

AKCINĖ
BENDROVĖ

STOCK
COMPANY



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Confirmation of responsible persons

Telšiai, August of 2014

Hereby we, undersigned, Robertas Pažemeckas, Acting General Director of SC “Žemaitijos pienas” and Dalia Geciene, Chief accountant, shall confirm, that according to our information, interim unaudited consolidated financial statements of the first 6 months of 2014, concluded according to International Accounting Standards, shall correspond to reality and correctly indicate property, obligations, financial status, profit or losses and cash flows of group of companies as well as business development and activity review is correctly indicated in consolidated interim report.

Acting General Director

Robertas Pažemeckas

Chief Accountant

Dalia Geciene



ŽEMAITIJOS PIENAS, AB
INTERIM CONSOLIDATED UNAUDITED
FINANCIAL STATEMENT
FOR THE PERIOD OF 6 MONTHS, 2014

ŽEMAITIJOS PIENAS, AB

Company code 180240752, Sedos st. 35, Telšiai, Lithuania

Interim consolidated unaudited financial statement for the period of 6 months, 2014

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

Balance sheet

ASSETS	The Group	
	30-06-2014	31-12-2013
Fixed assets		
Intangible assets	753	376
Tangible assets	68 037	62 979
Investments for sale	863	919
Investments into subsidiaries	4	4
Loans granted	6 817	5 535
Deferred profit tax assets	3 505	3 505
Total amount of fixed assets	79 979	73 318
Current assets		
Stock	99 318	112 720
Advance payments	2 064	1 513
Receivables from the buyers	41 890	28 899
Other receivables	5 599	5 290
Cash and cash equivalents	13 425	6 958
Total amount of current assets	162 296	155 380
ASSETS IN TOTAL	242 275	228 698
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	48 375	48 375
Own shares (-)	(4 569)	(4 569)
Required reserve	4 838	4 838
Other reserves	15 764	15 764
Undistributed profit	110 577	102 713
Equity of the shareholders of the parent company	174 985	167 121
Minority interest	2 609	2 371
Equity in total	177 594	169 492
Long-term liabilities		
Support received	8 869	5 929
Loans	-	-
Liabilities arising from the financial lease	369	369
Liabilities arising from the deferred profit tax	1 203	1 203
Other long-term liabilities	38	38
Total amount of long-term liabilities	10 479	7 539
Short-term liabilities		
Loans	-	1 568
Liabilities arising from the financial lease	147	426
Trade debts and other payable amounts	53 416	46 803
Payable profit tax	639	2 870
Total amount of short-term liabilities	54 202	51 667
Liabilities in total	64 681	59 206
EQUITY AND LIABILITIES IN TOTAL	242 275	228 698

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

Profit (loss) statement

	<u>The Group</u>			
	January - June, 2014	January -June, 2013	April - June, 2014	April - June, 2013
Sales	280 534	256 850	131 353	134 032
Sales cost price	(236 723)	(217 732)	(105 085)	(111 359)
GROSS PROFIT (LOSS)	43 811	39 118	26 268	22 673
<i>Operating expenses</i>	<i>(34 473)</i>	<i>(30 019)</i>	<i>(19 650)</i>	<i>(15 427)</i>
Incl. sales expenses	(23 507)	(19 688)	(13 715)	(10 472)
Incl. general and administrative expenses	(10 966)	(10 331)	(5 935)	(4 955)
Other operating income	1 563	1 867	849	1 060
Other operating expenses	(1 056)	(1 540)	(530)	(754)
OPERATING (LOSS) PROFIT	9 845	9 426	6 937	7 552
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	725	245	612	136
Expenses of financial operations	(123)	(179)	(65)	(88)
PROFIT (LOSS) BEFORE TAX	10 447	9 492	7 484	7 600
Profit tax benefits (expenses)	(2 345)	(1 949)	(1 617)	(1 674)
NET PROFIT (LOSS)	8 102	7 543	5 867	5 926

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*Statement of changes in equity***Group**

	Share capital	Own shares(-)	Required and other reserves	Undistributed profit	Equity of the shareholders of the parent company	Minority interest	In total
31 December 2012	48 375	(3 002)	19 838	82 985	148 196	1 947	150 143
Own shares acquired		(1 567)	-	-	(1 567)	-	(1 567)
Liquidation of subsidiaries				-	-	-	-
Dividends, tantiemes , premiums paid			-	(2 315)	(2 315)	-	(2 315)
Reserves			764	(764)		-	-
Net profit of the 1st half of year				7 329	7 329	214	7 543
30 June 2013	48 375	(4 569)	20 602	87 235	151 643	2 161	153 804
31 December 2013	48 375	(4 569)	20 602	102 713	167 121	2 371	169 492
Reserves			-	-	-	-	-
Dividends, tantiemes paid				-	-	-	-
Own shares acquired		-			-		-
Net profit of the 1st half of year				7 864	7 864	238	8 102
30 June 2014	48 375	(4 569)	20 602	110 577	174 985	2 609	177 594

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

Cash flow statement

	The Group	
	January - June, 2014	January - June, 2013
Net operating cash flows		
Net (loss) profit	8 102	7 543
Modifications of the net (loss) profit		
Depreciation and amortization	5 795	8 429
Amortization of the support received	(345)	(451)
Loss (profit) from the sale and write-off of fixed assets	(198)	(69)
Profit tax expenses	-	-
Impairment of receivables	1 859	-
Write-off of the stock to the net realizable value	-	-
Other financial (income) expenses	(186)	(131)
Expenses arising from the liquidation of subsidiaries	-	-
	15 027	15 321
Changes in the working capital:		
Increase (in stock)	13 401	5 512
Decrease (increase) in receivables from the buyers	(14 850)	(3 880)
Decrease (increase) in advance payments	(544)	(1 387)
(Increase in) other receivables	(1 506)	1 296
Changes in deposits	-	-
Increase (decrease) in trade debts	5 017	4 640
Increase (decrease) in other payable amounts	(636)	8 540
Profit tax paid	-	-
Net operating cash flows	15 909	30 042
Cash flows from investment operations		
Tangible and intangible assets (acquisition)	(11 761)	(7 656)
Revenues from the sale of tangible assets	785	567
Acquisition of own shares	-	(1 568)
Repaid granted loans	3 265	2 151
Loans granted	(1 519)	(2 926)
Interest received	215	210
Net cash flows from investment operations	(9 015)	(9 222)
Cash flows from financial operations		
Payment of dividends, tantiemes	-	(964)
Support received	3 286	-
Loans received	9 160	50 978
Repaid loans	(10 997)	(63 679)
Payment of the liabilities arising from the financial lease	(279)	(1 633)
Other fin., invest. cash flows	(1 568)	-
Interest paid	(29)	(79)
Net cash flows from financial operations	(427)	(15 377)
Net increase (decrease) in cash flows	6 467	5 443
Cash and cash equivalents in the beginning of the period	6 958	5 789
Cash and cash equivalents at the end of the period	13 425	11 232

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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.

