

## Confirmation of Responsible Persons

29 February 2016 *1R-16-04-121*

Telšiai

Following the Article No. 22 of the Law on Securities of the Republic of Lithuania and Rules on Preparation and Submission of Periodical and Additional Information of the Board of the Bank of Lithuania, we, Robertas Pažemeckas, General Manager and Dalia Gecienė, Chief Financier of stock company *Žemaitijos pienas*, hereby confirm that, to the best of our knowledge, interim consolidated Financial Statements for the period of 2015 of *Žemaitijos pienas*, AB company group, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of consolidated company group assets, liabilities, financial position, profit (loss) and cash flows. The interim Financial Statements were not audited.

General Manager



Robertas Pažemeckas

Chief Financier



Dalia Gecienė



**AB „ŽEMAITIJOS PIENAS”**

**UNAUDITED INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS FOR THE PERIOD ENDED  
31 DECEMBER 2015**

**1. Balance sheets**

	<b>Group</b>	
	<b>As of 31 December 2015</b>	<b>As of 31 December 2014</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Intangible assets	124	192
Property, plant and equipment	25 601	18 292
Investment property	147	174
Available – for – sale investments	1	1
Investments into subsidiaries	-	-
Non-current receivables	877	4 705
Other financial assets	27	15
Deferred income tax asset	3 047	1 452
<b>Total non-current assets</b>	<b>29 824</b>	<b>24 831</b>
<b>Current assets</b>		
Inventories	26 091	24 944
Prepayments	360	722
Trade receivables	10 722	9 056
Receivables from subsidiaries	-	-
Receivables from other related parties	1 907	1 288
Other receivables	1 115	1 216
Deposits	-	-
Cash and cash equivalents	10 223	7 018
<b>Total current assets</b>	<b>50 418</b>	<b>44 244</b>
<b>Total assets</b>	<b>80 242</b>	<b>69 075</b>

**Balance sheets (cont'd)**

	<b>Group</b>	
	<b>As of 31 December 2015</b>	<b>As of 31 December 2014</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Equity attributable to equity holders of the parent</b>		
Share capital	14 029	14 010
Own shares (-)	(1 323)	(1 323)
Legal reserve	1 401	1 401
Other reserves	4 566	4 566
Retained earnings	38 123	32 417
	<u>56 796</u>	<u>51 071</u>
Minority interest	997	654
<b>Total shareholders' equity</b>	<u><b>57 793</b></u>	<u><b>51 725</b></u>
<b>Non-current liabilities</b>		
Grants received	1 595	2 133
Long-term loans from related parties	-	-
Financial lease obligations	-	32
Deferred income tax liability	-	-
Other current liabilities	2	5
<b>Total non-current liabilities</b>	<u><b>1 597</b></u>	<u><b>2 170</b></u>
<b>Current liabilities</b>		
Current portion of non-current loans		-
Current portion of non-current financial lease obligation	32	75
Trade payables and other current liabilities	19 986	14 358
Payables to subsidiaries	-	-
Payables to other related parties	268	503
Income tax payable	566	244
<b>Total current liabilities</b>	<u><b>20 852</b></u>	<u><b>15 180</b></u>
<b>Total liabilities and shareholders' equity</b>	<u><b>80 242</b></u>	<u><b>69 075</b></u>

ŽEMAITIJOS PIENAS, AB

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

**Interim consolidated unaudited financial statement for the period of 12 months, 2015**

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

## 2. Income statements

	<b>Group</b>			
	<b>01 January 2015 – 31 December 2015</b>	<b>01 January 2014 – 31 December 2014</b>	<b>01 October 2015 - 31 December 2015</b>	<b>01 October 2014 – 31 December 2014</b>
Sales	149 114	161 164	36 248	39 822
Cost of sales	(112 347)	(134 813)	(22 218)	(30 123)
<b>Gross profit</b>	<b>36 767</b>	<b>26 351</b>	<b>14 030</b>	<b>9 699</b>
Operating expenses	(30 715)	(23 490)	(11 313)	(8 129)
Other operating income, net	295	332	62	94
<b>Profit from operations</b>	<b>6 347</b>	<b>3 193</b>	<b>2 779</b>	<b>1 664</b>
Financial and investment activities, net	173	197	101	4
<b>Profit before income tax</b>	<b>6 520</b>	<b>3 390</b>	<b>2 880</b>	<b>1 668</b>
Income tax	(475)	(753)	915	282
<b>Net profit</b>	<b>6 045</b>	<b>2 637</b>	<b>3 795</b>	<b>1 950</b>

### 3. Cash flow statements

	Group	
	As of 31 December 2015	As of 31 December 2014
<b>Cash flows from to) operating activities</b>	6 045	2 637
Net profit		
<b>Adjustments for non-cash items:</b>		
Depreciation and amortization	3 948	6 568
(Profit) loss from disposal and write-offs of property, plant and equipment and intangible assets	(35)	(85)
Result from financial and investment activities	(135)	(197)
Decrease ( increase ) values of inventories	1 620	(1 095)
Decrease ( increase ) values of receivables	3 514	83
Income tax expenses	(1 594)	(786)
Other non-cash (income) expenses	-	122
	<u>13 363</u>	<u>7 247</u>
<b>Changes in working capital:</b>		
Decrease ( increase) in inventories	(2 767)	8 797
(Increase ) in trade receivables	(2 186)	(2 056)
Decrease in prepayments and other current assets	362	(284)
Decrease in other receivables	60	65
Increase in other long-term payables	-	-
Increase ( decrease ) terminable deposits	-	-
Increase( decrease) in trade payables, payables to related parties	1 016	2 409
Increase (decrease) in other current liabilities	4 686	(1 819)
<b>Net cash flows from operating activities</b>	<u>14 534</u>	<u>14 359</u>
(Acquisition) of property, plant and equipment and intangible assets	(11 201)	(6 856)
Disposal of property, plant, and equipment	72	317
Daughter enterprise liquidation( acquisition), own shares	-	-
Repayment of loan granted	912	1 215
Loans granted	(655)	(3 984)
Interest received	136	121
<b>Net cash flows (to) investing activities</b>	<u>(10 736)</u>	<u>(9 187)</u>

