group and the Company evaluate whether there are any signs on the reporting day that the value of non-financial assets has reduced. The impairment of non-financial assets is

assessed when there are signs that the balance amounts cannot be recovered. In calculating of the using value, the management must evaluate probable future monetary revenues from the

assets or cash-generating segment and to choose a proper discount rate, calculating the current value of cash revenues.

*Impairment of financial assets*

On each financial reporting day, the Group and the Company assess financial assets so that to determine whether there are any signs that the value of these assets has reduced. The impairment of financial assets occurs when there are objective factors resulting from one or several events that occurred after the primary recognition of these financial assets, which have affected the assessed future cash flows of these financial assets. The impairment loss of financial assets accounted for at their amortized cost price is the difference between the book

value of these financial assets and the current value of the assessed future cash flows, calculated using the efficient interest rate estimated at the primary recognition.

*Assets of the deferred profit tax*

Assets of the deferred profit tax are recognized with respect to all unused tax losses to the extent it is probable to receive the taxable profit, which shall be used to set-off the losses. Significant management decisions are necessary to define the amounts of the deferred profit tax assets, which may be recognized on the basis of probable future taxable profit period and amounts and the future tax planning strategies.

#### **4. INFORMATION ABOUT THE SEGMENTS**

For managerial purposes the activities of the Group and the Company are organized as a single main segment – the production and sale of dairy products (primary segment). The sales of the Group according to the geographical segments (secondary segment) are provided hereunder:

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**Interim consolidated unaudited financial statement for the period of 6 months, 2012**

(All amounts are indicated in thousands of litas unless provided otherwise)

**Sales**

	<b>January - June, 2012</b>	<b>January - June, 2011</b>	<b>April - June, 2012</b>	<b>April - June, 2011</b>
Lithuania	142 180	136 220	71 448	69 559
Other Baltic and CIS states	56 254	68 471	30 072	38 118
Other European states	42 852	39 876	24 255	22 931
Other	1 636	2 989	819	759
<b>In total</b>	<b>242 922</b>	<b>247 556</b>	<b>126 594</b>	<b>131 367</b>

The income from sales is classified according to the state, where the buyers are registered.

**5. LOANS GRANTED**

The Group's granted loans consisted of the following:

	<b>30 June 2012</b>	<b>31 December 2011</b>
Loans granted	8 329	8 751
Minus: temporary portion of the loans granted	(1 489)	(3 692)
	<b>6 840</b>	<b>5 059</b>

All the loans have been granted in litas. The repayment term is from 1 to 9 years.

**6. STOCK**

The Group's stock consisted of the following:

	<b>30 June 2012</b>	<b>31 December 2011</b>
Raw materials	12 896	13 226
Production and incomplete constructions	82 920	82 266
Goods for resale	966	1 964
	96 782	97 456
Minus: impairment up to the net realizable value	(6 970)	(6 970)
<b>In total</b>	<b>89 812</b>	<b>90 486</b>

**Interim consolidated unaudited financial statement for the period of 6 months, 2012**

(All amounts are indicated in thousands of litas unless provided otherwise)

**7. RECEIVABLES FROM THE BUYERS**

Receivables of the Group from the buyers consisted of the following:

	<u>30 June 2012</u>	<u>31 December 2011</u>
Receivables from the buyers	31 684	29 090
Receivables from the related parties	8 783	7 423
	<u>40 467</u>	<u>36 513</u>
Minus: impairment	(83)	(83)
<b>In total</b>	<b><u>40 384</u></b>	<b><u>36 430</u></b>

Changes in the impairment of doubtful receivables from the buyers are included in the profit (loss) statement as operating expenses.

Receivables from the buyers are free of interest and their term is usually from 30 to 90 days.

**8. OTHER RECEIVABLES**

Other receivables of the Group's consisted of the following:

	<u>30 June 2012</u>	<u>31 December 2011</u>
Advance profit tax	817	1 645
Current portion of long-term loans	1 174	3 692
Input returns tax	-	25
Input VAT	2 749	1 903
Other receivables	270	(1 323)
<b>In total</b>	<b><u>5 010</u></b>	<b><u>5 942</u></b>

**9. CASH AND CASH EQUIVALENTS**

The Group's cash and cash equivalents consisted of the following:

	<u>30 June 2012</u>	<u>31 December 2011</u>
Cash in the bank	4 081	9 426
Cash on hand	64	131
<b>In total</b>	<b><u>4 145</u></b>	<b><u>9 556</u></b>

**10. EQUITY**

On 30 June 2012, the share capital amounted to 48,375,000 ordinary registered shares with a nominal value of 1 litas. On 30 June 2012 and 31 December 2011, all the shares were fully paid.

**Interim consolidated unaudited financial statement for the period of 6 months, 2012**  
(All amounts are indicated in thousands of litas unless provided otherwise)

Required reserve

The required reserve is mandatory under legal acts of the Republic of Lithuania. It is necessary to transfer not less than 5 percent of the net profit each year until the reserve reaches 10 percent of the share capital. The Company's required reserve was fully formed. The required reserve may not be distributed to the shareholders.

Other reserves

Other reserves are formed according to the decision of the annual meeting of shareholders to distribute the profit and the Company's articles of association. These reserves can only be used for the purposes determined by the general meeting of shareholders. Following the valid Law on Companies, the Company's reserves other than required reserves must be restored to the distributable profit and redistributed if they have not been used or they are not planned to be used.

**11. LOANS**

The Group's loans consisted of the following:

	Starting date of the contract	Repay- ment term	Curren- cy	Balance	
				30 June 2012	31 December 2011
Bank DNB, AB	05, 2004	06, 2012	EUR	6 905	20 717
Bank DNB, AB	06, 2006	04, 2013	EUR	1 252	2 087
Bank SEB, AB	09, 2011	09, 2012	EUR	20 717	7 147
Bank SEB, AB	11, 2011	11, 2014	LTL	2 783	3 848
Algirdas Pažemeckas	10, 2011	12, 2012	LTL	1 558	1 588
<b>In total</b>				<b>33 215</b>	<b>35 387</b>
Minus: short-term loans				(22 275)	(8 735)
Minus: short-term portion of long-term loans				(8 055)	(23 767)
<b>Long-term loans in total</b>				<b>2 885</b>	<b>2 885</b>

**Interim consolidated unaudited financial statement for the period of 6 months, 2012**  
(All amounts are indicated in thousands of litas unless provided otherwise)

**12. LIABILITIES UNDER THE FINANCIAL LEASE CONTRACT**

The Group's future minimum payments under the financial lease contracts consisted of the following:

Group	30 June 2012		31 December 2011	
	Minimum payments under the financial lease contract	Current amount of the minimum payments under financial lease contract	Minimum payments of the financial lease contract	Current value of the minimum payments under the financial lease contract
Over one year	2 167	2 122	4 167	4 027
Over two-five years	3 317	3 258	3 339	3 263
<b>Minimum payments under the financial lease contract</b>	<b>5 484</b>	<b>5 380</b>	<b>7 505</b>	<b>7 290</b>
Minus: future interest	(104)		(215)	
<b>Current value of the minimum payments under the financial lease contract</b>	<b>5 380</b>		<b>7 290</b>	

On 30 June 2012, all the Group's financial lease contracts were signed in euros.

