

STOCK  
COMPANY



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## Statement by Responsible Persons

28/02/2013

Telšiai

In accordance with Article 22 of the Law on Securities of the Republic of Lithuania and the Rules on Preparation and Submission of Periodical and Additional Information adopted by the Securities Commission of the Republic of Lithuania, we, Robertas Pažemeckas, Acting General Director of Žemaitijos Pienas, AB, and Natalija Vainikevičiūtė, Finance Director, hereby confirm that to the best of our knowledge the attached unaudited consolidated interim financial information for the year 2012 has been prepared in accordance with the International Financial Accounting Reporting Standards as applicable in the European Union, and gives a true and fair view of assets, liabilities, financial position and profit or loss of the group of consolidated companies.

ATTACHED:

Set of unaudited interim consolidated financial statements of Žemaitijos Pienas, AB for 12 months of 2012.

Acting General Director

Robertas Pažemeckas

Finance Director



Natalija Vainikevičiūtė

# **AB „Žemaitijos pienas“**

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
31 DECEMBER 2012**

## 1. Balance sheets

	<b>Group</b>	
	<b>As of 31 December 2012</b>	<b>As of 31 December 2011</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Intangible assets	408	413
Property, plant and equipment	60 853	67 481
Investment property	3 864	4 132
Available – for – sale investments	4	4
Investments into subsidiaries	-	-
Non-current receivables	4 900	5 059
Own shares	-	10
Deferred income tax asset	2 149	2 287
<b>Total non-current assets</b>	<b>72 178</b>	<b>79 386</b>
<b>Current assets</b>		
Inventories	97 674	90 486
Prepayments	1 740	588
Trade receivables	29 504	29 073
Receivables from subsidiaries	-	-
Receivables from other related parties	3 297	7 357
Other receivables	6 212	5 942
Deposits	-	-
Cash and cash equivalents	5 789	9 556
<b>Total current assets</b>	<b>144 216</b>	<b>143 002</b>
<b>Total assets</b>	<b>216 394</b>	<b>222 388</b>

**Balance sheets (cont'd)**

	<b>Group</b>	
	<b>As of 31 December 2012</b>	<b>As of 31 December 2011</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Equity attributable to equity holders of the parent</b>		
Share capital	48 375	48 375
	(3 002)	(3)
Legal reserve	4 838	4 838
Other reserves	15 000	18 000
Retained earnings	83 020	56 193
	<b>148 231</b>	<b>127 403</b>
Minority interest	1 913	1 944
<b>Total shareholders' equity</b>	<b>150 144</b>	<b>129 347</b>
<b>Non-current liabilities</b>		
Grants received	4 389	2 247
Long-term loans from related parties	-	2 885
Financial lease obligations	796	3 264
Deferred income tax liability	1 083	977
Other current liabilities	1 910	1 658
<b>Total non-current liabilities</b>	<b>8 178</b>	<b>11 031</b>
<b>Current liabilities</b>		
Current portion of non-current loans	13 934	32 502
Current portion of non-current financial lease obligations and other financial payables	2 457	4 027
Trade payables	25 496	29 490
Payables to subsidiaries	-	-
Payables to other related parties	980	1 088
Income tax payable	53	2
Other current liabilities	15 152	14 903
<b>Total current liabilities</b>	<b>58 072</b>	<b>82 011</b>
<b>Total liabilities and shareholders' equity</b>	<b>216 394</b>	<b>222 388</b>

## 2. Income statements

	01 January 2012 – 31 December 2012	01 January 2011 – 31 December 2011	01 October 2012 - 31 December 2012	01 October 2011 – 31 December 2011
Sales	500 515	494 426	129 065	121 914
Cost of sales	(404 244)	(400 122)	(99 913)	(98 269)
<b>Gross profit</b>	<b>96 271</b>	<b>94 304</b>	<b>29 512</b>	<b>23 644</b>
Operating expenses	(67 102)	(80 143)	(18 719)	(15 582)
Other operating income, net	(1 659)	(3 309)	(140)	(3 703)
<b>Profit from operations</b>	<b>27 510</b>	<b>10 852</b>	<b>10 293</b>	<b>4 359</b>
Financial and investment activities, net	(315)	(287)	(25)	(216)
<b>Profit before income tax</b>	<b>27 195</b>	<b>10 565</b>	<b>10 268</b>	<b>4 143</b>
Income tax	(3 181)	(610)	(651)	1 599
<b>Net profit</b>	<b>24 014</b>	<b>9 955</b>	<b>9 617</b>	<b>5 742</b>