ŽEMAITIJOS PIENAS, AB

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

**Interim consolidated unaudited financial statement for the period of 12 months, 2015**

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

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

	<b>Group</b>	
	<b>As of 31 December 2015</b>	<b>As of 31 December 2014</b>
<b>Cash flows from (to) financing activities</b>		
The increase in the nominal value of the shares on the EUR conversion	22	-
Cash, (transferred) during reorganization		
Loans received	-	2 653
(Repayment) of loans	-	(3 107)
Financial lease (payments)	(75)	(123)
Sponsorship received	27	1 101
Other revenue from financial activities	-	84
Amortization of grants received	(566)	(764)
Interest (paid)	(1)	(13)
<b>Net cash flows (to) financial activities</b>	<b>(593)</b>	<b>(169)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>3 205</b>	<b>5 003</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>7 018</b>	<b>2 015</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>10 223</b>	<b>7 018</b>

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**Interim consolidated unaudited financial statement for the period of 12 months, 2015**

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

#### 4. Statements of changes in equity

<u>Group</u>	Attributable to shareholders of the Company							
	Share capital	Own shares(-)	Legal reserve	Other reserves	Retained earnings	Total	Minority interest	Total
<b>Balance as of 31 December 2013</b>	<b>14 010</b>	<b>(1 323)</b>	<b>1 401</b>	<b>4 566</b>	<b>29 748</b>	<b>48 401</b>	<b>687</b>	<b>49 088</b>
Dividends, payment from return					-	-		-
Reserves formation from return				-	-	-		-
Acquisition own shares		-				-		-
Net profit for the twelve months	-		-		2 669	2 669	(32)	2 637
<b>Balance as of 31 December 2014</b>	<b>14 010</b>	<b>(1 323)</b>	<b>1 401</b>	<b>4 566</b>	<b>32 417</b>	<b>51 071</b>	<b>654</b>	<b>51 725</b>
The increase in the nominal value of the shares on the EUR conversion	19			-	3	22	-	22
Own shares		-				-	-	-
Dividends, tantiems estimated from return					-	-	-	-
Net profit for the twelve months	-	-	-	-	5 703	5 703	343	6 045
<b>Balance as of 31 December 2015</b>	<b>14 029</b>	<b>(1 323)</b>	<b>1 401</b>	<b>4 566</b>	<b>38 123</b>	<b>56 796</b>	<b>997</b>	<b>57 793</b>



## 5. Notes to the financial statements

### General information

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

As of 31 December 2014 and as of 31 December 2013 the share capital of the Company was LTL 48.375 thousand, which consisted of 48.375 thousand ordinary shares with a normal value of LTL 1 each. All the shares of the Company are issued, subscribed and fully paid. Subsidiaries did not hold any shares of the Company as of 31 December 2015 and as of 31 December 2014.

During the 2012-2014 year the Company has acquired 2.070.621 units of its own shares for 4.569 thousand LT.

Since 2015 of the 1 of January, when the Lithuania Republic was joined to the euro zone, according the Lithuania Republic public and private companies share capital and securities denominated in nominal values of these companies and according the Law on Amendments to the Bylaws, by 2014-11-04 AB Lithuanian Central State Depository the Board decision AB Žemaitijos pienas the nominal value of the issued shares changed from 1 LTL to EUR 0,29. Shares of the nominal value changed of 1 LTL to EUR 0,29 and approved by the Company's shareholder's meeting in 2015 04 24. Changing shares of nominal the value of the Company's authorized capital, ie. the total nominal value of issued shares became EUR 14.028.750.

As of 31 December 2015 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 2014 12 31	Total equity holding 2015 12 31	Main activities
ABF „Šilutės Rambynas“	Klaipėdos g. 3, Šilutė, Lietuva	87,82%	87,82%	3 150	5 374	8 182	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.

As of 31 December 2015, the number of employees of the Group was 1 391 (according of 31 December 2014 – 1 371).

**Basis of preparation**

By 31 of December 2014 Litas was the Lithuanian and the Company's functional currency. Since the 1 of January 2015 Lithuanian national currency is the Euro. The Euro has become the Company's functional currency. The previous year comparative information translated at the official exchange ratio conversion to the euro: 1 euro = 3,4528 per share.

**Statement of compliance**

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 2015	As of 31 December 2014
Sales, thousand EUR	149 114	161 164
Gross profit, thousand EUR	36 767	26 351
EBITDA, thousand EUR	10 469	7 115
Current ratio (for the period ended 31 December 2015)	2,42	2,91
Book ratio (for the period ended 31 December 2015)	1,19	1,07

**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 2015	As of 31 December 2014
<b><u>Sales</u></b>		
Lithuania	75 669	81 528
Other Baltic States and CIS countries	20 332	32 827
Other European countries	42 355	39 844
Other	10 758	6 965
	<b>149 114</b>	<b>161 164</b>