**13. PAYABLE AMOUNTS**

Here are the terms of financial liabilities:

- Trade debts are free from interest and are usually repaid within a period of 30 days.
- Other payable amounts are free from interest and have approximately a repayment term of one month.
- Payable interest is usually paid on a monthly basis over the entire financial year.
- The terms of the amounts payable by the related parties are provided for in Clause 19.

	The Group	
	30 June 2012	31 December 2011
Payables suppliers	27 148	28 670
Payable to related parties	96	1 088
Prepayments	374	819
<b>In total</b>	<b>27 618</b>	<b>30 578</b>

**Interim consolidated unaudited financial statement for the period of 6 months, 2012**  
(All amounts are indicated in thousands of litas unless provided otherwise)

**14. OTHER PAYABLE AMOUNTS**

Other payable amounts consisted of the following:

	The Group	
	30 June 2012	31 December 2011
Accumulated expenses	9 184	9 064
Payable salaries	2 363	2 765
Payable social insurance	1 368	1 278
Payable taxes, except for the profit tax	504	844
Advance payments received	-	-
Other short-term liabilities	972	953
<b>In total</b>	<b>14 391</b>	<b>14 903</b>

**15. SELLING EXPENSES**

Selling expenses consisted of the following:

	The Group	
	30 June 2012	30 June 2011
Raw materials	526	624
Liquid and spare parts	2 641	2 591
Depreciation and amortization	788	942
Salaries and social insurance	8 823	8 924
Marketing services	4 589	11 219
Other services	3 400	3 122
Others	152	146
<b>In total</b>	<b>20 919</b>	<b>27 568</b>

**Interim consolidated unaudited financial statement for the period of 6 months, 2012**  
(All amounts are indicated in thousands of litas unless provided otherwise)

**16. GENERAL AND ADMINISTRATIVE EXPENSES**

General and administrative expenses consisted of the following:

	<b>The Group</b>	
	<b>30 June 2012</b>	<b>30 June 2011</b>
Raw materials	138	322
Liquid and spare parts	147	180
Depreciation and amortization	577	553
Salaries and social insurance	5 284	6 065
Services	3 444	3 557
Activities taxes	378	233
Change in purity value of reserves	-	4 996
Impairment of the realizable value for doubtful debts	-	-
Others	41	42
<b>In total</b>	<b>10 009</b>	<b>15 948</b>

**17. OTHER OPERATING INCOME AND EXPENSES**

Other operating income and expenses consisted of the following:

	<b>The Group</b>	
	<b>30 June 2012</b>	<b>30 June 2011</b>
<i>Other operating income:</i>		
Profit from the sale of raw materials and other material values	580	1 967
Profit from the sale of tangible fixed assets	5	258
Transport services	61	102
Income from lease	124	220
Income from a canteen	305	411
Other	265	136
	<b>1 340</b>	<b>3 094</b>
<i>Other operating expenses:</i>		
Cost price of raw materials	1 556	1 875
Salaries and social insurance	-	-
Loss from the sale of tangible assets	18	-
Depreciation	129	379
Cost price of a canteen activity	316	440
Other services	122	102
	<b>2 140</b>	<b>2 796</b>
<b>IN TOTAL other operating activity result</b>	<b>(800)</b>	<b>298</b>

**Interim consolidated unaudited financial statement for the period of 6 months, 2012**  
(All amounts are indicated in thousands of litas unless provided otherwise)

**18. INCOME FROM AND EXPENSES OF FINANCIAL AND INVESTMENT OPERATIONS**

Income from and expenses of financial and investment operations were as follows:

	The Group	
	30 June 2012	30 June 2011
<i>Income from the financial and investment operations:</i>		
Bank interest income	22	112
Profit generated by the changes in the currency exchange rates	85	79
Profit from investments alienation	-	-
Interest from grants loans	156	139
Other financial income	32	9
	<b>295</b>	<b>339</b>
<i>Expenses of the financial operations:</i>		
Interest expenses	429	201
(Loss) generated by the changes in the currency exchange rates	102	106
Other financial expenses	25	11
	<b>556</b>	<b>318</b>
<b>IN TOTAL</b>	<b>(261)</b>	<b>21</b>

**19. TRANSACTIONS OF THE RELATED PARTIES**

The parties are considered related if one party has an opportunity to control another party or may have significant influence over another party in making of financial and operating decisions. The related parties of the Group and the Company are the following:

- Žemaitijos pieno investicija, AB (joint major shareholder);
- Baltijos mineralinių vandenu kompanija, UAB (joint major shareholder);
- Klaipėdos pienas, AB (joint major shareholder);
- Čia Market, UAB (joint major shareholder);
- Muižas piens, SIA (joint major shareholder).

The amounts payable to the related parties are usually paid within a period of 30 days.

The Group's transactions with the related parties and balances of the year were as follows:



**Interim consolidated unaudited financial statement for the period of 6 months, 2012**

(All amounts are indicated in thousands of litas unless provided otherwise)

	The Group	
	30 June 2012	31 December 2011
<b>1) Sales</b>		
<i>To the Group</i>		
Tarpučių pienas, ŽŪK	-	-
Šilutės Rambynas, ABF	-	-
	-	-
<i>To the related parties</i>		
Baltijos mineralinių vandenių kompanija, UAB	-	2
Klaipėdos pienas, AB	610	1 384
Žemaitijos pieno investicija, AB	-	-
Čia Market, UAB	13 770	29 794
Muižas piens, SIA	5 243	12 902
	19 623	44 082
<b>Sales of stock and services</b>		
<i>To the Group</i>		
Tarpučių pienas, ŽŪK	-	-
Šilutės Rambynas, ABF	-	-
	-	-
<i>To the related parties</i>		
Baltijos mineralinių vandenių kompanija, UAB	822	1 658
Klaipėdos pienas, AB	830	2 034
Žemaitijos pieno investicija, AB	71	177
Čia Market, UAB	355	844
Muižas piens, SIA	70	59
	2 148	4 772
<b>Sales in total:</b>	<b>21 771</b>	<b>48 854</b>
<b>2) Purchases</b>		
<i>From the Group</i>		
Tarpučių pienas, ŽŪK	-	-
Šilutės Rambynas, ABF	-	-
	-	-
<i>From the related parties</i>		
Klaipėdos pienas, AB	1 238	3 656
Baltijos mineralinių vandenių kompanija, UAB	994	303
Žemaitijos pieno investicija, AB	864	2 182
Čia Market, UAB	33	641
Muižas piens, SIA	1	-
	3 130	6 782
<b>Purchases in total:</b>	<b>3 130</b>	<b>6 782</b>