On 30 June 2014, the Company's share capital was 48.375 thousand of LTL composed of 48.375.000 ordinary registered shares with a nominal value of 1 LTL per share.

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

Subsidiaries did not hold any shares of the Company as of 30 June 2014 and 2013.

The Company's shares are traded on the Baltic Additional trade list of the Vilnius Stock Exchange.

On 30 June 2013 and 2014 the Company had acquired its own shares – 2.071 thousand units by 4.569 thousand of LTL

On 30 June 2014, 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 2014	Net assets 30 June 2014	Main activities
Šilutės Rambynas, ABF	Klaipėdos st. 3, Šilutė, Lithuania	87.82 %	87.82 %	10 878	21 417	Production and sale of cheese
Muižas pienas, SIA	Skaitekaines st. 1, Rīga, Latvia	32 %	-	4	-	Wholesale and retail
				10 942		

On 30 June 2014, the Group had 1.412 employees (on 30 June 2013 – 1.454 employees).

Main indicators of the Company's performance :

	As of 30 June 2014	As of 30 June 2013
Sales, thousand LTL	280 534	256 850
Gross profit, thousand LTL	43 811	39 118
EBITDA, thousand LTL	16 271	18 000
Current ratio (at the end of period)	2,99	2,49
Book value per share (at the end of period)	3,67	3,18

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2. ACCOUNTING PRINCIPLES

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

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 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.

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 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

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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.

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 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 500 litas, are classified as fixed assets.

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.

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.

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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.

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.

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.

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

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 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.

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.

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

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.

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 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.

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

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 2014</u>	<u>31 December 2013</u>
1 EUR = LTL 3,4528	1 EUR = LTL 3,4528
1 LVL = -	1 LVL = LTL 4,9184
1 USD = LTL 2,5327	1 USD = LTL 2,5098

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 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 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.

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

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The taxable profit differs from the profit presented in the gross income statement due to 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.

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.

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.

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.

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. 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:

Sales

	January - June, 2014	January - June, 2013	April - June, 2014	April - June, 2013
Lithuania	138 582	148 351	73 454	84 781
Other Baltic and CIS states	78 884	66 337	24 448	31 123
Other European states	57 526	36 829	29 958	13 857
Other	5 542	5 333	3 493	4 271
In total	280 534	256 850	131 353	134 032

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

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4. LOANS GRANTED

The Group's granted loans consisted of the following:

	<u>30 June 2014</u>	<u>31 December 2013</u>
Loans granted	9 199	9 107
Minus: temporary portion of the loans granted	<u>(2 382)</u>	<u>(3 572)</u>
	<u>6 817</u>	<u>5 535</u>

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

5. STOCK

The Group's stock consisted of the following:

	<u>30 June 2014</u>	<u>31 December 2013</u>
Raw materials	11 989	11 770
Production and incomplete constructions	101 024	114 633
Goods for resale	639	651
	<u>113 652</u>	<u>127 054</u>
Minus: impairment up to the net realizable value	<u>(14 334)</u>	<u>(14 334)</u>
In total	<u>99 318</u>	<u>112 720</u>

6. RECEIVABLES FROM THE BUYERS

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

	<u>30 June 2014</u>	<u>31 December 2013</u>
Receivables from the buyers	39 381	28 069
Receivables from the related parties	5 561	2 023
	<u>44 942</u>	<u>30 092</u>
Minus: impairment	<u>(3 052)</u>	<u>(1 193)</u>
In total	<u>41 890</u>	<u>28 899</u>

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

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

7. OTHER RECEIVABLES

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

	30 June 2014	31 December 2013
Advance profit tax	-	-
Current portion of long-term loans	2 382	3 572
Grants receivable	493	216
Input VAT	2 691	1 421
Other receivables	33	81
In total	5 599	5 290

8. CASH AND CASH EQUIVALENTS

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

	30 June 2014	31 December 2013
Cash in the bank	13 184	6 712
Cash on hand	241	246
In total	13 425	6 958

9. EQUITY

On 30 June 2014, the share capital amounted to 48.375.000 ordinary registered shares with a nominal value of 1 LTL. On 30 June 2014 and 31 December 2013, all the shares were fully paid.

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 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.

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10. LOANS

The Group's loans consisted of the following:

	Starting date of the contract	Repay- ment term	Curren- cy	Balance	
				30 June 2014	31 December 2013
Bank DNB, AB	06, 2006	04, 2013	EUR	-	-
Bank SEB, AB	09, 2011	09, 2013	EUR	-	-
Algirdas Pažemeckas	10, 2011	12, 2013	LTL	-	1 568
In total				-	1 568
Minus: short-term loans				-	-
Minus: short-term portion of long-term loans				-	-
Long-term loans in total				-	-

11. LIABILITIES UNDER THE FINANCIAL LEASE CONTRACT

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

Group	30 June 2014		31 December 2013	
	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	148	147	433	426
Over two-five years	374	369	374	369
Minimum payments under the financial lease contract	522	516	807	795
Minus: future interest	(6)		(12)	
Current value of the minimum payments under the financial lease contract	516		795	

ŽEMAITIJOS PIENAS, AB

Company code 180240752, Sedos st. 35, Telšiai, Lithuania

Interim consolidated unaudited financial statement for the period of 6 months, 2014

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

On 30 June 2014, all the Group's financial lease contracts were signed in euros.

12. 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 Group	
	30 June 2014	31 December 2013
Payables suppliers	34 543	29 444
Payable to related parties	1 426	1 789
Prepayments	610	329
In total	36 579	31 562

13. OTHER PAYABLE AMOUNTS

Other payable amounts consisted of the following:

	The Group	
	30 June 2014	31 December 2013
Accumulated expenses	-	484
Leave reserve	7 986	7 986
Payable salaries	2 459	2 230
Payable social insurance	1 429	1 544
Payable taxes, except for the profit tax	488	490
Provisioning	907	1 077
Other short-term liabilities	3 568	1 430
In total	16 837	15 241

Outstanding balances at the end are unsecured and interest free for them.



