

AKCINĖ
BENDROVĖ

STOCK
COMPANY



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Žemaitijos pienas AB

Approval of responsible persons

29 November 2012 *Rep. Nr. 12-04-691*

Telšiai

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 Lithuanian, we, Robertas Pažemeckas, General Director and Natalija Vainikevičiūtė, Finance Director, hereby confirm that, to the our knowledge, the attached JSC "Žemaitijos Pienas" Consolidated Interim Financial Statements for the nine months of 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

Robertas Pažemeckas

Finance Director

Natalija Vainikevičiūtė

AB „ŽEMAITIJOS PIENAS“

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED
30 SEPTEMBER 2012**

1. Balance sheets

	Group	
	As of 30	As of 31
	September 2012	December 2011
ASSETS		
Non-current assets		
Intangible assets	478	413
Property, plant and equipment	62 540	67 481
Investment property	3 822	4 132
Available – for – sale investments	4	4
Investments into subsidiaries	-	-
Non-current receivables	6 906	5 059
Own shares	-	10
Deferred income tax asset	2 343	2 287
Total non-current assets	76 093	79 386
Current assets		
Inventories	94 899	90 486
Prepayments	2 608	588
Trade receivables	32 634	29 073
Receivables from subsidiaries	-	-
Receivables from other related parties	5 963	7 357
Other receivables	3 900	5 942
Deposits	-	-
Cash and cash equivalents	6 363	9 556
Total current assets	146 367	143 002
Total assets	222 460	222 388

Balance sheets (cont'd)

	Group	
	As of 30 September 2012	As of 31 December 2011
LIABILITIES AND SHAREHOLDERS' EQUITY		
Equity attributable to equity holders of the parent		
Share capital	48 375	48 375
Legal reserve	4 838	4 838
Other reserves	14 997	17 997
Retained earnings	73 440	56 190
	<u>141 650</u>	<u>127 400</u>
Minority interest	2 094	1 947
Total shareholders' equity	143 744	129 347
Non-current liabilities		
Grants received	4 621	2 247
Long-term loans from related parties	418	2 885
Financial lease obligations	3 253	3 264
Deferred income tax liability	977	977
Other current liabilities	6 322	1 658
Total non-current liabilities	15 591	11 031
Current liabilities		
Current portion of non-current loans	22 702	32 502
Current portion of non-current financial lease obligations	1 140	4 027
Trade payables and other current liabilities	39 264	44 392
Payables to subsidiaries	-	-
Payables to other related parties	19	1 088
Income tax payable	-	2
Total current liabilities	63 125	82 011
Total liabilities and shareholders' equity	222 460	222 388

2. Income statements

	Group			
	01 January 2012 – 30 September 2012	01 January 2011 – 30 September 2011	01 July 2012 - 30 September 2012	01 July 2012 – 30 September 2011
Sales	371 450	372 512	128 529	124 956
Cost of sales	(304 331)	(301 854)	(96 912)	(101 570)
Gross profit	67 119	70 658	31 617	23 386
Operating expenses	(48 383)	(64 560)	(17 455)	(21 044)
Other operating income, net	(1 519)	395	(720)	97
Profit from operations	17 217	6 493	13 442	2 439
Financial and investment activities, net	(290)	(71)	(29)	(92)
Profit before income tax	16 927	6 422	13 413	2 347
Income tax	(2 530)	(2 209)	(806)	(627)
Net profit	14 397	4 213	12 607	1 720

3. Cash flow statements

	Group	
	As of 30 September 2012	As of 30 September 2011
Cash flows from (to) operating activities		
Net profit	14 397	4 213
Adjustments for non-cash items:		
Depreciation and amortization	12 748	13 242
Amortization of grants received	(671)	(839)
(Profit) loss from disposal and write-offs of property, plant and equipment and intangible assets	(153)	(311)
Result from financial and investment activities	280	37
Decrease (increase) values of inventories	-	9 245
Decrease (increase) values of receivables	(137)	761
Income tax expenses	(56)	-
Other non-cash (income) expenses	-	(1)
	26 408	26 347
Changes in working capital:		
Decrease (increase) in inventories	(4 413)	(26 815)
(Increase) in trade receivables	(2 029)	(6 240)
Decrease in prepayments and other current assets	(2 021)	(6)
Decrease in other receivables	(621)	1 994
Increase in other long-term payables	-	-
Increase (decrease) terminable deposits	-	5 000
Increase(decrease) in trade payables, payables to related parties	(487)	7 175
Income tax (paid)	-	-
Increase (decrease) in other current liabilities	(1 050)	(2 452)
Net cash flows from operating activities	15 787	5 003
Cash flows from (to) investing activities		
(Acquisition) of property, plant and equipment and intangible assets	(7 668)	(17 319)
Disposal of property, plant and equipment	260	511
Daughter enterprise alienation (acquisition)	10	(10)
Repayment of loans granted	3 488	2 076
Loans (granted)	(2 671)	(3 811)
Interest received	350	349
Net cash flows (to) investing activities	(6 231)	(18 204)