### 3. Cash flow statements

	<b>Group</b>	
	<b>As of 31 December 2012</b>	<b>As of 31 December 2011</b>
<b>Cash flows from (to) operating activities</b>		
Net profit	24 014	9 955
<b>Adjustments for non-cash items:</b>		
Depreciation and amortization	17 285	17 536
Amortization of grants received	(902)	(978)
(Profit) loss from disposal and write-offs of property, plant and equipment and intangible assets	(92)	(299)
Result from financial and investment activities	257	233
Decrease ( increase ) values of inventories	(1 345)	4 267
Decrease ( increase ) values of receivables	758	54
Income tax expenses	137	-
Net ( loss) from liquidation of subsidiaries	(218)	-
Other non-cash (income) expenses	-	-
	<b>39 894</b>	<b>30 768</b>
<b>Changes in working capital:</b>		
Decrease ( increase) in inventories	(5 843)	(32 672)
(Increase ) in trade receivables	4 275	(143)
Decrease in prepayments and other current assets	(1 152)	(630)
Decrease in other receivables	(499)	1 138
Increase in other long-term payables	-	-
Increase ( decrease ) terminable deposits	-	5 000
Increase( decrease) in trade payables, payables to related parties	(4 102)	4 989
Income tax (paid)	-	-
Increase (decrease) in other current liabilities	659	(588)
<b>Net cash flows from operating activities</b>	<b>33 232</b>	<b>7 862</b>
<b>Cash flows from (to) investing activities</b>		
(Acquisition) of property, plant and equipment and intangible assets	(11 339)	(24 587)
Disposal of property, plant and equipment	1 047	708
Daughter enterprise liquidation	10	(10)
Repayment of loans granted	4 477	2 938
Loans (granted)	(3 434)	(8 752)
Interest received	453	452
<b>Net cash flows (to) investing activities</b>	<b>(8 786)</b>	<b>(29 251)</b>

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

	<b>Group</b>	
	<b>As of 31 December 2012</b>	<b>As of 31 December 2011</b>
<b>Cash flows from (to) financing activities</b>		
Dividends (paid)	-	(2 500)
Cash, (transferred) during reorganization		
Own shares acquisition	(2 999)	(3)
Loans received	48 224	39 220
(Repayment) of loans	(69 666)	(12 029)
Financial lease (payments)	(4 038)	(3 958)
Sponsorship received	2 418	547
Other revenue from financial activities	(1 442)	1 588
Interest (paid)	(710)	(686)
<b>Net cash flows (to) financial activities</b>	<b>(28 213)</b>	<b>22 179</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(3 767)</b>	<b>790</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>9 556</b>	<b>8 766</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>5 789</b>	<b>9 556</b>

#### 4. Statements of changes in equity

	Share capital	Own shares	Legal reserve	Other reserves	Retained earnings	Total	Minority interest	Total
<b>Balance as of 31 December 2010</b>	48 375	-	4 838	10 000	56 842	120 055	1 840	121 895
Net profit for the year	-	-	-	-	9 851	9 851	104	9 955
Dividends paid					(2 500)	(2 500)		(2 500)
Other reserves				7 997	(8 000)	(3)		(3)
<b>Balance as of 31 December 2011</b>	48 375	-	4 838	17 997	56 193	127 403	1 944	129 347
<i>Own shares acquisition correct 31 12 2011</i>		(3)		3		-		-
<b>Balance as of 31 December 2011</b>	48 375	(3)	4 838	18 000	56 193	127 403	1 944	129 347
Net profit for the year	-		-	-	23 784	23 784	230	24 014
<i>Own shares acquisition</i>		(2 999)				(2 999)		(2 999)
Other reserves				(3 000)	3 000	-		-
Liquidation of subsidiary					43	43	(261)	(218)
<b>Balance as of 31 December 2012</b>	48 375	(3 002)	4 838	15 000	83 020	148 231	1 913	150 144



## 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 Baltic Secondary List of the Vilnius Stock Exchange.

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

As of 31 December 2011 the Company had acquired its own shares 10 ones. As of 31 December 2012 the Company had acquired its own shares 1 360 010 ones.

As of 31 December 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 2012 12 31	Total equity holding 2011 12 31	Main activities
ABF „Šilutės Rambynas“	Klaipėdos g. 3, Šilutė, Lietuva	87,82%	87,82%	10 878	15 706	13 814	Cheese production
SIA „Muižas piens“	Skaistkalnes g. 1, Rīga, Latvija	32%	-	4			Retail, wholesale trade

ABF „Šilutės Rambynas“ is considered a subsidiary because AB Žemaitijos Pienas controls its activities and controls more than 50% of its shares.

In 2012 ŽŪK Tarpučių pienas, the subsidiary of AB Žemaitijos pienas, has been liquidated and its economic activity has been interrupted.

As of 31 December 2012, the number of employees of the Group was 1.416 ( according of 31 December 2011 – 1.491).

**Basis of preparation**

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

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

	As of 31 December 2012	As of 31 December 2011
Sales, thousand LTL	500 515	494 426
Gross profit, thousand LTL	96 271	94 304
EBITDA, thousand LTL	45 191	28 779
Current ratio ( at the end of period)	2,48	1,74
Book value per share ( at the end of period )	3,10	2,67

**Segment information**

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

	As of 31 December 2012	As of 31 December 2011
<b><u>Sales</u></b>		
Lithuania	272 777	276 594
Other Baltic States and CIS countries	128 260	127 063
Other European countries	94 746	83 640
Other	4 732	7 129
	<b>500 515</b>	<b>494 426</b>

**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>	<b>As of 31 December 2012</b>	<b>As of 31 December 2011</b>
Raw materials	13 152	13 227
Finished goods and work in process	89 426	82 265
Goods for resale	721	1 964
Decrease values of raw materials and goods	(5 625)	(6 970)
	<b>97 674</b>	<b>90 486</b>

*Loans for credit institutions and other loans repayment terms:*

	<u><b>31 December 2012</b></u>
2013 m .	13 934
2014 m .	-
2015 m .	-
<b>Total Loans on 31 December 2012</b>	<b>13 934</b>

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

	<u><b>31 December 2012</b></u>
<b>Loan currency:</b>	
Euro	12 356
Litas	1 578
	<b>13 934</b>

*Subsequent events*

Subsequent events was not after was make consolidated financial statements.