**ŽEIMAITIJOS PIENAS AB INTERIM REPORT
FOR THE PERIOD OF SIX MONTHS OF 2014 AND
INTERIM CONSOLIDATED UNAUDITED
FINANCIAL STATEMENT FOR THE PERIOD OF
SIX MONTHS OF 2014**

**2014
Telšiai**

AB „ŽEMAITIJOS PIENAS“
Įmonės kodas 180240752



**ŽEMAITIJOS PIENAS AB CONSOLIDATED INTERIM REPORT
FOR THE PERIOD OF SIX MONTHS OF 2014**



AB „ŽEMAITIJOS PIENAS“
Įmonės kodas 180240752

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AB „ŽEMAITIJOS PIENAS“
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1. Accounting period, for which interim report is prepared

The report covers the first half of 2014 in compliance with conditions, requirements and procedures laid out in the legislation.

2. Main data on the Issuer

Company Name	„Žemaitijos pienas“ JS
Legal organizational form	Joint-stock Company
Date of registration	Joint-stock Company was registered on 23 June 1993
Company code	180240752
VAT code	LT802407515
Authorized capital	48 375 000 LTL, divided into 48 375 000 ordinary registered shares with the nominal value of 1 LTL each.
Office Address	Sedos str. 35, LT-87101 Telšiai
Phone	8-444-22201
Fax	8-444-74897
E-mail	info@zpienas.lt
Website	www.zpienas.lt

3. Information about Company's subsidiary (affiliated) companies and its branches

Subsidiaries controlled by the Company:

Public Limited Company *Šilutės Rambynas ABF*, company code 277141670.

Registration date and place: 09-12-1992 Šilutė district municipality, Šilutė, Klaipėdos str. 3.

Authorized capital – 8.596.650 LTL. *Žemaitijos pienas AB* owns 87,82% of shares.

Address - Klaipėdos str. 3, Šilutė.

Nature of business – production of ferment cheese.

Affiliated Company *Muižas piens SIA*, Company code 40003786632.

Company holds 32 proc.

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

Nature of business – retail and wholesale trade



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Žemaitijos pienas AB branches :

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

4. Main business activity

Main business activity of *Žemaitijos pienas AB* is the development and production (EVRK 155000) of dairy products (fermented cheese and cheese products, prepacked cheese and cheese products, melted cheese and cheese products, cream, curd cream, butter dairy spreads, mixed spreads, milk fat, scalded cream, buttermilk, whey and dry milk products, fresh dairy products (milk, sour cream, curd, curd products, yoghurts, desserts, glazed curd cheese, sour milk products)), their disposal of in Lithuanian and international markets.

Main business activity of *Šilutės Rambynas ABF* is the development, production and sale of fermented cheese and cheese products, the production and sale of scalded milk, scalded whey and concentrated scalded whey.

II. INFORMATION ABOUT ISSUER'S AUTHORISED CAPITAL, SECURITIES, SHAREHOLDERS AND MANAGEMENT BODIES

5. Information about agreements with brokers on public trading in securities

On 16 July 2004 the Company concluded an agreement with *Šiaulių bankas AB* (which address is Tilžės str. 149, Šiauliai) regarding the transfer of Company's issued securities accounts management to *Šiaulių bankas AB* from 23 July 2004.

6. Details of the Company's shares and its' trading on regulated markets

ISIN code	LT0000121865
Ticker	ZMP1L
List/segment	BALTIC ECONDRARY LIST
Nominal value	1,00 LTL
Type of securities of the issuer	Ordinary registered shares
Total number of securities	48 375 000
Number of listed securities	48 375 000

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Listing date	13.10.1997
Total number of the shares with voting right	46 304 379 unit
Number of shares controlled by Company	2 070 621 unit

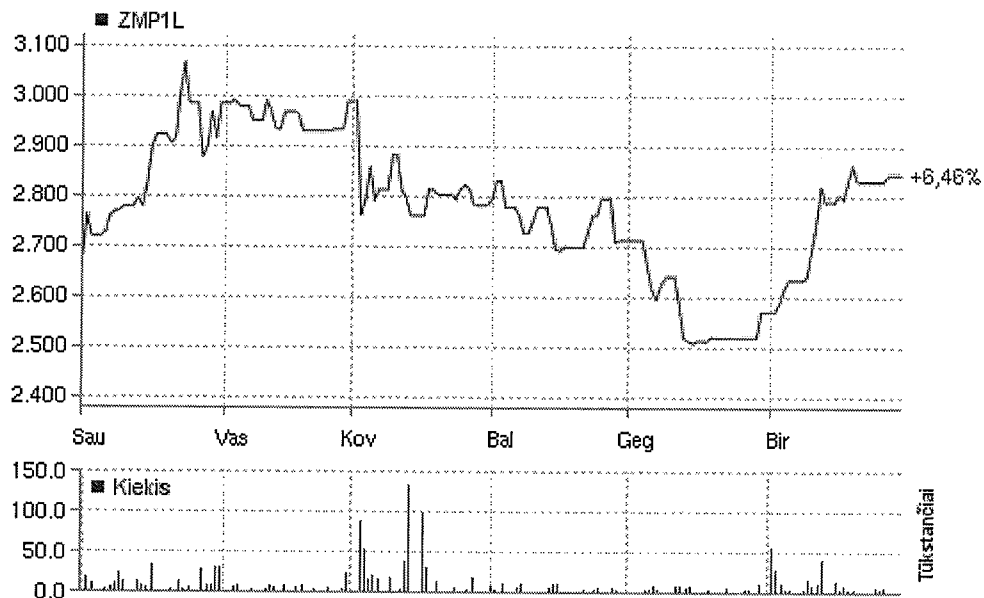
Only the Company's issued shares (ticker ZMP1L) are quoted in the secondary list of stock exchange of "NASDAQ OMX Vilnius". Securities ISIN code is LT0000121865.

Below are presented transactions in respect of *Žemaitijos Pienas AB* shares at Vilnius Stock Exchange during the period of the six month of 2014 and price dynamics. The graphics are taken from website of NASDAQ OMX Vilnius:

[http://www.nasdaqomxbaltic.com/market/?instrument=LT0000121865&list=3¤cy=LTL&date=2014-01-](http://www.nasdaqomxbaltic.com/market/?instrument=LT0000121865&list=3¤cy=LTL&date=2014-01-01&pg=details&tab=historical&lang=lt&downloadcsv=0&start_d=1&start_m=1&start_y=2014&end_d=30&end_m=6&end_y=2014)

[01&pg=details&tab=historical&lang=lt&downloadcsv=0&start_d=1&start_m=1&start_y=2014&end_d=30&end_m=6&end_y=2014](http://www.nasdaqomxbaltic.com/market/?instrument=LT0000121865&list=3¤cy=LTL&date=2014-01-01&pg=details&tab=historical&lang=lt&downloadcsv=0&start_d=1&start_m=1&start_y=2014&end_d=30&end_m=6&end_y=2014)

Securities trading period from January to June in 2014.