**Interim consolidated unaudited financial statement for the period of 6 months, 2012**

(All amounts are indicated in thousands of litas unless provided otherwise)

	The Group	
	30 June 2012	31 December 2011
<b>3) Balance of receivables at the end of the period</b>		
<i>The Group</i>		
Tarpučių pienas, ŽŪK	-	-
Šilutės Rambynas, ABF	-	-
	-	-
<i>Related parties</i>		
Baltijos mineralinių vandenių kompanija, UAB	615	447
Čia Market, UAB	4 462	3 598
Klaipėdos pienas, AB	549	321
Žemaitijos pieno investicija, AB	3 523	3 213
Muižas piens, SIA	2 104	2 317
	11 253	9 896
	<b>11 253</b>	<b>9 896</b>
<b>4) Balance of the payable amounts at the end of the period</b>		
<i>The Group</i>		
Tarpučių pienas, ŽŪK	-	-
Šilutės Rambynas, ABF	-	-
	-	-
<i>Related parties</i>		
Žemaitijos pieno investicija, AB	-	-
Klaipėdos pienas, AB	95	1 088
Čia Market, UAB	1	1
Pažemeckas Algirdas	1 558	1 588
Baltijos mineralinių vandenių kompanija, UAB	-	-
	1 654	2 677
	<b>1 654</b>	<b>2 677</b>

The balance unpaid at the end of the period is not covered by insurance and it will bear no interest, whereas the settlement shall be in cash. The Group has not accounted for any impairment of the realizable value for doubtful debts related with the amounts, which belong to the related parties. The assessment of these doubtful debts is reviewed each financial year investigating the financial situation of the related party and the market, wherein the party operates.

The Group has concluded a lot of transactions with the related parties (the companies of the group of Žemaitijos pieno investicija, AB), and the Group's profit and sales have been significantly affected by the transactions with the group of Žemaitijos pieno investicija, AB. They include long-term lease of assets, sales of raw materials, sale of distribution services to Baltijos mineralinių vandenių kompanija, UAB, and Klaipėdos pienas, AB, and the sale of production to Čia Market, UAB.



**ŽEMAITIJOS PIENAS, AB  
INTERIM REPORT FOR THE PERIOD OF SIX MONTHS OF 2012 AND  
INTERIM CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS FOR THE  
PERIOD OF SIX MONTHS OF 2012**

**August, 2012  
Telšiai**

**ŽEMAITIJOS PIENAS, AB**  
Company code: 180240752



***AB ŽEMAITIJOS PIENAS***  
**CONSOLIDATED INTERIM REPORT**  
**FOR THE PERIOD OF SIX MONTH OF 2012**



ŽEMAITIJOS PIENAS, AB  
Company code: 180240752

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**ŽEMAITIJOS PIENAS, AB**  
Company code: 180240752

## 1. Reporting period covered in the Interim Report

The present Report has been prepared for the first half of 2012 according to the Procedures for Preparation and Furnishing the Periodical and Additional Information and its subsequent amendments, approved under the Resolution No. 1K-3 of the Securities Commission of the Republic of Lithuania of 23 February 2007, and other legislation.

## 2. General information about the Issuer

Name	Žemaitijos Pienas, AB
Legal – organizational form Incorporated	Joint Stock Company The Joint Stock Company registered on 23 June, 1993
Company code	180240752
VAT payer's code	LT802407515
Authorized capital	LTL 48,375,000, divided into 48,375,000 ordinary registered shares, a par value per share LTL 1
Juridical address	Sedos Str. 35, LT-87101, Telšiai
Phone	8-444-22201
Fax	8-444-74897
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 Group's enterprises and branches

The subsidiaries controlled by the Company:

*Šilutės Rambynas*, ABF, company code 277141670.

Date and place of registration: 9 December 1992, Klaipėdos Str. 3, Šilutė Town, Šilutė District.

Authorized capital – LTL 8,596,650; Žemaitijos Pienas, AB owns 87,82% of the authorized capital.

Juridical address: Klaipėdos Str.3, Šilutė.

Nature of business activity is production of ferment cheese.

*Agricultural Cooperative Tarpučių pienas*, company code 151449845.

Date and place of registration: 5 June, 2001, Klaipėdos Str. 3, Šilutė Town, Šilutė District.

Authorized capital – LTL 496,027; Žemaitijos Pienas, AB owns 11,9 % of the cooperative authorized capital, which amounts to LTL 377,830.



**ŽEMAITIJOS PIENAS, AB**  
Company code: 180240752

Juridical address – Klaipėdos Str.3, Šilutė.

Subsidiaries do not own the issuer's securities or other persons who would own on their behalf.

Nature of business– procurement and chilling of raw milk.

*Žemaitijos Pienas*, AB has five branches:

- Vilnius Branch, Algirdo Str.40/13, Vilnius
- Kaunas Branch, Kėdainių Str.8A, Kaunas
- Klaipėda Branch, Šilutės Rd. 33, Klaipėda 33, Klaipėda
- Panevėžys Branch, Janonio Str. 9, Panevėžys
- Telšiai Branch, Sedos Str.35, Telšiai

#### **4. Nature of the Issuer's main business**

Main activity of *AB Žemaitijos Pienas* is development, production and sale of dairy products (ferment cheese and cheese products, packaged cheese and cheese products, processed cheese and cheese products, cream, cream cheese, butter dairy spreads, mixed spreads, dairy fat, pasteurized cream, buttermilk, whey, dry milk products, fresh dairy products (milk, cream, cottage cheese, cottage cheese products, yogurts, desserts, curd cheeses, glazed curd cheeses, fermented dairy products) in the Lithuanian and foreign markets.

Main activity of *Šilutės Rambynas*, ABF is development, production, and sale of ferment cheese and cheese products; production and sale of pasteurized cream, pasteurized whey, and concentrated whey.

Main activity of *Agricultural Cooperative Tarpučių Pienas* is procurement and chilling of raw milk.

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

### **5. Information about the agreements made with the agents of public circulation of securities**

On 16 July 2004, the Company entered into agreement with Šiaulių Bankas, AB, address: Tilžės Str.149, Šiauliai, which determines the transfer of account handling of the company's securities to Šiaulių Bankas, AB from 23 July 2004.