Cash flow statements (cont'd)

	Group	
	As of 30	As of 30
	September 2012	September 2011
Cash flows from (to) financing activities		
Dividends (paid)	-	(5 500)
Cash, (transferred) during reorganization		
Loans received	22 547	26 932
(Repayment) of loans	(34 794)	(8 003)
Financial lease (payments)	(2 896)	(2 757)
Sponsorship received	3 045	-
Other revenue from financial activities	(20)	2 752
Interest (paid)	(631)	(386)
Net cash flows (to) financial activities	(12 749)	13 038
Net increase (decrease) in cash and cash equivalents	(3 193)	(163)
Cash and cash equivalents at the beginning of the year	9 556	8 766
Cash and cash equivalents at the end of the year	6 363	8 603

4. Statements of changes in equity

<u>Group</u>	Attributable to shareholders of the Company						
	Share capital	Legal reserve	Other reserves	Retained earnings	Total	Minority interest	Total
Balance as of 31 December 2010	48 375	4 838	10 000	56 842	120 055	1 840	121 895
Dividends, payment from return				(5 500)	(5 500)		(5 500)
Formation of reserve for own shares			5 000	(5 000)	-		-
Net profit for the nine months	-	-		4 213	4 213	-	4 213
Balance as of 30 September 2011	48 375	4 838	15 000	50 555	118 768	1 840	120 608
Balance as of 31 December 2011	48 375	4 838	17 997	56 190	127 400	1 947	129 347
Transferring from reserves			(3 000)	3 000	-	-	-
Net profit for the nine months	-	-	-	14 250	14 250	147	14 397
Balance as of 30 September 2012	48 375	4 838	14 997	73 440	141 650	2 094	143 744

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 30 September 2012 and as of 30 September 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 30 September 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 and as of 30 September 2012.

As of 30 September 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 09 30	Main activities
ŽŪK Tarpučių pienas	Klaipėdos Str. 3, Šilutė, Lithuania	12,08%	100%	60	407	541	Milk collection services
ABF „Šilutės Rambynas“	Klaipėdos g. 3, Šilutė, Lietuva	87,82%	87,82%	10 878	13 814	14 320	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 30 September 2012, the number of employees of the Group was 1 456 (according of 30 September 2011 – 1 521).

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 30 September 2012	As of 30 September 2011
Sales, thousand LTL	371 450	372 512
Gross profit, thousand LTL	67 119	70 658
EBITDA, thousand LTL	30 306	20 050
Current ratio (at the end of period)	2,32	2,67
Book value per share (at the end of period)	3,07	2,49

Segment information

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

	As of 30 September 2012	As of 30 September 2011
<u>Sales</u>		
Lithuania	207 940	206 511
Other Baltic States and CIS countries	88 396	97 973
Other European countries	72 205	64 290
USA	793	147
Other	2 116	3 591
	371 450	372 512

Inventories

Inventories are valued at the lower of cost or net realizable value, after impairment evolution for obsolete and slow moving items. Cost is determined by the first-in, first-out (FIFO) method. The cost of finished goods and work in progress includes the applicable allocation of fixed and variable overhead costs based on a normal operating capacity. Unrealizable inventory is fully written-off.

<u><i>Inventories</i></u>	<u>As of 30 September 2012</u>	<u>As of 30 September 2011</u>
Raw materials	13 016	13 643
Finished goods and work in process	88 027	75 211
Goods for resale	826	2 744
Decrease values of raw materials and goods	(6 970)	(11 947)
	<u>94 899</u>	<u>79 651</u>

Loans' repayment terms:

	<u>30 September 2012</u>
2012 m .	22 702
2013 m .	418
2014 m .	-
2015 m .	-
Total Loans on 30 September 2012	<u>23 120</u>

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

	<u>30 September 2012</u>
Loan currency:	
Euro	21 552
Litas	1 568
	<u>23 120</u>

Subsequent events

Subsequent events was not after was make consolidated financial statements.