History of securities trading

Indicators	2010	2011	2012	2013	2014
Opening price	1,040	2,414	2,344	2,072	2,817
High price	2,572	2,659	2,538	2,876	3,066
Low price	1,020	1,916	1,851	2,058	2,500
Last price	2,414	2,344	2,072	2,672	2,593
Turnover (units)	7 623 027	4 945 124	1 514 200	2 864 080	1 384 644
Turnover (millions)	11,74 LTL	11,10 LTL	3,32 LTL	7,20 LTL	3,87 LTL
Capitalization (millions)	116,75 LTL	113,41 LTL	100,22 LTL	129,28 LTL	125,44 LTL

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It is noted that the sale in other Stock Exchange Markets and other organized markets have not been carried out.

7. Authorized capital

The Authorized Capital of the Company is 48,375,000 LTL. It consists of 48,375,000 ordinary registered shares. A par value of such a share is 1 LTL.

8. Acquisitions of the own shares

During the financial year 2011, *Žemaitijos pienas AB* via the Stock Exchange Market NASDAQ OMX Vilnius, as the official tender submarket, bought 10 units of *Žemaitijos pienas AB* milk ordinary registered shares of 1 (one) Litas par value for 18.00 LTL

The Company acquired 1 360 units of shares for the sum of 2 992 LTL by an order at NASDAQ OMX Vilnius Stock Market in December 2012. All shares a fully paid by the Company.

The Company acquired 710 611 units of own shares for 1567 LTL in 2013.

During the first half of 2014 the Company has neither acquired, nor sold its own shares.

9. Shareholders and their rights

Number of shareholders under the informatikon of 21st April of 2014 is 3 245 shareholders. The list of the shareholders owning or holding more than 5 % of *Žemaitijos Pienas AB* authorized capital and votes are as follows:

No.	Shareholder	The number of shares under ownership	The share of the authorized capital and votes under ownership, %	The share of votes in possession together with associated parties ¹ , %
1	Pažemeckas Algirdas Personal code:	21 589 380	44,63	50,88
2	SEB SA OMNIBUS ² (funds/inst clients), Luxembourg	3 413 962	7,06	7,06
3.	Pažemeckienė Danutė Personal code	3 025 820	6,25	50,88
4	Klaipėdos pienas AB, Company code 240026930, Šilutės road. 33, 91107	2 901 844	6	6

¹ Data on managed share of capital with associated parties may not be accurate, since it is hard to determine relations among separate parties;

² There are no data on legal entity's code and office registration;

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	Klaipėda			
5	Other shareholders	17 443 994	36,06	36,06

All issued shares provide shareholders with equal rights as provided in Lithuanian Law on Companies, other legislation and the Statute of the Company.

Restrictions on the transfer of securities or other constraints do not exist. Shareholders exercise property and non-property rights and have responsibilities under the Lithuanian Law on Companies and the Statute of the Company.

Restrictions on voting rights. All the Company's shares, which give the right to vote, are of the equal nominal value. Each share gives one vote during the General Meeting of Shareholders.

The rights of shareholders:

to receive the portion of the Company's profit (dividend); to receive a portion of the Company's assets in a case of its liquidation; to receive free shares, if authorized capital is being increased by the Company's own funds, except in the cases provided for in the laws; where the shareholder is a natural person, he has a right to bequeath all or part of his shares to one or more individuals; to sell or to transfer all or part of the shares to other individuals in accordance with procedures and terms defined in the law or by other means;

Non-property rights of the shareholders of the Company:

Participate in the Meetings; to vote in the Meetings, according to the rights determined by the shares; to get non-confidential information on economic activity of the Company; to elect or be elected to management and supervisory bodies, to occupy any position in the Company, unless otherwise established by the Lithuanian Law on Companies and the Company's Article of Association; to give specific suggestions in order to improve Company's financial, economical, organizational and other activities, appeal against decisions or actions made in the Shareholders Meetings, made by the Supervisory Council, Management Board and CEO, where it violates the Laws of the Republic of Lithuania, Company's Article of Association, property and non-property rights of the shareholders. One or more shareholders are entitled without specific authorizations to claim for the damages made to shareholders.

The individual acquires all rights and responsibilities, granted by the share of acquired Company's authorized capital and (or) voting rights: in the case of increasing the authorized capital – from the day the amendments to Article of Association related to the increase of authorized capital and (or) voting rights have been registered. In other cases, from the moment the proprietary to Company's authorized capital and (or) to voting rights has emerged.

10. Risk management

The company applies risk management methodologies to qualify main risk factors, to determine risk management priorities, to prepare risk management plans and to manage properly and timely risk inherent in the company's operations.

The company is engaged in the activity milk processing, so the main risk factors affecting or capable to affect and create company's business risk are possible changes in raw materials and products markets, possible political, legal, social and technological changes, which are directly or

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indirectly related to *Žemaitijos pienas AB* business and which may negatively influence Company's cash flows and activity results.

Company's main raw material is milk, the amount of which to be sold for processing for Europe Union's producers is limited by national milk quotas. Restrictions of raw material supply may cause the lack of raw material and increase raw material prices. These changes may negatively affect Company's cash flows and activity results.

The Company's activity (in particular the collection of milk and transportation) requires a labour-intensive activity. Changing fuel prices and increasing employees' wages may negatively affect Company's growth potential and activity results.

Monitoring the uncontrolled raw milk price increase in the market and being unable to compensate it by increasing the efficiency, sales prices, and savings and by other actions, there is a real threat to fail to sustain positive results. As the main product being produced by Company is hard cheese, which accounts for the largest share of the Company's turnover, and the price of this cheese in the European markets is falling, the total result is to be compensated by other products categories. The production capacity in those product categories where the global markets had a positive change in the selling price is very limited; besides, the sudden change of focus is not always possible due to long-term cooperation agreements with customers as well as the desire to maintain the relationships.

The Company focuses on production of fresh dairy products and cheeses; the main part of income consists of the sales of those products. Consequently the negative demand and price changes in fresh dairy products and cheeses may have impact on the Company's income, net profit and overall financial position.

Company's employees are entitled to express their opinion about or to draw inferences from any issues related to the Company's activities and/or to indicate risk factors, which may in any way influence the Company's activities. Advanced "Lean" methods, which should help to increase Company's competitiveness and efficiency, enable employees to activities mentioned above – this is a continuous process, so positive results are expected in the coming reporting year. Mastering and installation of advanced methods, staff training is in the primary stages.