### **6. Data on trading in shares of the Group's enterprises in the regulated markets**

<b>Name of Issuer's securities / Type of securities</b>	<b>Number of securities</b>	<b>Nominal value of securities, LTL</b>	<b>Total nominal value</b>	<b>Percentage in the share capital</b>
Ordinary registered shares	48 375 000	1	48 375 000	100

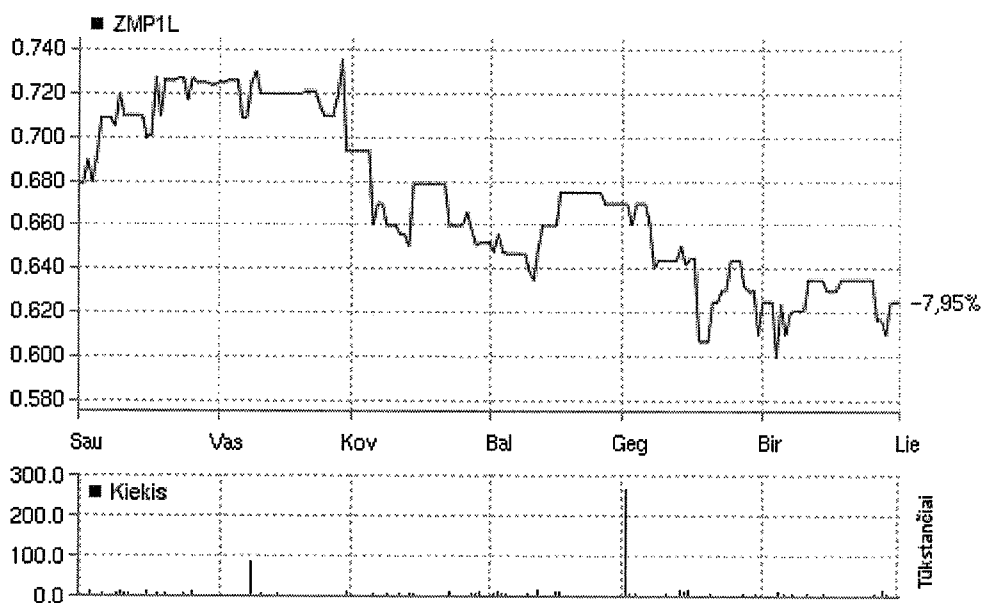


**ŽEMAITIJOS PIENAS, AB**  
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Only the Company's shares (symbol - ZMP1L) are listed in the additional list of Vilnius NASDAQ OMX Stock Exchange. Securities ISIN code is LT0000121865.

Hereunder are presented the transactions (trade) in shares of Žemaitijos Pienas, AB at Vilnius Stock Exchange during January – June 2012. The graphs are taken from the website of AB NASDAQ OMX Vilnius:

[http://www.nasdaqomxbaltic.com/market/?instrument=LT0000121865&list=3&date=2012-01-01&pg=details&tab=historical&lang=lt&currency=0&downloadcsv=0&start\\_d=1&start\\_m=1&start\\_y=2012&end\\_d=31&end\\_m=6&end\\_y=2012](http://www.nasdaqomxbaltic.com/market/?instrument=LT0000121865&list=3&date=2012-01-01&pg=details&tab=historical&lang=lt&currency=0&downloadcsv=0&start_d=1&start_m=1&start_y=2012&end_d=31&end_m=6&end_y=2012)



*Žemaitijos Pienas, AB* has not issued any other securities, except shares.

## 7. Authorized capital

Authorized capital of the Company amounts to LTL 48,375,000. It is divided to 48,375,000 ordinary registered shares. The nominal value of one ordinary registered share is LTL 1 (one). All the Issuer's shares are fully paid. The shares are not subject to any restrictions.

## 8. Acquisition of own shares

The company has 10 units of *Žemaitijos Pienas, AB* ordinary registered shares of LTL 1 (one) value, the shares have been acquired through the stock exchange. The purpose of acquisition of its own shares at that time was to maintain and enhance the company's share price. No own shares were acquired during the reporting period.

## 9. Shareholders and their rights

According to the data of 30 June 2012, the total number of shareholders was 3361.

Below is a list of shareholders who own more than 5 percent of *Žemaitijos Pienas, AB* share capital and voting rights (the data of 30 June 2012).





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Row No.	Shareholder	Number of shares under ownership	The share of the authorized capital and votes under ownership, %	The share of votes owned together with associated parties, %
1	Pažemeckas Algirdas p.c. xxxxxxxxxxxxxxxx	21 589 380	44.63	50.88
2	SKANDINAVISKA ENSKILDA BANKEN CLIENTS, code 50203290810, SERGELS TORG 2, 10640 STOCKHOLM, SWEDEN	3 904 903	8.07	8.07
3	<i>AB Klaipėdos pienas</i> , code 240026930, Šilutės Rd. 33, 91107 Klaipėda	3 601 844	7.45	7.45
4	Pažemeckienė Danutė p.c. xxxxxxxxxxxxxxxxxxx	3 025 820	6.25	50.88
5	Other shareholders	14 783 253	30.56	30.60

All the shares issued provide the owners of the shares with equal rights, laid down in the Law on Companies of the Republic of Lithuania and in the Articles of Association.

**There are no restrictions on the transfer of the securities.** The shareholders are entitled to proprietary and non-proprietary rights as well as to commitments defined in the Law on Companies of the Republic of Lithuania as well as in the Company's Articles of Association.

**Restrictions on voting rights.** All the Company's shares giving the right to vote are of equal nominal value; one share gives one vote during the General Meeting.

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

to receive a share of Company's profit (dividend); receive a share of the Company property in case of its liquidation; receive free shares in case the Authorized Capital of the Company is being increased by corporate means, except for the cases defined in the Law; in case when a shareholder is a natural person, he/he shall be entitled to devise all or part of the shares for a single or several persons; sell or otherwise transfer all or part of the shares to other persons, according to the procedures and terms provided in the Law.

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

to participate in the Meetings; vote in the Meetings, according to the voting rights determined by the number of shares in possession; receive non-confidential information on economic activity of the Company; elect and be elected to the management and supervisory bodies of the Company; take any position in the Company, if the Law on Companies or the Articles of Association does not provide otherwise; give specific suggestions with respect to the improvement of financial, economic, organizational, etc. activity of the Company; appeal against the decisions or actions made in the General Meetings, made by the Supervisory Council, Management Board or the CEO of the Company which are against the Laws of the Republic of Lithuania, the Articles of the Association or interest and non-interest rights of the shareholders. Shareholders, individually or collectively, have a right, without any special commission, to claim for the



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damages made to shareholders; and other non-proprietary rights provided in the Law of the Republic of Lithuania.

To the knowledge of the Issuer's representatives, there are no agreements between the shareholders, which can lead to restrictions of securities transfer and/or voting rights, or acquired other special rights.

An individual is entitled to all the rights and commitments which are provided by the share of the Company's authorized capital and/or voting rights: in case of increasing the authorized capital by corporate means – from the day the changes in the Articles of Association related to the increase of the authorized capital and/or of voting rights have been registered; in all other cases – from the moment the proprietary rights to the authorized capital of the Company and/or voting rights have emerged.

### 10. Risk management

The Company is engaged in the activity of milk processing. The main factors creating the risk for the Company business are potential changes in the market of raw material, and product sales. Also some political, legal, social and technological changes directly or indirectly related to the activity of *Žemaitijos Pienas, AB* are possible with a potentially negative impact on the Company's cash flows and activity results.

The main raw material of the Company is milk, the amount of which to be sold for processing for European Union's producers of dairy products is restricted by national milk quotas. The restriction of raw material supply can result in the lack of raw material, and increase the price of raw material. These changes could have negative effects on the Company's cash flows and activity results.

The business of the Company (especially milk procurement and transportation) represents a labour-intensive activity. Fluctuating prices of fuel and increasing wages for employees could have negative effects on the Company's growth potential and activity results.

The Company specializes in the production of fresh dairy products and various kinds of cheese. A major part of its income comes from the sale of these products. Due to these reasons negative changes in the market demand and price of these products could have negative effects on the Company's income, profit and general financial condition. Product price can also be negatively affected by the competition in the local and international market of dairy products.

Each employee of the Company has the right to express his/her opinion, or provide any findings on any issues related to the Company's activity, and/or point out various risk factors that would affect the Company's activity in one way or another.

### 11. Essential data about the results of the Company

The main indicators for the activity of the Group in the first half of 2012 (thousand LTL): comparing with corresponding period of the previous year.

Financial indicators	Group	
	First half of 2012	First half of 2011
Turnover	242,922	247,556
Gross profit	35,503	47,273
Profit before taxes, interests, and depreciation	12,472	13,323
Profit before taxes	3,514	4,076
Amount of investments in the long-term assets	5,105	8,596



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Comparison of the tonnages and prices (LTL) of the collected raw milk during the first six months of 2012 and 2011:

Raw milk procured (recalculated into base richness)	First half of 2012	First of the 2011
Amount of milk procured, in thousand of tones	158	154
Price for the milk procured, LTL/t	806	877

131 tones of natural milk procured (in the first six months of 2012).

The distribution of *Žemaitijos Pienas, AB* products sold in the local and international markets during the first six months of the year 2012 and the year 2011 is as follows (in thousand of LTL):

Product group	Turnover, thousand LTL	
	First half of 2012	First of the 2011
Fermented cheeses	104,326	102,068
Fresh dairy products	70,546	81,708
Butter and spreadable fat mixes	22,642	30,891
Dry milk products	16,552	10,464
Ice cream	-	44
Other	28,856	22,381
Export subsidies		0
<b>In total</b>	<b>242,922</b>	<b>247,556</b>

## 12. Business plans, development and forecasts

In a long-term perspective, *Žemaitijos Pienas, AB* expects to become a strong, technically modern, and reliable company attractive for investors; to build a profitable market for its production in European Union and the Baltic States; to retain the highest level of product quality; to fully exploit available production capacities; to systematically accumulate intellectual capital.

The main current goals of the Company:

- to procure milk under market conditions, but not for higher prices than raw milk is purchased by other market players in Lithuania;
- to increase sales at favourable for the Company prices;
- to focus on the main product portfolio and to retain at least 20 per cent share of the internal market, and in the export markets to focus on sales of the higher value-added products;
- to strengthen its marketing function and brand name of the company;
- to reduce production costs and product cost price;
- to abandon economically ineffective production as soon as possible;
- to reduce distribution costs;
- to give incentives for employees only for the final results and achievement of plans set.

As it is hard to predict the economic situation in European Union and the State, the Company Group of *Žemaitijos Pienas, AB* refrains from publishing its turnover and profit forecasts for the second half of 2012.



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### 13. Environment protection

The activity of *Žemaitijos Pienas, AB* is conducted in compliance with the 29 December 2006 permit of Integrated Pollution Prevention and Control (IPPC) that was granted the Company for unlimited period of time which due to some changes, however, might be adjusted. The Company continuously seeks to reduce and prevent any negative impact resulting from its activity on environment as well as implement innovative technologies, but it is continuously concerned with and involved in improvement of its environmental protection status, keeps tracking its performance indicators. We are always ready to solve the arising environmental issues in togheter with the society.

In 2008, the Company implemented an integrated Quality Management and Food Safety Management System, basically in line with the requirements of ISO 9001:2008 and ISO 22000:2005 standards, and plans to implement the ISO 14000 Environmental Management System.

The company does not have a significant negative impact on the environment. Contaminated wastewater is released for cleaning in the local treatment facilities (Telšių Vandenys, UAB). The Company's boiler room uses natural gas, the fuel polluting the atmospheric air at its minimum. The company is not included in the ETS trading system under the National Allocation Plan for 2008-2012. Natural resources are used sparingly. Impact on the environment is controlled by the coordinated monitoring programs.

The company has developed a program for the prevention of possible accidents, plans for their causes and liquidation, cold ammoniac compressor and gas station storage, as from the point of view of hazardous object, hazard identification, risk analysis and evaluation of safety.

All the waste and packages are handled in accordance with environmental requirements. *Žemaitijos Pienas, AB* carries out segregation of the secondary raw materials out of the overall waste flow and systematically sends these waste to waste recycling and collecting facilities. In the territory, hazardous and non-hazardous waste is stored and handled in a way that does not negatively impact the environment, the storage areas are marked accordingly. **The waste is timely transported to waste disposing companies.**

Company continuously carries out investment projects that implement new modern technologies, which allow more efficient use of energy resources.

### 14. Main events of the reporting period

Products certified in January-June 2012:

- Certificate issued by the Public Institution *Kulinarijos Paveldo Fondas* to the traditional sour-cream butter *Kastinys* produced by *Žemaitijos Pienas, AB* (Certificate No.3P, of 6 January, 2012);
- Hard medium-fat (40% fat in dry mass) cheeses *DŽIUGAS* and *RIGOTINO* have been certified at Kaliningrad Centre of Standardizing (Certificate No. (Certificate No.C-LT- AЯ19.B.40030, 3 March, 2012);
- Cheeses that have been certified at Kaliningrad Centre of Standardizing:  
Cheese *Germantas*, 45% fat in dry mass;  
Cheese *Vilnius*, 45% fat in dry mass;  
Cheese *Vilnius*, 48% fat in dry mass;  
Cheese *Palanga* 40% fat in dry mass  
(Certificate No. (C-LT- AЯ19.B.45835 of 16 April, 2012).