The risk associated with sales in foreign markets and in order to prevent of occurrence of loss because of insolvency of buyers, avoidance of pay and/or other factors, such a risk is prohibited; this tool enables to protect Company from the occurrence of loss.

11. Substantial information on activity results

Key indicators reflecting the activity of the Group in the first half of 2014 (in thousands of LTL) in comparison to the same period last year:

Financial indicators	Groups	
	First half of 2014	First half of 2013
Turnover	280.534	256.850
Gross profit	43.811	39.118
Profit before taxes, interest and amortization	16.271	18.000
Profit before taxes	10.447	9.492
Amount of investments to long-term assets	11.761	7.656

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Comparison of tonnage and prices of purchased raw milk in the first half of 2104 and in the first half of 2013.

Raw milk purchases (recalculated based on standard fat)	First half of 2014	First half of 2013
Amount of purchased milk, in thousands of tons	132	127
Price of purchased milk, LTL/t	968	879

During the first half of 2014 and first half of 2013, the sold production in Lithuania and export distribution by product type was the as follows (in thousands LTL):

Product groups	Turnover, thousands of LTL	
	First half of 2014	First half of 2013
Fermented cheese	131.722	123.313
Fresh dairy products	76.317	75.405
Butter and fat mix	16.943	18.701
Dry milk products	20.369	15.637
Ice cream	26	44
Other	35.157	23.750
Viso	280.534	256.850

12. Activities plans, development and forecasts

The long-terms goals of *Žemaitijos Pienas AB* are to become strong, technically modern, reliable company attractive to investors; to create a profitable market for its production in the Europe Union and the Baltic States; to retain the highest quality of its products; to use fully existing production capacities; to systematically accumulate intellectual capital.

The main current goals of the Company:

- to purchase milk under market conditions, but no more expensive than raw milk is purchased by other market participants in Lithuania;
- to increase sales at prices favorable to the Company. To focus attention on the main collection of the strongest products and to maintain at least 20% share of the domestic market. In the foreign markets to focus on sales of higher-value added products;
- to strengthen marketing functions and name of the Company;
- to reduce production expenses and products cost;
- as soon as possible to abandon economically inefficient production;
- to reduce distribution expenses;
- encourage employees only for the final results and fulfillment of plans.

The company understands the importance of human resources to Company's results, so in the near future it is intended to focus on team building, development of competence and

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qualification, specific skill formation, review and improvement of motivational systems. Situation in the labour market is seen as insufficient, so the main conditions to attract and maintain the best people in strategic areas, markets and other substantial positions are being prepared.

As it is hard to predict economic situation in Europe Union and the State, the Group of Žemaitijos pienas refrains from publishing turnover and profit forecasts for the second half of 2014.

13. Environmental issues

Žemaitijos pienas AB, dairy products producing and selling Company, is classified according the criteria set out in the IPPC permit environmental rules in Annex 1 to the indicated Equipment group. On 29 December 2006, the Company was granted with Integrated Pollution Prevention and Control permit, which is valid indefinitely, but due to changes, may be adjusted. The Company does not have a negative impact on environment, which reducing would demand emergency measures. The Company plans and implements investments, which would allow reducing the expense of production, activities and energy consumption and in every possible way, would improve environmental conditions of the Company. At the same time we are always ready to solve environmental problems together with community.

In 2008, the Company has implemented the Integrated Management Quality and Food Safety Management System, which generally corresponds to the requirements of standards ISO 9001:2008 and ISO 22000:2005 and plans to implement ISO 14000 Environment Management System.

Natural resources are used economically. In order to reduce pollution, the Company uses the best available production techniques. Impact on the environment is controlled by coordinated monitoring programs.

The Company does not have a significant negative impact on the environment. *Žemaitijos Pienas AB* contaminated wastewater is released for cleaning in the wastewater treatment plants of the tow. Wastewater treatment plants were completely reconstructed by executing Venta – Lielupė River's Basin investment program project worth 44, 43 million LTL. After reconstruction additionally nitrogen and phosphorus in wastewater are being removed. *Telšių vandenys UAB* in order to comply with EU Wastewater Treatment Directive, begins implementation of the project *Sludge treatment plant construction in Telšiai*, which is worth over 24,4 millions LTL. For sewage pollution monitoring the Company acquired wastewater sampling equipment.

In the first half of 2014, the Company has completed the implementation of boiler plant modernization project *10 MW garo katilus naudojančios medienos kuro statyba Telšių mieste* (installation of 10 MW steam boilers using fuel wood in Telšiai) by changing the gas, type of fuel used, to renewable energy sources. After the reconstruction of the boiler house, was put into operation a new biofuel boiler and natural gas will be used as a backup fuel.

The Company is not included in ETS system under the National allocation plan for 2013 – 2020 years.

The Company has developed scenariuos and plans for elimination of possible accidents and their causes, has ammonia refrigeration compressor and gas station store as a dangerous object, hazard identification, risk analysis and assessment of safety.

Waste and packaging are managed in accordance with the environmental requirements. *Žemaitijos Pienas AB* separates secondary raw materials from general waste flow and systematically transmits these waste to collectors and recyclers. In the territory the hazardous and non-hazardous waste is separated, stored and managed in a way that does not negatively impact

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the environment; storage places are respectively marked. Timely the waste is transported to waste disposal companies.

The Company regularly carries out investment projects in order to introduce new modern technologies, which allow a more efficient use of energy resources and reduce pollution. The Company constantly renews its parking lot in order to reduce air pollution in the environment.

In the first half of 2014, the Company under the Lithuanian Environmental Investment Fund (LEIF) program implemented the first part of the project *Žemaitijos pienas AB installation of processing equipment for acid whey to reduce the amount of waste*.

14. Impartial review of the condition, processing activities and development of the Company

Žemaitijos Pienas AB is the old dairy products producing Lithuanian company that cherishes the classic milk production recipes and techniques and seeks to promote and reflect the heritage and old culture of dairy products.

Žemaitijos pienas AB was founded in 1924. Since that time started working Telšiai dairy, the potential of which was considered as rather great. At the end of 1984, Telšiai dairy began to work in new premises, which operated until the biggest in the Baltic States Telšiai cheese manufacturing plant was opened and privatized in 1993. *Žemaitijos pienas AB* was registered on 23rd of June 1993 at the department of Telšiai region, on the 16th of October 1998 it was anew registered at the Ministry of Agriculture of the Republic of Lithuania.