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- *Žemaitijos Pienas, AB* processed organic products:
  - Curd cheese, 13 % fat,
  - Semi-fat curd, 9 % fat,
  - Curd cheese with red berries 6.5 % fat,
  - Curd cheese with yellow fruit, 6.5 % fat,
  - Yoghurt with apples and cereals, 2.5 % - 3.5 % fat,
  - Yoghurt with wild berries 2.5 % - 3.5 % fat,
  - Yoghurt 3.5 % - 4.6 % fat,
  - Raw milk,
  - Milk 2.5 % fat,
  - Hard cheese 40 % fat,
  - Cheese 45 % fat,

(Public Institution EKOAGROS LT-EKO-01) (Certificate No. SER-K-12-00020) (22 February, 2012).

- Processed organic products of *Žemaitijos Pienas, AB*:
  - Curd cheese with vanilla, 7.5% fat

(Public Institution EKOAGROS LT-EKO-01) (Certificate No. SER-K-12-00035) (16 March, 2012).

Products awarded in January-June 2012:

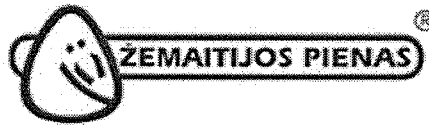
- In the International Food Exhibition PRODEKSPO 2012, broken hard cheese DŽIUGAS 40% fat, ripened for 12, 18, and 36 months was granted a gold medal (Moscow, 13-17 February 2012),
- In the International Organic Food Exhibition BEST of ORGANIC, organic cheese DOBILAS, 45% fat of *Žemaitijos Pienas, AB* has been granted a third place (Warsaw, 7-9 May 2012),
- *Žemaitiškas Kastinys Moliniame Indelyje* of *Žemaitijos Pienas, AB* has been granted a gold medal in AgroBalt2012 (the 19th International Exhibition for Agriculture and Food Industry) (9-10 May 2012),
- Organic curd cheese DOBILAS of 13% fat *Žemaitijos Pienas, AB* has been granted a diploma AgroBalt2012 (the 19th International Exhibition for Agriculture and Food Industry) (9-10 05 2012),
- On 29 February 2012, an award ceremony for winners of the Most Popular Good 2011 arranged by the Association of Lithuanian Trade Enterprises (LPĮA) took place at the Government House of the Republic of Lithuania:  
the most popular product of 2011 was glazed curd cheese MAGIJA.

Acknowledgements received in January-June 2012:

- ACKNOWLEDGEMENT by the Lithuanian Sommelier Association to *Žemaitijos Pienas, AB* for nurturing the wine culture in Lithuania and support in organizing Lithuanian Sommelier Championship LOUIS ROEDERER GRAND PRIX 2012 (30 April, 2012).

Audits carried out in January-June 2012:

- Auditors of the international certification institution *Bureau Veritas Certification* have carried out an audit of *Žemaitijos Pienas, AB* cheeses and packed cheeses production according to the BRC (Global Food Standard Issue 6 (British Retail Consortium) requirements (Certificate DNKFRC95210F of 26 January, 2012);
- On 03-06 April, 2012, auditors of the international certification institution *Bureau Veritas Certification* have carried out an audit of *Žemaitijos Pienas, AB* production of cheese-butter, processed-packaged cheese, fresh milk products and dry products according to ISO 9001:2008 and FSSC 22000 (ISO 22000:2005 + ISO/TS 22002-1) requirements



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- (Certificate LT0038Q of 25 April, 2012; Certificate DNKFRC95378H of 19 April, 2012; Certificate DNKFRC95378FH of 19 April, 2012).
- *Žemaitijos Pienas, AB* was audited by the State Food and Veterinary Service (VMVT) of Telšiai County:
    - 22 February, 2012, Milk-processing Enterprise Inspection Act No. 63GPGĮ-2;
    - 13 March, 2012, Milk-processing Enterprise Inspection Act No. 63GPGĮ-3;
    - 19 March, 2012, Milk-processing Enterprise Inspection Act No. 63GPGĮ-4;
    - 29 March, 2012, Milk-processing Enterprise Inspection Act No. 63GPGĮ-6;
    - 22 May 2012, Entity Hazard Analysis and Critical Control Point System Audit Act No. 63GPGĮ-9;
    - 6 June, 2012, Milk-processing Enterprise Inspection Act No. 63GPGĮ-10.
  - State Enterprise Lithuanian Agricultural and Food Markets Regulation Agency:
    - Act of approval of Milk-processing enterprise at the site of 2 April, 2012 No. 2012/301PTV-05;
    - At the site of inspection of Storage Act No.; 2012/301PTV-06;
    - At the site of inspection of Cold Storage Act No.: 2012/301PTV-07

## **15. Issuer's management bodies**

Issuer's bodies are the following: General Meeting of Shareholders; Supervisory Board; Board of Directors ; and Chief Executive Officer (General Director). Management bodies include Board of Directors and Chief Executive Officer.

Supervisory Board is a collegial management body performing supervisory functions of the Company. The Supervisory Board is run by its Chairman. The Supervisory Board of the Company consists of 3 (three) members, which are elected by the General Meeting for the period of 4 years. The Articles of Association of the Company provide for unlimited number of cadences.

The Board of Directors of the Company is a collegial management body representing the shareholders of the Company during the period between the meetings and making the decision on the most important issues of the Company in the area of economic activity. The procedure of work of the Board of Directors is established in the Regulation of the Work of the Board of Directors. The Board of Directors consists of 5 members. The members of the Board of Directors are elected by the Supervisory Board for the period of maximum four years. The number of cadences is unlimited. The Board of Directors is headed by its Chairman, which is elected by the Board of Directors out of its members. The members of the Board act jointly in the Company, and their positions are not specialized.

The Head of the Company, i.e., Chief Executive Officer of the Company is General Director.

In his activity, Director General follows the Articles of Association, decisions of the General Meeting, decisions made by the Management Board, and the Regulation of the Work of Administration. The Chief Executive Officer of the Company arranges the everyday activity of the Company and performs all the actions required for exercising his functions, implementing the decisions made by the management bodies of the Company, and ensuring the activity of the Company.

General Director of the Company is directly accountable to and regularly reports to the Board of Directors. The General Meeting of Shareholders does not have any special rights, except for the rights provided by the legislation.



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In their activity, the management bodies of the Company follow the laws of the Republic of Lithuania, legal acts and the Articles of Association regulating their activity. The provisions in the above-mentioned documents also regulate election, appointment and dismissal of the members of the management bodies.

The management bodies are not entitled to any exclusive or/and special rights for determining the regulation on issuing or buying of securities of the Issuer; in this area they are entitled only to the rights provided by the legislation.

## 16. Members of the collegial bodies

### Supervisory Board of the Company

Full name	Position	Number of shares under ownership and percentage of the authorized capital, %	Beginning of the cadence	End of the cadence	Start of the service at <i>Žemaitijos Pienas</i>
Romusas Jarulaitis	Chairman of the Supervisory Board	1,105,510 2.29	08/04/2011	07/04/2015	26/01/1988
Robertas Pažemeckas	Member of the Supervisory Board	-	08/04/2011	07/04/2015	26/08/2002
Algirdas Bladžinauskas	Member of the Supervisory Board	-	08/04/2011	07/04/2015	20/08/1996

### Board of Directors of the Company

Full name	Position	Number of shares under ownership and the share of the authorized capital, %	Beginning of the cadence	End of the cadence	Start of the service at <i>Žemaitijos Pienas</i>
Algirdas Pažemeckas	Chairman of the Board, General Director	21.589,380 44.63	01/05/2011	30/04/2015	26/12/1986
Marius Dromantas	Member of the Board, Sales and Marketing Director	-	01/05/2011	30/04/2015	01/12/2003
Arūnas Šikšta	Member of the Board	-	19/10/2011	19/10/2015	-
Vygantas Sliesoraitis	Member of the Board, Consultant		01/05/2011	30/04/2015	05/05/2011
Alvydas Žabolis	Member of the Board		01/05/2011	30/04/2015	-



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On the initiative of the Company's Board members Arunas Šikšta and Alvydas Žabolis, their membership at the Board of *Žemaitijos Pienas, AB* ended on 9 July, 2012.

Administration:

Full name	Position	Number of shares in possession within the Issuer	Share of the authorized capital in possession, %
Algirdas Pažemeckas	General Director	21 589 380	44.63
Natalija Vainikevičiūtė	Chief Financial Officer	-	-

During the first half of 2012, neither the company's management bodies (the Board of Directors, Supervisory Board, or CEO) nor the Chief Financial Officer was granted by the Issuer any bonuses, dividends or other payments from the Issuer's operating profits. These individuals do not have significant material obligations towards the Issuer, and the Issuer does not have significant material obligations to the above-mentioned individuals.

No guarantees or sureties nor/or other obligation collateral means on the management or supervisory bodies regarding assurance of completion of these individuals' obligations have been given on behalf of the Issuer during the period of the first half of 2012; also, the Issuer did not give loans to these individuals.

#### Company's Audit Committee

The Company's Audit Committee, consisting of three persons: Angelė Taraškevičienė (the Chairman), Asta Šliogerienė, and Viktorija Ragauskienė (members) operates in *Žemaitijos Pienas, AB*.

Full name	Workplaces, position, authorization	Number of shares in possession within the Issuer	Beginning of cadence in the Committee	End of cadence in the Committee
Angelė Taraškevičienė	The Head of <i>UAB Vertybių Auditas</i>	-----	18/12/2009	Until withdrawn from the position by the Company's management body that elected the member
Asta Šliogerienė	-----	-----	18/12/2009	Until withdrawn from the position by the Company's management body that elected the member
Viktorija Ragauskienė	Accountant of <i>AB Žemaitijos Pienas</i>	-----	18/12/2009	Until withdrawn from the position by the Company's management body that elected the member

The main function of the Audit Committee is to be the advisory body to the Company's Supervisory Board, and the main task is to increase the efficiency of the Supervisory Board's





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work in the field of the company's financial supervision, to help ensure that decisions are fair and based on due consideration.

### III. OTHER INFORMATION RELATED TO THE ISSUER

#### 17. Issuer's transactions

No significant transactions or transactions atypical to the Issuer's regular activity have been made on behalf of the Issuer with related parties or other entities during the period of January-June 2012.

The Issuer has not come into any transactions where significant changes related to the Issuer would occur, and/or negative consequences would arise due to the occurred changes related to the Issuer's control mechanism.

The Issuer has not come into any agreements providing for the compensations for the members of the management bodies or for the employees in case they are dismissed, or fired without any reasonable reason, or their service is terminated due to changes in the control mechanism of the Issuer.

#### 18. Employees

1. According to the data of 30 June 2012, the total number of employees in *Žemaitijos Pienas, AB* was 1280, which insignificantly decreased during the year:

	30/06/2012	31/12/2011	30/06/2011
Average number of employees	1280	1294	1376

Grouping of the personnel according to the educational background:

Number of employees according to their education	30/06/2012	31/12/2011	30/06/2011
Master degree	22	23	26
Higher education	184	190	188
Higher-vocational education	343	308	288
Vocational education	199	275	327
Secondary education	440	415	457
Uncompleted secondary education	92	83	91
<b>In total</b>	<b>1280</b>	<b>1294</b>	<b>1376</b>

Number of *Žemaitijos Pienas, AB* employees and their average monthly salaries for respective groups are as follows:



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Employee group	30/06/2012		31/12/2011		30/06/2011	
	Number of employees	Average monthly wage, LTL	Number of employees	Average monthly wage, LTL	Number of employees	Average monthly wage, LTL
Managers	61	6236	65	6103	66	8508
Specialists	244	2692	244	2492	252	2790
Workers	975	2042	985	1878	1058	1930
<b>Iš viso:</b>	<b>1280</b>		<b>1294</b>		<b>1376</b>	

2. According to the data of 30 June 2012, the total number of employees in *Group* was 1489, which insignificantly changed comparing with 31 January, 2011.

According to the data of 30 June 2012, the total number of employees in companies, associated with *Žemaitijos Pienas, AB* was as follows: *Šilutės Rambynas, ABF* – 206; *Tarpučių pienas, Agricultural Cooperative* – 2.

#### **Average change of Group employees during the last financial year:**

	30/06/2012	31/12/2011	30/06/2011
<b>Average number of employees</b>	1490	1491	1587

Number of the Group's employees according to the educational background:

Number of employees according to their education	30/06/2012	31/12/2011	30/06/2011
Master degree	25	26	29
Higher education	207	212	210
Higher-vocational education	373	337	319
Vocational education	276	350	404
Secondary education	492	460	508
Uncompleted secondary education	117	106	117
<b>In total</b>	<b>1490</b>	<b>1491</b>	<b>1587</b>

Average monthly salaries according to respective groups of employees of *Šilutės Rambynas, ABF* and *Agricultural Cooperative Tarpučių Pienas* are as follows:



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Number of employees according to the groups	30/06/2012		31/12/2011		30/06/2011	
	Number of employees	Average monthly wage, LTL	Number of employees	Average monthly wage, LTL	Number of employees	Average monthly wage, LTL
Managers	4	5080,44	4	4787,02	4	5361,71
Specialists	53	2402,70	51	2033,94	48	2580,11
Workers	151	1827,17	142	1501,29	155	1815,27
<b>In total</b>	<b>208</b>	<b>2037,39</b>	<b>197</b>	<b>1705,91</b>	<b>207</b>	<b>2061,16</b>

*Agricultural Cooperative Tarpučiu Pienas* has 2 employees, their average monthly wage amounts to LTL 400.