Consulting with the best European and USA companies, focusing on introducing new technologies, as well as using the most advanced membrane technology of milk purification *Bactocatch* has allowed the Company to increase the variety of products and improve their quality. In 2006, the State Food and Veterinary Service of the Republic of Lithuania has declared that the Order No. 4-104 “On Granting the Veterinary Supervision Number” of 1995 07 20 is no longer in effect and has approved that *Žemaitijos pienas AB* is in compliance with the requirements of the new veterinary regulations for production of milk products by giving the approval number 78-01 P.

Impeccable work is the face of the company, which testifies the reliability and solidity of ŽEMAITIJOS PIENAS, in anchoring the market of the country by its products and proclaiming the Samogitia region and Lithuania in the world.

The experience of many years and unique formulas allow offering consumers a wide selection of products of excellent taste and high quality. Today, the company produces dairy products over 200 different names both new and already favored by the consumers, e.g. a new group of organic dairy products DOBILAS. The products of MAGIJA trademark earned trust of consumers from the moment they were introduced and became strikingly popular. The consumers also favoured fermented and melted cheeses as well as non-ripened peelable cheese sticks PIK-NIK, which are one-of-the-kind in Lithuania. On 8 March a cheerful celebration of the 10th anniversary of manufacturing this exceptional product was organized, where we remembered that PIK-NIK was winning awards in international and national exhibitions almost every year.

Consumers also enjoy other products, such as milk, kefir, yoghurt, sour cream, cream, curd and glazed curd cheese, natural and flavoured butter and many other products. The Company also promotes national culinary heritage. Homemade fresh curd cheese and *Žemaitiškas kastyrys* (Samogitian sour cream butter) of *Žemaitijos pienas AB* are only made from traditional raw materials and additives, in line with the traditional technology. Therefore, these products of exceptional taste were awarded certificates of Lithuanian Culinary Heritage Foundation and bear the special mark of the Foundation.

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The experience of many years and unique formulas allow offering consumers a wide selection of products of excellent taste and high quality. Consulting with the best European and USA companies, focusing on introducing new technologies, as well as using the most advanced membrane technology of milk purification *Bactocatch* has allowed the Company to increase the variety of products and improve their quality. The Company produces fresh dairy products, butter, fermented and melted cheese, dry milk products.

Company's products are favored by the consumers in Lithuania and foreign countries. *Žemaitijos pienas AB* products are exported to the European Union, the Baltic countries, Russia, Belarus, Ukraine, Israel, Croatia, and other countries.

Most of the *Žemaitijos pienas AB* products corresponds to European as well as global standards and are awarded with golden medals and diplomas in international exhibitions.

In 2006, the State Food and Veterinary Service of the Republic of Lithuania by the order of Director of the Service – Order No. B1-800 “On veterinary endorsement of the subject of animal food management” of 13 12 2006 – declared that the Order No. 4-104 “On Granting the Veterinary Supervision Number” of 1995 07 20 is no longer in effect and has approved that *Žemaitijos pienas AB* is in compliance with the requirements of the new EU veterinary regulations for production of milk products and granted the Company with the number 78-01 P.

Besides, in 2006 German certification body DAkkS inspected *Žemaitijos pienas AB* laboratory's conformity to DIN EN ISO/IEC 17025:2000 requirements and confirmed the conformity by the conformity certification DAkkS with registration number DAP-PL-3977.00.

In 2007, the Company started to produce organic products. *Ekoagros PI* confirmed that *Žemaitijos pienas AB* meets requirements of EU Council Regulation EC No. 889/2008 as well as the rules of organic agriculture. Certified organic products are as follows: organic cheese, organic milk, organic yogurt, and other products. Currently the Company has been expanding its range of organic products: in 2010 was certified organic hard cheese, in 2011 the Company started to produce organic curd and glazed curd cheese and 2012 – organic curd cheese and organic sour milk.

In May of 2008, *Žemaitijos pienas AB* on the basis of purchasing-selling transaction has acquired 87,82 % (754 938 units) of ordinary registered shares of *Šilutės Rambynas ABF*, which were managed by *Žemaitijos pieno investicija AB* under ownership for 10 878 000 LTL, that is 14,41 Litas were paid for one share.

Žemaitijos pienas AB and *Šilutės Rambynas AB-F* focus on safety and quality of products as well as on customers' needs. Therefore, in 2008, began to develop an integrated food safety and quality management system (under the requirements of ISO 22000:2005 and ISO 9001: 2008).

Žemaitijos pienas Group in 2009 has developed a single integrated food safety and quality management system (IMSKVS), according to requirements of international standards of ISO 9001 and ISO 22000, which was certified by accredited inspection and technical evaluation of the company Bureau Veritas Lit. in 30th April of 2009.

Certification areas - development, production and sales of dairy products. ISO 9001 – the Certificate of Management System – shows that the Company has implemented a quality management system to ensure the efficient management of the company based on worldwide shared values and goals. ISO 22000 – Food Safety Management System Certificate – shows that the Company ensures food safety throughout the production and supply chain up to the time of consumption. Companies with ISO 22000 certification, pay special attention to the production and the environment, good hygiene and good manufacturing practices, implemented to ensure the safety and quality of the final product.

In 01 10 2013, European Commission in the register of traditional specialties included Samogitian sour cream butter. This is the fifth Lithuanian product, which has acquired the name of

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the product protected by the European Union. Recognition at EU level enables the product label with special EU logo with the indication "traditional specialty guaranteed". This shows that the name of the product is protected from any direct or indirect commercial use, imitation or evocation, or other activities that could mislead consumers.

The increased globalization of the supply chain process and the changes in sales markets, there are additional requirements for the level of food safety assurance. One of the requirements of such is an IFS certificate in order to export the Company's dairy products to Germany. In April 7-15 2014, an independent international Det Norske Veritas certification body auditors recognized *Žemaitijos pienas AB* IMSKVS IFS compliance with IFS requirements, and provides the highest level of certification evaluation. IFS - an international food safety standard, which is used worldwide as supplier evaluation system. In 2003, it was composed by the German retail federation Associate - Hauptverband des Deutschen Einzelhandel (HDE) and its counterpart in France.

The main criteria of the standard:

- Capable to control critical control points (CCP) identification number;
- Conducting SVT monitoring system (with clear records and regular inspections);
- Management ensuring that employees are aware of their responsibilities and the results of job performance is measured;
- Traceability of the product;
- Implementation of the corrective action.
- The standard applies to all suppliers of food processing levels, except the agricultural stage.