Company employees' rights and obligations are provided for in their job descriptions. Employment contracts do not provide for special rights or obligations. The collective agreement is not concluded.

**In carrying out of human resources policy**, the Company aims to create and develop long-term relationships with its employees. Employees are given all the opportunities to improve their skills and enhance knowledge. The following types of training programmes are available for personnel: production workers, production machinery operators, production operators, production machinist-operators, and production supervisors.

## 19. Data on publicly announced information

During the first half of 2012 the Company announced a significant part of the material events related to the Žemaitijos Pienas, AB.

Date	Company	Content
29.06.2012 13:56:16	Žemaitijos Pienas	On Resignation of the Board Members from the Board of the Company
31.05.2012 08:12:07	Žemaitijos Pienas	Preliminary Financial Results of <i>Žemaitijos Pienas</i> , AB for Three Months of the Year 2012
30.04.2012 08:57:57	Žemaitijos Pienas	<i>Žemaitijos Pienas</i> AB, annual information of the Year 2011
27.04.2012 16:21:55	Žemaitijos Pienas	Decisions Made at the Meeting of Shareholders of <i>Žemaitijos Pienas</i> , AB held on 27/04/2012
06.04.2012 08:56:45	Žemaitijos Pienas	The Board of <i>Žemaitijos Pienas</i> , AB proposes the following draft resolutions for the General Meeting, which will take place on 27 April, 2012
28.03.2012 14:47:05	Žemaitijos Pienas	Convocation of the Ordinary General Meeting of Shareholders
29.02.2012 08:48:24	Žemaitijos Pienas	Preliminary Unaudited Results of the <i>Žemaitijos Pienas</i> Group Business Activity of 2011



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Source -

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Following the procedure laid down in the Articles of Association of the Company and regulations of the Republic of Lithuania, *Žemaitijos Pienas AB* has informed the Securities Commission and Vilnius Stock Exchange (AB NASDAQ OMX Vilnius) about all the material events. The notifications have been published in the Central Regulated Information Base and on the website of the Company [www.zpienas.lt](http://www.zpienas.lt). The notifications about the General Meetings have been additionally published in the newspaper *Valstiečių laikraštis*.

On 29 February 2012, the economic - commercial financial results were published. *AB Žemaitijos Pienas* Group's unaudited consolidated turnover of 2011 amounted to – LTL 494.4 million (EUR 143.2 million), which increased by 14 percent compared with 2010. *Žemaitijos Pienas* Group's unaudited net profit of 2011 amounted to 2 percent of turnover.

On 28 March 2012, convocation of the Annual General Meeting of Shareholders and agenda of the meeting was publicly announced. The Company's Board of Directors decided that the General Meeting should be held on 27 April 2012.

On 6 April 2012, draft resolutions proposed by the Company's Board of Directors for consideration at the General Meeting of Shareholders were announced.

On 27 April 2012, the General Meeting of Shareholders listened and approved all the draft resolutions proposed by the Company's Board of Directors, and decided on and/or listened to the following:

1. The Company's Annual Report for the year 2011
2. Company's Auditor's Conclusion on the Company's Financial Statements and Annual Report for the year 2011
3. The Audit Committee's Report for the year 2011
4. Audited set of Financial Statements of *Žemaitijos Pienas, AB* for the year 2011
5. The following allocation of the Company's profit (loss) for the year of 2011 (in thousand LTL, thousand EUR):

	Thousand LTL	Thousand EUR
1. Profit (loss) brought forward in the beginning of the reporting year	<b>45.954</b>	<b>13.309</b>
2. Net profit (loss) of the current financial year	9.029	2.615
3. Transfers from reserves	13.000	3.765
<b>4. Total profit (loss) to be appropriated</b>	<b>67.983</b>	<b>19.689</b>
5. Share of profit allocated to the Reserve for Acquisition of Own Shares	10.000	2.896
6. Share of profit to pay dividends	0	0
7. Share of profit for annual payments (bonuses) to the members of the Board of Directors and the Supervisory Board	0	0
8. Share of profit for employee bonuses	0	0
9. Profit (loss) brought forward at the end of the reporting year, transferred to the next financial year	<b>57.983</b>	<b>16.793</b>

6. The Company formed the Reserve for Acquisition of Own Shares amounted to LTL 10 (ten) million and determined the following conditions for acquisition of own shares:



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- 1) The purpose of share acquisition – to maintain and increase the Company’s share price;
- 2) Number of its own ordinary registered shares to be acquired by the Company is up to 10 per cent of the authorized capital of the Company, i.e., 4 837 500 shares;
- 3) The period within which the Company may acquire its own shares - up to 18 months from the date of the decision-making;
- 4) The maximum price for acquisition by the Company of its own shares is LTL 3 per share, and the minimum price for acquisition by the Company of its own shares is equal to its nominal value, i.e., LTL 1 per share;
- 5) To commit the Board of Directors to determine the procedure and terms for purchase and sale of shares, as well as to perform other actions relating thereto in compliance with the terms set forth in this resolution as well as in accordance with the requirements established in the Law on Companies of the Republic of Lithuania. In this decision the Company's Board of Directors is authorized to perform other actions with respect to the Company's acquisition of its own shares.

On 30 April 2012, *Žemaitijos Pienas, AB* announced the annual financial activity results for the year 2011.

On 31 May 2012, *Žemaitijos Pienas, AB* published its unaudited consolidated sales revenue for the first quarter of 2012 that amounted to LTL 116.3 million (EUR 33.68 million compared with 2011, the first quarter sales increased by 0.1%. Consolidated unaudited loss of the first quarter of 2012 – LTL 1.1 million (EUR 0.3 million); profit of the first quarter of 2011 - LTL 1.1 million (EUR 0.3 million).

## **20. Articles of Association amendment procedure**

In its activity, the company *Žemaitijos Pienas, AB* follows the laws of the Republic of Lithuania, other legal acts regulating activity of legal entities, and the Articles of Association. The Articles of Association of *Žemaitijos Pienas, AB* may be amended in strict compliance with the procedure defined in the legal acts of the Republic of Lithuania.

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

The company obeys 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 for the year 2011. This information is also provided in the webpage of the company [www.zpienas.lt](http://www.zpienas.lt).

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