15. Significant events happened after the end of financial years

Awards in 2014

- 40 % fat cheese *Džiugas*, matured 24 months and produced by *Žemaitijos pienas AB*, in the National cheese exhibition "Prague 2014" in the hard cheese category was rated as "excellent" (22 01 2014, Prague).
- *Džiugas Gourmet* cheese in 180 g packaging, matured 36 months and produced by *Žemaitijos Pienas AB*, evaluated for its exceptional aroma and taste in the CENA 2014 Danubius Gastro exposition (30 01 2014-02 02 2014, Incheba Expo Bratislava, Slovakia).
- *Žemaitijos Pienas AB* Souvenir set of hard cheeses with *Džiugas Mild*, *Džiugas Delicate*, and *Džiugas Gourmet* awarded a gold medal at the International Food Exhibition ПРОДЭКСПО – 2014 for packaging innovation and convenience of use (10-14 02 2014, Moscow)
- Melted cheese with onions *Snack* (100 grams), produced by *Žemaitijos Pienas AB*, awarded a silver medal at the International Food Exhibition ПРОДЭКСПО – 2014 for packaging innovation and convenience of use (10-14 02 2014, Moscow).
- Hard cheese *Džiugas Mild*, matured 12 months and produced by *Žemaitijos Pienas AB*, the winner of the Most Popular Hard Cheese 2013 competition organized in 2014 by the Association of Lithuanian Trade Enterprises as "The Most Popular Product 2013" (03 04 2014 Vilnius).

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- Hard cheese *Džiugas*, matured 12 months and produced by *Žemaitijos Pienas AB* the winner of the Most Popular Hard Cheese 2013 competition organized in 2014 by the Association of Lithuanian Trade Enterprises as “The Most Popular Product 2013” (04 03 2014Vilnius).
- 9 % semi-fat curd, produced by *Žemaitijos Pienas AB*, the most popular curd at competition “The Most Popular Product 2013” organized by the Association of Lithuanian Trade Enterprises (04 03 2014Vilnius).
- Glazed curd cheese *Magija*, produced by *Žemaitijos Pienas AB*, the most popular Glazed curd cheese at competition “The Most Popular Product 2013” organized by the Association of Lithuanian Trade Enterprises (04 03 2014Vilnius).
- Hard cheese *Džiugas*, matured 24 months and produced by *Žemaitijos pienas AB* in the 18th international exhibition “EuroGastro 2014“ was recognized as the best product (27 03 2014 Warsaw)
- *Džiugas* cheese recognized as the Brand of the Year 2014 for popularising a Lithuanian brand name abroad (25-26 03 2014, Nielsen, Verslo Žinios).
- 10 % fat organic yoghurt-sour cream *Dobilas* produced by *Žemaitijos pienas AB* awarded the gold medal *AgroBalt2014* (20th international agriculture, food and packaging industry exhibition) (3-5 04 2014, Kaunas).
- 8 % fat glazed curd cheese *Pinas-Burboninė vanilė*, 100 g., produced by *Žemaitijos pienas AB* awarded gold medal *AgroBalt2014* (20th international agriculture, food and packaging industry exhibition) (3-5 04 2014, Kaunas).
- Hard cheese *DŽIUGAS Gourmet 36 months*, produced by *Žemaitijos pienas AB* got three stars in food and drink evaluation contest *Superior Taste Award 2014*, organized by *International Taste and Quality Institute (iTQi)* (6th of May, Brussels).
- 3,5-4,6 % fat natural organic yoghurt *Dobilas* produced by *Žemaitijos pienas AB* got two stars in food and drink evaluation contest *Superior Taste Award 2014*, organized by *International Taste and Quality Institute (iTQi)* (6th of May, Brussels).
- Glazed vanilla curd cheese *Magija* produced by *Žemaitijos pienas AB* got one star in food and drink evaluation contest *Superior Taste Award 2014*, organized by *International Taste and Quality Institute (iTQi)* (6th of May, Brussels).

Acknowledgement in 2014

- Lithuanian Scouts to *Žemaitijos pienas AB* “For assistance in the organization of the 15th song contest “A lot of beautiful songs I have heard” in the memory of chief scout Feliksas Šakalys” (18 01 2014).

15. Bodies of the Issuer

Issuer's bodies are the General Meeting of Shareholders, the Supervisory Board, the Board and the Managing Director (Chief Executive Officer) as well as the Company's administration, subordinated to Managing Director. The Management Bodies are the Board of Directors and Managing Director.

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Supervisory Board is meant as a collegial Supervisory Body, which function is to supervise Company's business. The Board is governed by its chairman. The Company's Board consists of 3 members elected by the General Meeting of Shareholders for four years. According to The Articles of Association, the number of tenure of the Board member is unlimited.

The Company's Board is meant as a collegial Management Body that represents shareholders of the Company during the Meetings as well as making decisions on the key issues of the Company's business. The procedures of the Board are established by the regulations of procedures of the Board. The Board consists of 5 members. The Board members are elected for a period of four years, but not longer, by the Supervisory Board. The number of tenure of the Board is unlimited. The Board is governed by its chairman, elected by the Board from among its members.

The head of the Company is Chief Executive Officer, who acts under the Articles of Association of the Company, under decisions both of the General Meeting of Shareholders and the Board and other local acts of the Company.

Chief Executive Officer plans daily activities of the Company and carry out the actions necessary to carry out Company functions, to implement the decisions of the Company Bodies and to warrant the movement of activities of the Company.

Company's bodies act in accordance with the laws of the Republic of Lithuania as well as with other requirements, set out in legal acts and the Articles of Association of the Company. The Company's bodies are elected, appointed and recalled in accordance with regulations set out in the above mentioned documents.

16. Members of collegial Company Bodies

16.1. Supervisory Board

Full Name	Position at issuer	Number of owned shares in units and a part of authorized capital %	Beginning of tenure	End of tenure	Start working at Žemaitijos pienas
Romusas Jarulaitis	Chairman of Supervisory Board, (manager) ³	1 105 510 2,29	2011 04 08	2015 04 07	1988 01 26
Robertas Pažemeckas	Member of Supervisory Board (i.e.p. General Manager) ⁴	-	2011 04 08	2015 04 07	2002 08 26
Gražina Norkevičienė	Member of Supervisory Board	-	2014 04 25	2018 04 25	-

³ Pareigos einamos emitente darbo santykių pagrindu;

⁴ Pareigos einamos emitente darbo santykių pagrindu;

16.2. The Company Board

Full Name	Position at issuer	Number of owned shares in units and a part of authorized capital %	Beginning of tenure	End of tenure	Start working at Žemaitijos pienas
Algirdas Pažemeckas	Chairman of the Board, Adviser	21 589 380 44,63	2011 05 01	2015 04 30	1986 12 26
Marius Dromantas	Member of the Board, Director of Logistics ⁵	-	2011 05 01	2015 04 30	2003 12 01
Dalia Gecienė	Member of the Board, Chief Accountant	475 160	2014 02 07	2018 02 07	1986 07 29
Remigijus Bieliauskas	Member of the Board, Production Manager ⁶		2014 02 07	2018 02 07	2002 05 05

16.3. Administration

Full Name	Position	Number of owned shares in units	A part of authorized capital %
Robertas Pažemeckas	L.e.p. The General Manager	21 589 380	44,63
Dalia Gecienė	Chief Accountant	475 160	1,01

During the first half of 2014 neither the Management Bodies, nor Supervisory members were granted warranties and vouchers related to assurance of fulfilling its obligations.

17. Transactions with related parties

⁵ Position is the issuer up the employment relationship;

⁶ Position is the issuer up the employment relationship;

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There are no agreements to which the Issuer is a party and which take effect, alter or terminate upon the change in the issuer's control.

The Issuer has not entered into an agreement with its employees or members of bodies which provided compensation if they resign or are fired without valid reason or if their employment is terminated due to change of control of the issuer.

18. Employees

Based on the data of 30th of December 2014, *Žemaitijos pienas AB* employs 1225 people. This number during the year slightly decreased, as compared to the respective period of the last year, when 1424 people were working.

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

Employees' groups with respect to their background:

Number of employees with respect to their background	2014 06 30	2013 06 30	2012 06 30
Master Degree	40	35	22
Higher education	136	202	184
College education	270	290	343
Vocational education	263	224	199
Secondary education	378	427	440
Incomplete secondary education	138	64	92
Total number:	1225	1242	1280

Žemaitijos Pienas AB, the number of employees in accordance with their respective groups, and their average salary according to respective groups of employees:

The number of employees by groups	2014 06 30		2013 06 30		2012 06 30	
	Number of employees	Average salary	Number of employees	Average salary	Number of employees	Average salary
Managers	15	7681	24	7197,4	61	6236
Experts	248	3443	279	3156,6	244	2692
Workers	962	2429	939	1958,5	975	2042
Total number:	1225		1242		1280	

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Šilutės Rambynas AB employees average salary according to respective groups of employees:

The number of employees by groups	2012 16 30		2013 06 30		2014 06 30	
	Number of employees	Average salary	Number of employees	Average salary	Number of employees	Average salary
Managers	4	5080,44	4	6165,66	6	6629,48
Experts	53	2402,70	48	2651,50	78	3062,85
Workers	151	1827,17	137	1946,32	104	2071,14
Total number:	208	2037,39	189	2214,71	188	2628,07










Žemaitijos pienas AB and Šilutės Rambynas AB employees' rights and duties are specified in their job profiles and other local acts. Employment agreements do not specify any special rights or duties.

As part of human resources policy, the Company aims to create and develop long-term relationships with its employees. Employees have the opportunity to improve their knowledge and skills. The Company has prepared training programs for workers in production, production technicians, productions operators, production operators-metalworkers, production experts.










19. Data on publically disclosed information

About all essential events Žemaitijos Pienas AB in accordance with procedures, set out its Article of Association and regulations of the Republic of Lithuania, informed the Supervisory Authority of the Bank of Lithuania and the Vilnius Stock Exchange (*NASDAQ OMX AB*, Vilnius). Announcements were published in the central database of regulatory information and Company's website www.zpienas.lt. Notices of shareholders' meetings in addition were published in the daily newspaper *Valstiečių laikraštis*. Information on the transactions of Managers was announced during the Vilnius Stock Exchange (NASDAQ OMX, Vilnius) system (website).

During accountig period have been announced events as follows:

18.08.2014 09:47:10	VLN	Žemaitijos pienas	For sales of dairy products in the Russian market
30.05.2014 14:41:03	VLN	Žemaitijos pienas	Žemaitijos pienas AB three-month preliminary result in 2014 Attachments: 
12.05.2014 10:35:41	VLN	Žemaitijos pienas	For possible threat to Telšiai town and Žemaitijos pienas AB
30.04.2014 13:48:50	VLN	Žemaitijos pienas	Financial statements for 2013 Attachments:    
25.04.2014 17:21:21	VLN	Žemaitijos pienas	Decisions of the ordinary general Meeting of the shareholders held on 25 th April 2014. Attachments:    
04.04.2014	VLN	Žemaitijos	Projects of the ordinary Meeting of the shareholders

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14:36:07		pienas	Attachments:        
28.03.2014 16:01:24	VLN	Žemaitijos pienas	<u>The calling of the ordinary General Meeting of Shareholders</u>
28.03.2014 15:38:27	VLN	Žemaitijos pienas	<u>The calling of the ordinary General Meeting of Shareholders</u>
28.02.2014 15:55:59	VLN	Žemaitijos pienas	Unaudited preliminary <i>Žemaitijos Pienas AB</i> Group 2013 operating results, Attachments: 
10.02.2014 13:23:01	VLN	Žemaitijos pienas	Due to the Company's Board Members
07.02.2014 16:27:34	VLN	Žemaitijos pienas	For the decisions of the extraordinary General Meeting of Shareholders
24.01.2014 11:19:26	VLN	Žemaitijos pienas	For the projects of decisions of the extraordinary General Meeting of Shareholders <u>(ADDITED/CORRECTED)</u>
17.01.2014 13:34:17	VLN	Žemaitijos pienas	the projects of decisions of the extraordinary General Meeting of Shareholders
09.01.2014 10:44:33	VLN	Žemaitijos pienas	<u>The calling of the extraordinary General Meeting of Shareholders (edited)</u>
08.01.2014 10:31:18	VLN	Žemaitijos pienas	For <u>the</u> calling of the General Meeting of Shareholders

Company's published material events is placed in the archive by address - http://www.nasdaqomxbaltic.com/market/?pg=news&issuer=ZMP&start_d=1&start_m=1&start_y=1996.

20. The procedure of emendation of the Articles of Association

Žemaitijos Pienas AB activities are governed by the laws of the Republic of Lithuania and other articles, regulating the activities of legal persons.

Žemaitijos Pienas AB Articles of Association may be changed in accordance with the Laws the Republic of Lithuania.

21. Information regarding compliance with the Corporate Governance Code

The Company seeks to comply with the standards of the Corporate Governance Code. Information about how the company complies with the specific articles of the Corporate Governance Code is provided with the 2013 annual report. All information is also available on the company's website www.zpienas.lt.